

## AUDIT PANEL

**Day:** Tuesday  
**Date:** 4 June 2019  
**Time:** 2.00 pm  
**Place:** Committee Room 3

Item No.	AGENDA	Page No
1.	<b>APOLOGIES FOR ABSENCE</b> To receive any apologies for the meeting from Members of the Panel.	
2.	<b>DECLARATIONS OF INTEREST</b> To receive any declarations of interest from Members of the Panel.	
3.	<b>URGENT ITEMS</b> To consider any additional items the Chair is of the opinion shall be dealt with as a matter of urgency.	
4.	<b>MINUTES</b> The Minutes of the meeting of the Audit Panel held on 12 March 2019 to be signed by the Chair as a correct record.	1 - 6
5.	<b>MAZARS ASSURANCE REPORT 2018-19</b> To consider the attached report of the Director of Finance	7 - 20
6.	<b>REVIEW OF INTERNAL AUDIT 2018-19</b> To consider the attached report of the Director of Finance	21 - 118
7.	<b>CORPORATE RISK REGISTER UPDATE</b> To consider the attached report of the Director of Finance	119 - 124
8.	<b>RISK MANAGEMENT AND AUDIT SERVICES ANNUAL REPORT 2018-19</b> To consider the attached report of the Head of Risk Management and Audit	125 - 152
9.	<b>ANNUAL GOVERNANCE REPORT</b> To consider the attached report of the Director of Finance	153 - 216
10.	<b>ACCOUNTING POLICIES 2018/19</b> To consider the attached report of the Director of Finance	217 - 238
11.	<b>RISK MANAGEMENT AND AUDIT SERVICES PLANNED WORK 2019-20</b> To consider the attached report of the Head of Risk Management and Audit	239 - 284

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From: Democratic Services Unit – any further information may be obtained from the reporting officer or from Michael Garraway, to whom any apologies for absence should be notified.

12.	<b>2018/19 DRAFT STATEMENT OF ACCOUNTS</b>	285 - 484
	To consider the attached report of the Director of Finance	

## AUDIT PANEL

12 March 2019

**Present:** Councillors Ricci (Chair), J Homer (Deputy Chair), Fairfoull and J Fitzpatrick

**In Attendance:**

Sandra Stewart	Director of Governance & Pensions
Kathy Roe	Director of Finance
Tom Wilkinson	Assistant Director of Finance
Ilys Cookson	Assistant Director of Exchequer, Governance and Pensions
Wendy Poole	Head of Internal Audit
Karen Murray	Mazars
Stephen Nixon	Mazars

**Apologies for Absence:** Councillors Bailey, Kitchen, Peet and Bell

### 25. DECLARATIONS OF INTEREST

There were no declarations of interest.

### 26. DECLARATIONS OF INTEREST

There were no declarations of interest.

### 27. MINUTES

The Minutes of the proceedings of the meeting of the Audit Panel held on 23 October 2018 were agreed and signed as a correct record.

### 28. EXTERNAL AUDIT PLAN FOR 2018/9 - COUNCIL

Consideration was given to the Audit Strategy Memorandum for 2018/19 Mazars, the appointed External Auditor for Tameside Metropolitan Borough Council, for the year ending 31 March 2019.

The plan provided an overview of the planned scope and timing of the statutory audit of the Council. The Panel were advised that the submitted Audit Plan set out the audit work required on the Council's financial statements and also the Value for Money conclusion. The Plan highlighted some of the Council's key challenges and their responses to these. The report also noted audit risks that had been identified and outlined how the External Auditors planned to address these risks through their ongoing work.

### RESOLVED

**That Mazars Audit Strategy Memorandum for 2018/19, be noted.**

### 29. EXTERNAL AUDIT PLAN FOR 2018/9 - GREATER MANCHESTER PENSIONS FUND

Consideration was given to the Audit Strategy Memorandum for 2018/19 Mazars, the appointed External Auditor for Greater Manchester Pension Fund, for the year ending 31 March 2019.

The plan provided an overview of the planned scope and timing of the statutory audit of the Greater Manchester Pension Fund. The Panel were advised that the submitted Audit Plan set out required actions to enable Mazars to form and express an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit plan provides an overview of the planned scope and timing of the statutory audit of Greater Manchester Pension Fund.

**RESOLVED**

**That Mazars Audit Strategy Memorandum for 2018/19, be noted.**

**30. EXTERNAL AUDIT PROGRESS REPORT**

The Audit Panel considered the submitted External Audit Progress Report from Mazars the Council's appointed External Auditors for 2018/19. The report provided the Audit Panel with an update on External Audit progress in delivering their responsibilities in delivering their responsibilities as the Council's External Auditors.

**RESOLVED**

**That the report be noted.**

**31. ACCOUNTING POLICIES 2018/19 - COUNCIL**

Consideration was given to a report of the Director of Finance which sought approval of the Accounting Policies for 2018/19 as detailed at Appendix 1 within the submitted report; and, approval of management's assessment that the preparation of the accounts on a going concern basis was appropriate

The Accounting Policies adopted by the Council determine the accounting treatment that is applied to transactions during the financial year and in the preparation of the Statement of Accounts at the year end. They determine the specific principles, bases, conventions, rules and practices that will be applied by the Council in preparing and presenting its financial statements. The accounting policies themselves are published within the Statement of Accounts in accordance with International Financial Reporting Standards (IFRS), as adopted by the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Local Authority Accounting ('the Code').

The approval of the Accounting Policies to be applied by the Council demonstrates that due consideration was being given to which policies to adopt and apply and that those charged with corporate governance are fully informed of the policies that are being adopted, prior to the commencement of the preparation of the Statement of Accounts.

The Panel were advised that Officers had assessed the Accounting Policies that are deemed necessary to explain clearly and underpin the accounting treatment of transactions within the Council's Statement of Accounts for 2018/19. In undertaking this assessment a review of all accounting policies previously agreed had been undertaken to check their relevance, clarity, legislative compliance and that they are in accordance with the latest version of 'the Code' and IFRS requirements.

It was reported there were two main changes to the 2018/19 Code of Practice on Local Authority Accounting to reflect the adoption of IFRS15 (Revenue from contracts with customers) and IFRS9 (Financial Instruments), with a review of those streams in progress. The adoption of IFRS9 would impact on the accounting treatment of the Council's shareholding in Manchester Airport. Discussions were taking place across the Greater Manchester Authorities to ensure accounting policies were consistent and appropriate.

The Panel were informed that critical judgements made in applying Accounting Policies as well as the assumptions made about the future and other major sources of estimated uncertainty need to be reviewed by the Panel and agreed.

#### **RESOLVED**

- 1. That the accounting policies detailed at Appendix 1 within the submitted report, be approved.**
- 2. That any changes to accounting policies required to reflect the requirements of IFRS9 and IFRS15 will be reported to a future meeting of the Audit Panel.**
- 3. That the submitted assessment of the preparation of the accounts on a going concern basis is appropriate be approved.**
- 4. That the critical judgements and major sources of estimation uncertainties as detailed within section 5 of the submitted report, be noted.**

### **32. ACCOUNTING POLICIES 2018/19 - GREATER MANCHESTER PENSIONS FUND**

Consideration was given to a report of the Director of Finance informing the Audit Panel of the governance arrangements for approval of the accounts for Greater Manchester Pension Fund (GMPF) as part of the accounts of Tameside MBC as the administering authority.

The Director of Finance highlighted the key assumptions for estimates used in the Greater Manchester Pension Fund accounts.

#### **RESOLVED**

- 1. That the governance arrangements for approval of Greater Manchester Pension Fund accounts be noted.**
- 2. The assumptions for estimates used in the Greater Manchester Pension Fund accounts be noted.**

### **33. RISK BASED VERIFICATION**

Consideration was given to a report of the Director of Finance which sought approval for Housing Benefit not to be processed using the Risk Based Verification Policy with effect from 01 April 2019 and that Housing Benefit continues to be processed in accordance with regulation 86 of the Housing Benefit Regulations 2006 using real time information provided by the Department of Work and Pensions and HMRC.

The Risk Based Verification Policy was introduced in April 2013 to improve processing times of Housing Benefit new claims and changes in circumstances. Evidence to support claims was gathered depending on how the claim was risk scored. Due to improvements in data sharing and technology most evidence required was now available to the Housing Benefit service via other means therefore, the need to apply a risk score in line with the Risk Based Verification Policy was no longer required to improve processing times.

The Audit Panel were advised that advice had been sought from the Department of Work and Pensions regarding the steps that must be taken by a local authority to cease to process claims under the Risk Based Verification Policy. The Department of Work and Pensions had advised that it was appropriate to cease to use Risk Based Verification Policy when processing claims and that revoking of use of the Policy should preferably take place at the commencement of a new finance year to ensure that external auditors would be clear under what rules the subsidy claim should be audited.

#### **RESOLVED**

- 1. That Housing Benefit is no longer processed using the Risk Based Verification Policy with effect from 01 April 2019.**

2. **That Housing Benefit continues to be processed in accordance with regulation 86 of the Housing Benefit Regulations 2006 using real time information provided by the Department of Work and Pensions and HMRC.**

**34. PROGRESS REPORT ON RISK MANAGEMENT AND AUDIT ACTIVITIES APRIL TO JANUARY 2019**

Consideration was given to a report of the Head of Internal Audit advising Members of the work undertaken by the Risk Management and Audit Service between April 2018 and January 2019.

Examples of the audit work undertaken in each directorate and a summary of the audit opinions issued in relation to system based audit work and also schools during the period was provided.

Members were advised that during the period April 2018 to January 2019, eleven Final reports had been issued in relation to systems, risk and managed audits, additionally three draft reports had been issues for management review and responses. Nine school audit reports had been completed with a further five draft reports issued for responses.

The Head of Internal Audit advised that not all work undertaken by the team generates an audit opinion and several pieces of work undertaken in the period fall into this category included:

- Troubled Families
- Pension Fund Annual Return Compliance Checks
- Grant Certifications for Greater Manchester Combined Authority
- System Sign Offs for new and upgraded systems
- Pension Fund assurance Work
- People and Workforce Development Assurance Work
- Investigation Control Reports

**RESOLVED:**

**That the report and performance of the Service Unit for the period April 2018 and January 2019 be noted.**

**35. CHARTERED INSTITUTE OF PUBLIC FINANCE AND ACCOUNTANCY - FRAUD AND CORRUPTION TRACKER REPORT FOR TAMESIDE**

Consideration was given to a report of the Head of Internal Audit advising Members of the contents of report produced by the Chartered Institute of Public Finance and Accountancy Counter Fraud Centre entitled Fraud and Corruption Tracker 2018.

The report is based on the findings from the Chartered Institute of Public Finance and Accountancy's Fraud and Corruption Tracker Survey which was completed in May/June 2018 and captured data for 2017/18. The report compares Tameside to other Metropolitan Unitaries and it focuses on common fraud types specific to local authorities.

**RESOLVED**

**That the report be noted.**

**36. RISK MANAGEMENT**

Consideration was given to a report of the Director of Finance updating Members on Risk Management across the Strategic commission

The Director of Finance submitted a report detailing the Risk Management Policy and Strategy for 2018/2020 and the Corporate Risk Register, copies of which were appended to the report.

It was explained that risk management was facilitated by the Risk Management and Audit Service and risks were owned by members of the Single Leadership Team, with support from Assistant Directors, managers and staff. The Single Leadership Team had been consulted with and their comments had been incorporated into the updated risk register.

It was reported that work plan has been agreed which will aim to complete:

- A single corporate risk register is to be created covering the risks of the Council and the Tameside and Glossop Clinical Commissioning Group (CCG). As the format in both organisations is very different the Head of Risk Management and Audit will work with colleagues from the CCG to devise a format that meets the requirements of both organisations;
- A Risk Development Session is to be organised for the Single Leadership Team;
- Standardise the criteria for assessing Impact and Likelihood;
- Assess how to measure risk, as the CCG use two levels (Initial Impact and Controlled Impact) whereas the Council only scores the Controlled Risk;
- Review the Business/Service Planning Template to ensure it captures keys risks;
- Review the output from Business Continuity work that is underway, to highlight any significant issues that need to feed into the risk register;
- To work with service areas to create operational risk registers to support the corporate risk register.

**RESOLVED**

**That the report be noted**

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# Agenda Item 5.

<b>Report To:</b>	<b>AUDIT PANEL</b>
<b>Date:</b>	4 June 2019
<b>Reporting Officer:</b>	Kathy Roe – Director of Finance Wendy Poole – Head of Risk Management and Audit Services
<b>Subject:</b>	<b>MAZARS – ASSURANCE FROM AUDIT PANEL CHAIR AND MANAGEMENT 2018/2019</b>
<b>Report Summary:</b>	Mazars as part of their risk assessment procedures are required to obtain an understanding of management processes in relation to fraud risk assessment, laws and regulations and going concern considerations as part of their annual audit. The report presents the response to the letters and questionnaires received from Mazars for consideration by the Panel ahead of the document being signed by the Chair of the Panel and the Director of Finance.
<b>Recommendations:</b>	That members scrutinise and comment on the responses detailed in <b>Appendix 1</b> and <b>Appendix 2</b> , so that the schedules can be signed by both the Chair of the Audit Panel and the Director of Finance ahead of them being provided to Mazars.
<b>Corporate Plan:</b>	The Report demonstrates the Council is committed to high levels of Corporate Governance.
<b>Policy Implications:</b>	External audit of the Council supports the achievement of Council objectives and demonstrates a commitment to high standards of corporate governance.
<b>Financial Implications:</b> (Authorised by the statutory Section 151 Officer and Chief Finance Officer)	There are no direct financial implications.
<b>Legal Implications:</b> (Authorised by the Borough Solicitor)	Demonstrates compliance with the International Auditing Standards.
<b>Risk Management:</b>	Ensuring that the Council meets the required standards in terms of management assurance in relation to fraud risk assessment, laws and regulations and going concern considerations supports corporate governance objectives and ensures risk is minimised.
<b>Access to Information:</b>	The background papers can be obtained from the author of the report, Wendy Poole, Head of Risk Management and Audit Services by:  Telephone: 0161 342 3846  e-mail: <a href="mailto:wendy.poole@tameside.gov.uk">wendy.poole@tameside.gov.uk</a>

## 1 INTRODUCTION

- 1.1 To comply with International Auditing Standards, Mazars need to establish an understanding of the management processes in place to prevent and detect fraud and to ensure compliance with the law and regulation. They are also required to make inquiries of both management and the Governing Body as to their knowledge of any actual, suspected or alleged fraud.
- 1.2 International Auditing Standards also place certain obligations on auditors to document management's view on some key areas affecting the financial statements.
- 1.3 The three specific areas covered are Fraud Risk Assessment, Law and Regulation and Going Concern Considerations.

## 2 ASSURANCE FROM AUDIT PANEL CHAIR AND MANAGEMENT

2.1 A letter was sent to the Chair of the Audit Panel requesting responses to a number of questions as follows:

- How do you exercise oversight of management's processes in relation to:
  - undertaking an assessment of the risk that the financial statements may be materially misstated due to fraud or error (including the nature, extent and frequency of these assessments);
  - identifying and responding to risks of fraud in the Council, including any specific risks of fraud which management have identified or that have been brought to its attention, or classes of transactions, account balances, or disclosure for which a risk of fraud is likely to exist;
  - communicating to employees its view on business practice and ethical behaviour (for example by updating, communicating and monitoring against the Council's code of conduct); and
  - communicating to you the processes for identifying and responding to fraud or error.
- How do you oversee management processes for identifying and responding to the risk of fraud and possible breaches of internal control? Are you aware of any breaches of internal control during 2018/19? If so, please provide details.
- How do you gain assurance that all relevant laws and regulations have been complied with? Are you aware of any instances of non-compliance during 2018/19? If so, please provide details.

In addition to the above, which cover the Council's processes and controls, the letter included further questions in an appendix to ascertain your views on fraud.

2.2 **Appendix 1** details the responses to the questioned posed in 2.1 above.

2.3 A letter was also sent to the Director of Finance requesting responses to a number of questions.

- What processes are in place at the Council to:
  - undertake an assessment of the risk that the financial statements may be materially misstated due to fraud or error (including the nature, extent and frequency of these assessments);
  - identify and respond to risks of fraud;
  - communicate to employees the Council's views on business practice and ethical behaviour (for example by updating, communicating and monitoring against relevant codes of conduct); and

- communicate to the Audit Panel the processes for identifying and responding to fraud or error.
- How does management gain assurance that all relevant laws and regulations have been complied with? Have there been any instances of non-compliance during 2018/19?
- Are there any actual or potential litigation or claims that would affect the financial statements?
- What controls are in place to: identify, authorise, approve, account for and disclose related party transactions and relationships. For any new related parties (i.e. any not already disclosed in the previous year's audited financial statements) please provide a list of them, explain their nature, and whether there have been any transactions with these related parties during the year to 31 March 2019.

In addition to the above, which cover the Council's processes and controls, the letter included further questions in an appendix to ascertain your views on fraud.

2.4 **Appendix 2** details the responses to the questioned posed in 2.3 above.

### **3 RECOMMENDATION**

3.1 As set out at the front of the report..

## ASSURANCE PROVIDED BY THOSE CHARGED WITH GOVERNANCE

Ref	Question	Management response
1	<p>How do you exercise oversight of management's processes in relation to undertaking an assessment of the risk that the financial statements may be materially misstated due to fraud or error (including the nature, extent and frequency of these assessments)?</p>	<p>The Council has assessed the risk of material misstatement in the financial accounts and to mitigate the risks has put in place:-</p> <p>Systems of internal control which are tested by Internal Audit on a cyclical basis. Acceptable controls were in place in the majority of the systems reviewed.</p> <p>The Council has an experienced Finance Team in place and the financial statements are prepared in accordance with an agreed action plan and checks and balances are incorporated into the process. Regular monitoring is undertaken, monthly for revenue and quarterly for capital which highlights any deviations from budget. Cost Centre Managers have to comment on all under/overspends.</p> <p>A report was presented to the Audit Panel on 12 March 2019 setting out the accounting policies and estimates for 2018/19 accounts, covering; the proposed accounting policies, the critical judgements made in applying the accounting policies and assumptions made about the future and other major sources of estimated uncertainty within the accounts.</p>
2	<p>How do you exercise oversight of management's processes in relation to identifying and responding to risks of fraud in the Council, including any specific risks of fraud which management have identified or that have been brought to its attention, or classes of transactions, account balances, or disclosure for which a risk of fraud is likely to exist.</p>	<p>Within Internal Audit a dedicated resource is available to respond to all fraud referrals.</p> <p>The Council also has a risk based audit plan which covers key systems and risks and gives assurance to members and officers that the controls in place are operating effectively.</p> <p>Attendance at seminars and fraud groups to ensure that learning is shared and participation in Webinars.</p> <p>The CIPFA Fraud and Corruption Tracker Report and other key fraud reports are reviewed. Fraud Alerts/Bulletins are received from NAFN Data and Intelligence Services and various online resources including CIPFA's TIS Online and the Better Governance Forum.</p> <p>All fraud cases are reported in summary to the Audit Panel and in detail to the Internal Standards Panel.</p> <p>Financial systems are reviewed on a regular basis and high risk areas highlighted from available fraud reports and other intelligence are built into the audit planning process.</p> <p>The learning from frauds is built into audit programmes to ensure that checks undertaken are responsive to issues identified.</p> <p>Where financial irregularities are identified and investigated a control report is produced for management highlighting recommendations for improving the control environment.</p>

Ref	Question	Management response
3	<p>How do you exercise oversight of management's processes in relation to communicating to employees its view on business practice and ethical behaviour (for example by updating, communicating and monitoring against the Council's code of conduct).</p>	<p>Contract Term and Conditions and Partnership agreements are in place.</p> <p>Articles published in the Wire, Chief Executive's Brief and on the staff portal. Manager Team briefings. Code of Conduct in place and on the staff portal. Employment contracts, job descriptions and person specifications and induction.</p> <p>Anti-Fraud, Bribery and Corruption Strategy: Statement of Intent on the staff portal and the public website.</p> <p>Whistleblowing policy in place.</p> <p>Professional staff (e.g. Accountants, Solicitors, Auditors and Social Workers) are also bound by codes of ethics issued by their professional bodies.</p>
4	<p>How do you oversee management processes in relation to communicating to you the processes for identifying and responding to fraud or error?</p>	<p>Progress reports are presented to the Audit Panel by the Head of Risk Management and Audit and these details work undertaken in relation to Fraud.</p> <p>The results of the National Fraud Initiative NFI which cover both Fraud and error are also reported by the Head of Risk Management and Audit.</p>
5	<p>How do you oversee management processes for identifying and responding to the risk of fraud and possible breaches of internal control?</p> <p>Are you aware of any breaches of internal control during 2018/19? If so, please provide details?</p>	<p>The Head of Risk Management and Audit Services reports to every Audit Panel and the reports contain an update on fraud cases. The Panel receives and approves the Fraud Response Plan, Internal Audit Strategy and Charter.</p> <p>All fraud investigations are regularly reported to the Standards Panel.</p> <p>The Annual Governance Statement is presented to the Audit Panel and the process involves that all Directors sign an Assurance Statement and complete a Self-Assessment Checklist to confirm that internal controls have been in place in their Directorate during the year.</p> <p>Where control weaknesses are identified as part of an Internal Audit or investigation recommendations to improve the control environment are included in an Action Plan included in the Final Report.</p>
6	<p>How do you gain assurance that all relevant laws and regulations have been complied with?</p> <p>Are you aware of any instances of non-compliance during 2018/19? If so, please provide</p>	<p>The Annual Governance Statement (AGS) and the associated assurance framework is presented to the Audit Panel, where Directors sign an Assurance Statement which covers that laws and regulations have been complied with.</p> <p>All reports are reviewed by Legal to ensure the legal implications have been fully considered.</p> <p>Significant issues identified by Internal Audit would be highlighted in the Annual Report and progress reports by the Head of Risk Management and Audit Services.</p> <p>No</p>

Ref	Question	Management response
	details.	
7	<p>Are you aware of any actual or potential litigation or claims that would affect the financial statements?</p> <p>If so, please provide details.</p>	<p>The Council holds an internal insurance reserve which is actuarially assessed annually for appropriateness after taking into account insurance claims activity. An insurance portfolio is in place for all major insurance covers, which is also reviewed annually.</p> <p>We have procured Insurance Brokers to provide independent advice and the Insurance Team receive regular industry bulletins keeping them up to date with new claim trends, litigation judgements and risk mitigation strategies.</p> <p>Litigation not covered by the Council's insurers is dealt with in-house by the Borough Solicitor and her Legal Team, who will assess cases on their merits, and ensure the appropriate level of expertise is employed, also ensuring that any potentially large claims are reflected appropriately in the Council's contingency arrangements. If it is assessed that a liability is likely to arise from litigation or claims then an appropriate sum will be included in the financial statements.</p>
8	<p>Have you carried out a preliminary assessment of the going concern assumption and if so have you identified any events which may cast significant doubt on the Council's ability to continue as a going concern?</p> <p>If so, please provide details?</p>	<p>This is led by the Director of Finance (Section 151 Officer) and the Head of Paid Service (Chief Executive).</p> <p>This is undertaken through the budget planning process to ensure the ongoing sustainability of the Council and the budget is approved by Full Council.</p> <p>The Council is assessed as being a going concern.</p> <p>The Budget Report and MTFP are prepared in full consultation with the Single Leadership Team and Executive Cabinet with best estimates of the likely expenditure requirements and the resources available. This allows the Council to rigorously assess that the Council continues to be a going concern.</p> <p>Both Capital and Revenue monitoring continues throughout the year to provide reassurance of its belief. Regular reappraisal of the MTFP takes place together with a daily review of the cash flow.</p> <p>A review of the adequacy of reserves is undertaken by the Director of Finance (Section 151 Officer) each year, and included in the annual budget report.</p>
9	<p>Are you aware of any actual, suspected or alleged instances of fraud during the period 1 April 2018 – 31 March 2019 (if 'yes', please provide details)?</p>	<p>Internal Audit has investigated several allegations of fraud and these are reported to both the Standards Panel on a regular basis and the Audit Panel. Investigations are ongoing in respect of a number of direct payment frauds, a procurement fraud, a theft and a misuse of resources.</p>

Ref	Question	Management response																																		
10	Do you suspect fraud may be occurring within the organisation?	<p>All reported allegations are considered by Internal Audit and either investigated or assistance is provided to management.</p> <p>All cases are reported to the Audit Panel and the Standards Panel by the Head of Risk Management and Assurance.</p> <p>During 2018/19, 34 cases have been referred to Internal Audit. 26 Cases were considered to warrant an investigation and in 8 cases assistance was provided to management. The Tables below provides details of the cases for 2018/19.</p> <table border="1"> <thead> <tr> <th>Fraud Cases</th> <th>No. of Cases</th> </tr> </thead> <tbody> <tr> <td>Cases b/Forward from 2017/18</td> <td>11</td> </tr> <tr> <td>Current Year Referrals</td> <td>15</td> </tr> <tr> <td><b>Total</b></td> <td><b>26</b></td> </tr> <tr> <td>Cases Closed</td> <td>18</td> </tr> <tr> <td>Cases still under Investigation</td> <td>8</td> </tr> <tr> <td><b>Total</b></td> <td><b>26</b></td> </tr> <tr> <td>Assistance Cases</td> <td>8 (3 Active)</td> </tr> </tbody> </table> <table border="1"> <thead> <tr> <th>Fraud Type</th> <th>No. of Cases</th> </tr> </thead> <tbody> <tr> <td>Direct Payment</td> <td>7</td> </tr> <tr> <td>Misappropriation of Service Users monies</td> <td>2</td> </tr> <tr> <td>Procurement</td> <td>3</td> </tr> <tr> <td>Falsifying expenditure claims/ manipulation of Timesheets</td> <td>2</td> </tr> <tr> <td>Misappropriation of public funds</td> <td>4</td> </tr> <tr> <td>Theft</td> <td>6</td> </tr> <tr> <td>Misuse of Resources</td> <td>2</td> </tr> <tr> <td></td> <td><b>26</b></td> </tr> </tbody> </table> <p>Where appropriate learning from irregularity investigations is shared across the Council and with schools.</p>	Fraud Cases	No. of Cases	Cases b/Forward from 2017/18	11	Current Year Referrals	15	<b>Total</b>	<b>26</b>	Cases Closed	18	Cases still under Investigation	8	<b>Total</b>	<b>26</b>	Assistance Cases	8 (3 Active)	Fraud Type	No. of Cases	Direct Payment	7	Misappropriation of Service Users monies	2	Procurement	3	Falsifying expenditure claims/ manipulation of Timesheets	2	Misappropriation of public funds	4	Theft	6	Misuse of Resources	2		<b>26</b>
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11	Have you identified any specific fraud risks within the Council?	<p>Within Internal Audit a dedicated resource is available to respond to all fraud referrals.</p> <p>The Council also has a risk based audit plan which covers key systems and risks and gives assurance to members and officers that the controls in place are operating effectively.</p> <p>Attendance by officers at seminars, fraud groups and participation in Webinars ensures that learning is shared and intelligence is obtained.</p> <p>The CIPFA Fraud and Corruption Tracker Report and other key fraud reports are reviewed. Fraud Alerts/Bulletins are received from NAFN Data and Intelligence Services and various online resources including CIPFA's TIS Online and the Better Governance Forum.</p> <p>All fraud cases are reported to the Standards Panel.</p> <p>Financial systems are reviewed on a regular basis.</p> <p>The high risk areas highlighted from available fraud reports and other intelligence are built into the audit planning process.</p>																																		

Ref	Question	Management response
		<p>The learning from frauds is built into audit programmes to ensure that checks undertaken are responsive to issues identified.</p> <p>Where financial irregularities are identified and investigated a control report is produced for management highlighting recommendations for improving the control environment.</p>
12	<p>Are you satisfied that internal controls, including segregation of duties, exist and work effectively (if 'yes', please provide details)?</p> <p>If not where are the risk areas?</p>	<p>Managers are responsible for implementing systems of internal control and this is confirmed annually in the Assurance Statement and Self- Assessment completed by each Director as part of the Annual Governance Statement process.</p> <p>Internal controls are reviewed by Internal Audit using a risk based audit plan and a standardised system of internal audit. Each audit is concluded by the production of a Final Report which details the recommendations made in terms of any system weaknesses and includes the management response together with a named responsible officer and deadline date. A Post Audit Review is undertaken 6 months (3 months where a low level of assurance I given) after the final is issued to ensure that all recommendations have been implemented. Any significant issues would be reported to the Audit Panel.</p> <p>At the conclusion of a fraud/irregularity investigation a control report is produced making recommendations to systems and again the report includes management responses, a named officer and a deadline date. A Post Audit Review is also conducted to ensure the recommendations have been implemented.</p> <p>As the organisation moves to flatter structures and smaller teams; the audit team has to be responsive to the effects of these changes on the traditional controls like segregation of duties and look for compensating controls/automatic system controls to ensure that the control environment is not adversely affected and the Council put at risk.</p>
13	How do you encourage staff to report their concerns about fraud?	<p>Fraud Response Plan and Whistleblowing Policy in place and available on the intranet/internet.</p> <p>During 2018/19, thirteen new cases were reported to Internal Audit.</p>
14	What concerns about fraud are staff expected to report?	The Whistleblowing Blowing Policy encourages staff to report any concerns of wrongdoing.
15	Are you aware of any related party relationships or transactions that could give rise to instances of fraud?	No



Ref	Question	Management response
16	How do you mitigate the risks associated with fraud related to related party relationships and transactions?	Members are required to make annual declarations of interests and to declare any interest in agenda items at the commencement of all meetings. An annual review of member and Senior Officer declarations of interest is undertaken by the Finance Team as part of the preparation of the annual financial statements.
17	Are you aware of any entries made in the accounting records that you believe or suspect are false or intentionally misleading?	No
18	Are there particular balances in the accounts where fraud is more likely to occur?	No
19	Are you aware of any assets, liabilities or transactions that you believe have been improperly included or omitted from the accounts of the organisation?	No

Signed:

Kathy Roe  
 Director of Finance (Section 151 Officer)  
 Date:

Signed:

Councillor Vincent Ricci  
 Chair of Audit Panel  
 Date:

## APPENDIX 2

### UNDERSTANDING MANAGEMENT PROCESSES AND ARRANGEMENTS

	Question	Management Response
1	What processes are in place at the Council to undertake an assessment of the risk that the financial statements may be materially misstated due to fraud or error (including the nature, extent and frequency of these assessments);	<p>The Council has assessed the risk of material misstatement in the financial accounts and to mitigate the risks has put in place:-</p> <p>Systems of internal control which are tested by Internal Audit on a cyclical basis. Acceptable controls were in place in the majority of the systems reviewed.</p> <p>The Council has an experienced Finance Team in place and the financial statements are prepared in accordance with an agreed action plan and checks and balances are incorporated into the process. Regular monitoring is undertaken quarterly for both revenue and capital which highlights any deviations from budget. Cost Centre Managers have to comment on all under/overspends.</p> <p>A report was presented to the Audit Panel on 12 March 2019 setting out the accounting policies and estimates for 2018/19 accounts, covering; the proposed accounting policies, the critical judgements made in applying the accounting policies and assumptions made about the future and other major sources of estimated uncertainty within the accounts.</p>
2	What processes are in place at the Council to identify and respond to risks of fraud;	<p>Within Internal Audit a dedicated resource is available to respond to all reported fraud. The arrangements in place have been measured against CIPFA's Code of Practice - Managing the Risk of Fraud and Corruption and are compliant.</p> <p>Intelligence is obtained from numerous fraud websites, from NAFN Data and Intelligence Services which is hosted by Tameside MBC and the North West Chief Audit Executives Fraud Sub Group.</p> <p>A Whistleblowing Policy is available on Council's Website and the Intranet for staff/public to raise concerns and whistleblowing referrals are received.</p>
3	What processes are in place at the Council to communicate to employees the Council's views on business practice and ethical behaviour (for example by updating, communicating and monitoring against relevant codes of conduct);	<p>Article in Live Wire</p> <p>Chief Executive's Brief</p> <p>Team Briefs</p> <p>Contracts of Employment/Codes of Conduct</p> <p>Gifts and Hospitality Protocol</p> <p>Professional staff are also bound by their Professional Bodies Ethical Codes of Practice.</p>
4	What processes are in place at the Council to	The Head of Risk Management and Audit presents reports to the Audit Panel throughout the year as follows:

	Question	Management Response
	communicate to the Audit Panel the processes for identifying and responding to fraud or error?	<ul style="list-style-type: none"> <li>• Planned Work Report – May</li> <li>• Progress Reports – October and March</li> <li>• Annual Report – May</li> </ul> <p>The planning report sets out the audit plan for the coming year which is risk based, using criteria which includes Susceptibility to Error/Fraud.</p>
5	How does management gain assurance that all relevant laws and regulations have been complied with? Have there been any instances of non-compliance during 2018/19?	<p>The Annual Governance Statement (AGS) and the associated assurance framework providing assurance that laws and regulations have been complied with as Directors have to sign an Assurance Statement which is based on the completion of a detailed self-assessment which covers this aspect.</p> <p>All reports are reviewed by Legal to ensure the legal implications have been fully considered.</p> <p>Significant issues identified by Internal Audit would be highlighted in the Annual Report and progress reports by the Head of Risk Management and Audit Services.</p> <p>Legal Bulletins are circulated by the Director of Governance and Pensions (Borough Solicitor) to all managers keeping them up to date with changes in the law.</p>
6	Are there any actual or potential litigation or claims that would affect the financial statements?	<p>The Council holds an internal insurance reserve which is actuarially valued regularly for Insurance claims. An insurance portfolio is in place for all major insurance covers, which is reviewed annually.</p> <p>We have procured Insurance Brokers to provide independent advice and the Insurance Team receive regular industry bulletins keeping them up to date with new claim trends, litigation judgements and risk mitigation strategies.</p> <p>Litigation not covered by the Council's insurers is dealt with in-house by the Borough Solicitor and her Legal Team, who will assess cases on their merits, and ensure the appropriate level of expertise is employed, also ensuring that any potentially large claims are reflected appropriately in the Council's contingency arrangements.</p> <p>If it is assessed that a liability is likely to arise from litigation or claims then an appropriate sum will be included in the financial statements.</p>
7	What controls are in place to: identify, authorise, approve, account for and disclose related party transactions and relationships. For any new related parties (i.e. any not already disclosed in the previous year's audited financial statements) please provide a list of them, explain their nature, and whether there have been any	<p>Members are required to make annual declarations of interests and to declare any interest in agenda items at the commencement of all meetings. An annual review of member and Senior Officer declarations of interest is undertaken by the Finance Team as part of the preparation of the annual financial statements. This review includes: Review of all Member disclosed interests, obtaining declarations from all Directors and Assistant Directors, review of payments and receipts totals by supplier and comparison to declared interests. The identified related parties are reviewed by Senior Officers in the finance team and disclosures approved by the Assistant Director of</p>

	Question	Management Response																																		
	transactions with these related parties during the year to 31 March 2019.	Finance and Director of Finance. The review of related parties for 2018/19 is currently in progress and will be concluded by early May 2019.																																		
8	Are you aware of any actual, suspected or alleged instances of fraud during the period 1 April 2018 – 31 March 2019 (if 'yes', please provide details)?	<p>A number of irregularities were investigated during the year but they did not present any risk to the compilation of the Council's accounts.</p> <p>During 2018/19, 34 cases have been referred to Internal Audit. 26 Cases were considered to warrant an investigation and in 8 cases assistance was provided to management. The Tables below provides details of the cases for 2018/19.</p> <table border="1"> <thead> <tr> <th>Fraud Cases</th> <th>No. of Cases</th> </tr> </thead> <tbody> <tr> <td>Cases b/Forward from 2017/18</td> <td>11</td> </tr> <tr> <td>Current Year Referrals</td> <td>15</td> </tr> <tr> <td><b>Total</b></td> <td><b>26</b></td> </tr> <tr> <td>Cases Closed</td> <td>18</td> </tr> <tr> <td>Cases still under Investigation</td> <td>8</td> </tr> <tr> <td><b>Total</b></td> <td><b>26</b></td> </tr> <tr> <td>Assistance Cases</td> <td>8 (3 Active)</td> </tr> </tbody> </table> <table border="1"> <thead> <tr> <th>Fraud Type</th> <th>No. of Cases</th> </tr> </thead> <tbody> <tr> <td>Direct Payment</td> <td>7</td> </tr> <tr> <td>Misappropriation of Service Users monies</td> <td>2</td> </tr> <tr> <td>Procurement</td> <td>3</td> </tr> <tr> <td>Falsifying expenditure claims/manipulation of Timesheets</td> <td>2</td> </tr> <tr> <td>Misappropriation of public funds</td> <td>4</td> </tr> <tr> <td>Theft</td> <td>6</td> </tr> <tr> <td>Misuse of Resources</td> <td>2</td> </tr> <tr> <td></td> <td><b>26</b></td> </tr> </tbody> </table>	Fraud Cases	No. of Cases	Cases b/Forward from 2017/18	11	Current Year Referrals	15	<b>Total</b>	<b>26</b>	Cases Closed	18	Cases still under Investigation	8	<b>Total</b>	<b>26</b>	Assistance Cases	8 (3 Active)	Fraud Type	No. of Cases	Direct Payment	7	Misappropriation of Service Users monies	2	Procurement	3	Falsifying expenditure claims/manipulation of Timesheets	2	Misappropriation of public funds	4	Theft	6	Misuse of Resources	2		<b>26</b>
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9	Do you suspect fraud may be occurring within the organisation?	See above.																																		
10	Have you identified any specific fraud risks within the Council?	<p>Financial systems are reviewed on a cyclical basis to ensure that they are fit for purpose and the controls are operating effectively. No major issues have been identified in any of the systems.</p> <p>Payment systems are considered to present more risks as they are open to external risk factors like the bank mandate fraud.</p>																																		
11	Are you satisfied that internal controls, including segregation of duties, exist and work effectively (if 'yes', please provide details)?	Internal Audit has undertaken a number of audits/reviews during 2018/19 to review the Council's internal control processes and the results of their work are reported to the Audit Panel by the Head of Risk Management and Audit Services. Where improvements have been highlighted, managers have agreed to implement the suggested																																		

	Question	Management Response
		<p>recommendations. This will aid the management of risks and support the overall control environment.</p> <p>Senior Management is responsible for the control environment and work with Internal Audit throughout the year to ensure that any proposed changes to systems and processes do not adversely affect the control environment.</p> <p>With a reducing work force more reliance is being placed on technological controls rather than on conventional controls like segregation of duties.</p> <p>All Directors sign Assurance Statements annually for the Annual Governance Statement to confirm that internal controls have been in place in their Directorate during the year.</p> <p>The Head of Risk Management and Audit presents an Annual Report to the Audit Panel in May summarising the work of Internal Audit and providing an opinion on the control environment.</p>
12	If not where are the risk areas?	All Internal Audits and Investigations generate a Draft and Final Report which detail recommendations made to improve the control environment where improvements are identified. Post Audit Reviews are undertaken six months (three months where a low level of assurance was given) after the Final Report was issued to ensure recommendations have been implemented, thus improving the controls in place.
13	How do you encourage staff to report their concerns about fraud?	Fraud Response Plan and Whistleblowing Policy in place and available on the intranet/internet. During 2018/19, 15 new cases were reported to Internal Audit.
14	What concerns about fraud are staff expected to report?	The Whistleblowing Blowing Policy encourages staff to report any concerns of wrongdoing.
15	Are you aware of any related party relationships or transactions that could give rise to instances of fraud?	No
16	How do you mitigate the risks associated with fraud related to related party relationships and transactions?	Members are required to make annual declarations of interests and to declare any interest in agenda items at the commencement of all meetings. An annual review of member and Senior Officer declarations of interest is undertaken by the Finance Team as part of the preparation of the annual financial statements.
17	Are you aware of any entries made in the accounting records that you believe or suspect are false or intentionally misleading?	No
18	Are there particular balances	The risk of fraud in the financial statements is considered to



	Question	Management Response
	in the accounts where fraud is more likely to occur?	be generally low due to the nature of transactions and balances relating to the Council. The Council has a system of internal control in place which is tested on a cyclical basis by Internal Audit and no significant fraud risks have been identified. Controls in place in respect of receipts of payments are considered to be strong and minimise the risk of fraud. The Council has minimal physical assets which could be at risk of appropriation (such as stocks and stores). There are no incentives for officers to manipulate the revenues or assets of the Council.
19	Are you aware of any assets, liabilities or transactions that you believe have been improperly included or omitted from the accounts of the organisation?	No
20	Could a false accounting entry escape detection? If so, how?	The potential for a false accounting entry to escape detection is considered to be very low due to the segregation of duties and compensating controls, reconciliations and review processes in place across all financial systems. A false accounting entry would require collusion between a number of officers across different teams and is therefore considered to be extremely unlikely.
21	Are there any external fraud risk factors, such as collection of revenues?	Payment systems are considered to present more risks as they are open to external risk factors like the bank mandate fraud.
22	Are you aware of any organisational or management pressure to meet financial or operating targets?	No
23	Are you aware of any inappropriate organisational or management pressure being applied, or incentives offered, to you or colleagues to meet financial or operating targets?	No pressure is being applied or incentives offered to meet financial or operating targets. All senior officers within the Finance Team are members of professional bodies and bound by a code of ethics.
24	What arrangements has the Council put in place in response to the Bribery Act 2010?	The Council has put in place guidance for Managers and Employees which is available on the Staff Portal.

Signed:

Dated:

Kathy Roe  
Director of Finance (Section 151 Officer)

# Agenda Item 6.

<b>Report To:</b>	<b>AUDIT PANEL</b>
<b>Date:</b>	4 June 2019
<b>Reporting Officer:</b>	Kathy Roe – Director of Finance
<b>Subject:</b>	<b>REVIEW OF INTERNAL AUDIT 2018/19</b>
<b>Report Summary:</b>	The report reviews the effectiveness of Internal Audit and measures practices and performance of the Internal Audit function with the standards set out in the Public Sector Internal Audit Standards which contributes to the overall effectiveness of the system of internal control.
<b>Recommendations:</b>	That the report be noted.
<b>Corporate Plan:</b>	Internal Audit supports the individual operations, which deliver the objectives within the Corporate Plan.
<b>Policy Implications:</b>	Effective Internal Audit supports the achievement of Council objectives and demonstrates a commitment to high standards of corporate governance.
<b>Financial Implications:</b> <b>(Authorised by the statutory Section 151 Officer and Chief Finance Officer)</b>	Effective Internal Audit assists in safeguarding assets, ensuring the best use of resources and the effective delivery of services.
<b>Legal Implications:</b> <b>(Authorised by Borough Solicitor)</b>	Demonstrates compliance with the Accounts and Audit Regulations 2015, which require the Council to “undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”. It also must conduct a review of “the effectiveness of the system of internal control annually”.
<b>Risk Management:</b>	Assists in providing the necessary levels of assurance that the significant risks relating to Council operations are being effectively managed.
<b>Access to Information:</b>	The background papers relating to this report can be inspected by contacting the Report Author, Kathy Roe, Director of Finance by contacting:  Telephone: 0161 342 5609  e-mail: <a href="mailto:kathy.roe@nhs.net">kathy.roe@nhs.net</a>

## 1. INTRODUCTION

1.1 The purpose of this report is to provide the Audit Panel with the background to the review of Internal Audit, the requirements of the Public Sector Internal Audit Standards, the process that has been adopted and details of the review itself.

1.2 It is the responsibility of the Council to conduct the annual review of the effectiveness of the system of internal control in accordance with the Accounts and Audit Regulations 2015 as detailed below and the review of internal audit is one element of the assurance process in place that culminates in the production of the Annual Governance Statement referred to in section 1.5.

### 1.3 Part 2, Section 3 – Responsibility for Internal Control

A relevant authority must ensure that it has a sound system of internal control which:

- (a) facilitates the effective exercise of it's functions and the achievement of it's aims and objectives;
- (b) ensures that the financial and operational management of the authority is effective; and
- (c) includes effective arrangements for the management of risk.

### 1.4 Part 2, Section 5 – Internal Audit

- (1) A relevant body must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account Public Sector Internal Auditing Standards or guidance.
- (2) Any officer or member of a relevant body must, if required to do so for the purpose of the internal audit:
  - (a) Make available such documents and records; and
  - (b) Supply such information and explanation;as are considered necessary by those conducting the internal audit.
- (3) In this regulation "documents and records" includes information recorded in an electronic form.

This is supported by the Council's Financial Regulations, which reflect Internal Audit's statutory authority to review and investigate all areas of the Council's activities in order to ensure that the Council's interests are protected.

### 1.5 Part 2 Section 6 – Review of Internal Control System

- (1) A relevant authority must, each financial year:
  - (a) conduct a review of the effectiveness of the system of internal control required by regulation 3; and
  - (b) prepare an Annual Governance Statement.
- (2) If the relevant authority referred to in paragraph (1) is a Category 1 authority (Tameside MBC falls into this category), following the review, it must:
  - (a) consider the findings of the review required by paragraph (1)(a):
    - (i) by a committee; or
    - (ii) by members of the authority meeting as a whole; and
  - (b) approve the Annual Governance Statement prepared in accordance with paragraph (1)(b) by resolution of:
    - (i) a committee; or
    - (ii) members of the authority meeting as a whole.
- (3) (Excluded as this clause relates to Category 2 authorities and the Council is a Category 1.)



- (4) The Annual Governance Statement, referred to in paragraph (1)(b) must be:
  - (a) approved in advance of the relevant authority approving the statement of accounts in accordance with regulations 9(2)(b) or 12(2)(b) (as the case may be); and
  - (b) prepared in accordance with proper practices in relation to accounts.

## 2. INTERNAL AUDIT IN TAMESIDE

- 2.1 The function is managed by the Head of Risk Management and Audit Services who during 2018/19 reported directly to the Director of Finance (Section 151 Officer).
- 2.2 Internal Audit now comprises of 9.5 FTE staff that have a range of experience and relevant qualifications, and includes two dedicated Fraud Investigators/Counter Fraud Specialists.
- 2.3 The Internal Audit Service is provided to all Directorates/Service Areas together with schools and a comprehensive list of all auditable areas is maintained within the Audit Management System "Galileo". A detailed Annual Audit Plan is produced at the start of each financial year after consultation with both officers and members. Internal Audit also provides services to the Greater Manchester Pension Fund.

## 3. PUBLIC SECTOR INTERNAL AUDIT STANDARDS

- 3.1 The Public Sector Internal Audit Standards (PSIAS) were initially introduced in April 2013 and were updated in 2017. In February 2019 the Chartered Institute of Public Finance and Accountancy (CIPFA) published a PSIAS Application Note for Local Government to supplement the 2017 standards. The standards provide; the Mission of Internal Audit, a definition of Internal Auditing, Core Principles for the Professional Practice of Internal Auditing, a Code of Ethics for Internal Auditors working in the Public Sector and the Standards themselves. The Standards are mandatory for all internal auditors working in the UK public sector.
- 3.2 The mission for Internal Audit is:-  
  
**"To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight".**
- 3.3 The definition of Internal Audit is:-  
  
**"Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes".**
- 3.4 The definition recognises the consultancy work undertaken and emphasises the need to ensure that the audit function is adding value to and improving the organisations operations.
- 3.5 It is recognised in the standards that the provision of assurance work is the primary role for Internal Audit in the UK public sector. The role requires the Chief Audit Executive to provide an annual internal audit opinion based on an objective assessment of the framework of governance, risk management and control. Consulting services are advisory in nature and are generally performed at the specific request of the organisation with the aim of improving governance, risk management and control and contributing to the overall opinion.

3.6 The Core Principles for the Professional Practice of Internal Auditing taken as a whole articulate internal audit effectiveness and confirm that it is achieving the mission of internal audit above. The principles are listed below:-

- Demonstrates integrity;
- Demonstrates competence and due professional care;
- Is objective and free from undue influence (independent);
- Aligns with the strategies, objectives and risks of the organisation;
- Is appropriately positioned and adequately resourced;
- Demonstrates quality and continuous improvement;
- Communicates effectively;
- Provides risk-based assurance;
- Is insightful, proactive and future focused; and
- Promotes organisational improvement.

3.7 The purpose of the Code of Ethics is to promote an ethical culture in the profession of internal auditing. It extends beyond the definition of internal auditing to include two essential components:-

- Principles that are relevant to the profession and practice of internal auditing.
- Rules of conduct that describe behaviour norms expected of internal auditors. These rules are an aid to interpreting the Principles into practical applications and are intended to guide the ethical conduct of internal auditors.
- There are four principles:-
  - **Integrity** – the integrity of internal auditors establishes trust and thus provides the basis of reliance on their judgement.
  - **Objectivity** – internal auditors exhibit the highest level of professional objectivity in gathering, evaluating and communicating information about the activity or process being examined. They make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgements.
  - **Confidentiality** – internal auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.
  - **Competency** – internal auditors apply the knowledge, skills and experience needed in the performance of internal auditing services.

3.8 The standards themselves are divided into two categories and they provide confirmation that both the Core Principles and the Code of Ethics are adhered to by both individuals and entities that deliver internal auditing services:-

- Attribute Standards
- Performance Standards

3.9 Table 1 shows the individual standards within the above two categories.

**Table 1 – Public Sector Internal Audit Standards**

<b>Standards</b>
<b>Attribute</b>
1000 – Purpose, Authority and Responsibility
1100 – Independence and Objectivity
1200 – Proficiency and Due Professional Care
1300 – Quality Assurance and Improvement Programme
<b>Performance</b>
2000 – Managing the Internal Audit Activity
2100 – Nature of Work
2200 – Engagement Planning
2300 – Performing the Engagement
2400 – Communicating the Results
2500 – Monitoring Progress
2600 – Communicating the Acceptance of Risks

#### **4. PEER REVIEW OF INTERNAL AUDIT MARCH 2018**

- 4.1 The Standards require that an external assessment of an organisation's internal audit function is carried out once every five years by a qualified, independent assessor or assessment team from outside of the organisation. External assessments can be in the form of a full external assessment, or a self-assessment with independent external validation.
- 4.2 In collaboration the North West Chief Audit Executives' Group (NWCAE) established a 'peer-review' process that was managed and operated by the constituent authorities. The process addressed the requirement of external assessment by 'self-assessment with independent external validation'.
- 4.3 The Peer Review for Tameside was carried out by Blackpool Council and Bolton Council in March 2018 and confirmed that the Internal Audit Service conformed to the 2013 standards.
- 4.4 A summary report has been produced by the North West Chief Audit Executives' Group, summarising the outcomes for the North West Councils that participated in the collaborative approach adopted. The report can be found at **Appendix 1** for information. It identifies that 17 organisations were reviewed and that 14 conformed and 3 were judged to partially conform to the standards. It presents the common themes and findings categorised into the following headings:-
- Positive Feedback
  - Areas of Improvement
    - Purpose and Positioning
    - Structure and Resources
    - Audit Execution
- 4.5 The outcome report for Tameside was presented to the Audit Panel on 29 May 2018 and it contained five recommendations and three additional development areas and they were included in the Quality Assurance and Improvement Plan for 2018/19. Progress against the recommendations and improvements are summarised in Tables 2 and 3 below.

4.6 **Table 2 – Recommendations**

Recommendations	Progress as at 31 March 2019
<p>Consideration should be given to obtaining formal feedback from the Chief Executive and Chair of Audit Committee for the annual appraisal of the Head of Risk Management and Audit.</p>	<p>Implemented. This has been taken on board for the Annual Development Review for the Head of Risk Management and Audit for 2019.</p>
<p>Consider allocating the formal SIRO designation to a chief officer, even if the internal audit team continues to support the SIRO function.</p>	<p>Ongoing. The roles relating to Information Governance are still being assessed as the Council and CCG continue to integrate.</p>
<p>Consideration should be given to demonstrating how the audit plan and priorities align to the corporate risk register, assurance framework, link to the Council’s objectives and priorities and the prioritisation of audit assignments.</p>	<p>Implemented. The Audit Plan for both 2018/19 and 2019/20 presented to the Audit Panel included links to the Corporate Plan and Corporate Risk Register.</p>
<p>The audit plan could be more specific to outline what an optimum level of staff would be able to deliver. This would enable the Audit Panel and Senior Management Team to make an informed assessment of the adequacy of staffing levels.</p>	<p>Implemented. This recommendation was built into the 2018/19 Audit Plan Report and has been reflected in the Risk Management and Audit Services Planned Work Report for 2018/19 and will be incorporated in all reports going forward.</p>
<p>The Quality Assurance and Improvement Programme (QAIP) should include an action plan identifying steps which will be taken to continually improve the service and enable the Audit Panel to monitor progress. The Quality Assurance and Improvement Programme should also be referenced in the Annual Report.</p>	<p>Implemented. This was included in Quality Assurance and Improvement Programmes (QAIP) for 2018/19 and 2019/20 and will be incorporated in future years.</p>

4.7 **Table 3 – Improvements**

Improvements	Progress as at 31 March 2019
<p>The Audit Plan and Progress Reports to the Audit Panel are described as reports of the Assistant Director of Finance/Director of Finance with the Head of Risk Management and Audit also listed as a reporting officer. To ensure that audit retains its organisational independence we recommend that the reports go in the name of the Head of Risk Management and Audit Services.</p>	<p>Implemented. The Audit Plan and Progress Reports to the Audit Panel are now presented in the name of the Head of Risk Management and Audit Services.</p>
<p>Consideration should be given to identifying the skills needs by the audit team to assist the Council with its current transformation programme and provide training and development opportunities to address any skills shortage.</p>	<p>Ongoing. This was considered in 2018/19 and is being considered as part of the Annual Development Reviews currently under way and will be further reflected in team development sessions planned for the coming year.</p>
<p>Clearer guidance on the extent of post audit review work should be documented in line with the number and priority of recommendations. In addition, improved transparency could be achieved by including post audit reviews in the periodic progress reports to the Audit Panel. Consideration should also be given to the process for agreeing extensions to target implementation dates and post audit review timings.</p>	<p>Implemented. Guidance has been provided for the team and the detail of Post Audit Reviews completed is now included in Progress Reports presented to the Audit Panel.</p>

**5. SELF-ASSESSMENT AGAINST THE STANDARDS 2018/19**

- 5.1 Table 4 shows the assessment against each of the individual standards within the two categories of Attribute and Performance and provides a comparison of the results presented to the Audit Panel in May 2018. The detailed assessments can be found at **Appendix 2**.
- 5.2 The updated standards have refreshed some of the questions included to add clarity and the standards now contain a mission for internal audit and a set of core principles which articulate internal audit effectiveness.

**Table 4 - Assessment against the Public Sector Internal Audit Standards**

Standard	2019	2018
<b>Attribute</b>	Fully Compliant	Fully Compliant
1000 – Purpose, Authority and Responsibility	✓	✓
1100 – Independence and Objectivity	✓	✓
1200 – Proficiency and Due Professional Care	✓	✓
1300 – Quality Assurance and Improvement Programme	✓	✓
<b>Performance</b>	Fully Compliant	Fully Compliant
2000 – Managing the Internal Audit Activity	✓	✓
2100 – Nature of Work	✓	✓
2200 – Engagement Planning	✓	✓
2300 – Performing the Engagement	✓	✓
2400 – Communicating the Results	✓	✓
2500 – Monitoring Progress	✓	✓
2600 – Communicating the Acceptance of Risks	✓	✓

- 5.3 The outstanding recommendations from the Peer Review and the development identified as a result of the above assessment are not material enough to generate any issues, in terms of conformance with the standards. The developments detailed below have been built into the Quality and Improvement Programme for 2019/20 and are detailed in Table 5 below.

**Table 5 – PSIAS Developments for 2019/20**

Development	Responsible	Comments
Consider allocating the formal SIRO designation to a chief officer, even if the internal audit team continues to support the SIRO function.	Director of Finance Director of Governance and Pensions	The roles in relation to Information Governance are being reassessed as the Council and CCG continue to integrate.
Consideration should be given to identifying the skills needs by the audit team to assist the Council with its current transformation programme and provide training and development opportunities to address any skills shortage.	Head of Risk Management and Internal Audit	This will be considered as part of the Annual Development Reviews currently under way and will be further reflected in team development sessions planned for the coming year.
Do internal auditors maintain a record of their professional development and training activities?	Head of Risk Management and Internal Audit	A single record is not available at present and the information is contained in Annual Development Review Forms and the Me Learning System. During 2019/20 the service will pilot an electronic training record being developed as part of a self-service option on the Payroll/HR System iTrent.

## **6 Performance Indicators, Value Added and Feedback**

6.1 Internal Audit has three key performance indicators and for 2018/19 all targets were either met or exceeded:-

- 92% of Plan Complete (93% in 2017/18 - Target 90%)
- 93% of Recommendations Implemented (90% in 2017/18 - Target 90%)
- 100% Customer Satisfaction (100% in 2017/18 - Target 90%)

6.2 With regards to Added Value in the annual plan we endeavour to incorporate a mixture of assurance audits and consultancy reviews requested by management to ensure that the service meets the needs and expectations of the Council. Part of our work involves providing independent assurance regarding the implementation of new systems to ensure that the data is migrated correctly and that the control environment is satisfactory from the outset and this work is valued by managers. During 2018/19 we worked with Governance (Systems Team and Exchequer), Children's, Cultural and Customer Services and Financial Management on the following projects:-

- UK Mail
- Tapestry – Early Years System
- Agresso
- Blue Badges

6.3 Furthermore, we get involved in service redesigns and providing advice and support to the process, as it is more efficient and effective if we can ensure that controls are in place at the outset rather than auditing after the event and then finding issues and concerns.

6.4 Customer feedback is very positive and can be demonstrated in many ways:-

- Customer satisfaction is very high at 100%, which signifies that auditees appreciate the process, albeit, sometimes they do not like the outcome, especially if a low level of assurance is given;
- At the planning stage requests for work always outweighs resources available;
- In year we receive a significant number of requests for advice and support;
- In year we receive requests to get involved in new projects; and
- The feedback from the external Peer Review conducted in March 2018 was very positive from senior officers interviewed.

6.5 The performance of the wider organisation is monitored by the team as we keep a watching brief over the changing profile of risks affecting service delivery from a variety of sources. Through consultation with Executive Members/Senior Managers, facilitating the Information Governance Group, fraud briefings/bulletins and attending AGMA Groups a wealth of intelligence is amassed which enables the internal audit plan and approach to be adapted to keep pace with the changing complexities of local government.

6.6 Clearly, an important input into the review of Internal Audit is the view of our External Auditors and a good working relationship is in place and no negative feedback has been received.

## **7. MANAGING THE RISK OF FRAUD AND CORRUPTION**

7.1 The Chartered Institute of Public Finance and Accountancy issued, via its Counter Fraud Centre, a Code of Practice in 2014 entitled "Code of Practice on Managing the Risk of Fraud and Corruption".

7.2 The self-assessment has been reviewed and the work of Internal Audit in terms of proactive and reactive fraud work does provide assurance that the requirements of the code are being

adhered to. This in turn provides evidence for the assessment of Internal Audit against the Public Sector Internal Auditing Standards.

## **8. CIPFA STATEMENT ON THE ROLE OF THE HEAD OF INTERNAL AUDIT (HIA)**

8.1 The Statement sets out the five principles that define the core activities and behaviours that belong to the role of the HIA in public service organisations and the organisational arrangements needed to support them. Successful implementation of each of the principles requires the right ingredients in terms of:-

- the organisation;
- the role; and
- the individual.

For each principle, the Statement sets out the organisational requirements to ensure that HIA's are able to operate effectively and perform their core duties. The Statement also sets out the core responsibilities of the HIA. Summaries of personal skills and professional standards then detail the leadership skills and technical expertise organisations can expect from their HIA.

8.2 The five principles are as follows:-

- The HIA plays a critical role in delivering the organisation's strategic objectives by objectively assessing the adequacy of governance and management of risks, giving an evidence-based opinion on all aspects of governance, risk management and internal control;
- The HIA in a public service organisation plays a critical role in delivering the organisation's strategic objectives by championing best practice in governance and commenting on responses to emerging risks and proposed developments;
- The HIA must be a senior manager with regular and open engagement across the organisation, particularly with the Leadership Team and with the Audit Committee;
- The HIA must lead and direct an internal audit service that is resourced appropriately, sufficiently and effectively; and
- The HIA must be professionally qualified and suitably experienced.

8.3 A self-assessment has been undertaken against the checklist published in the report by CIPFA on the role of the HIA as part of the review of the system of internal audit and the HIA is in full compliance with the five principles and the supporting standards.

## **9. AUDIT PANEL**

9.1 The system of internal control includes the role of the Audit Panel and, in particular, its role in the receipt and evaluation of reports from the Head of Risk Management and Audit Services, both in terms of assurance opinions and in ensuring that appropriate arrangements are in place to evaluate and improve the effectiveness of risk management, control and governance processes across the Council. It has operated in accordance with best practice and guidance from CIPFA for 2018/19.

## **10. CONCLUSIONS**

10.1 The Peer Review conducted in March 2018 and the Self-Assessment conducted in April 2019 confirm that Internal Audit conforms to the requirements of the Public Sector Internal Audit Standards, as demonstrated in **Appendix 2**.

10.2 From the review of Internal Audit, it can be concluded that it helps the organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and



improve the effectiveness of risk management, control and governance processes in accordance with the Public Sector Internal Auditing Standard's definition. Taking on board the positive comments received from our External Auditors and the positive comments received from Senior Management Teams/Executive Members assurance can be given that the Council has an adequate and effective Internal Audit function which contributes to the overall effectiveness of the system of internal control.

## **11. RECOMMENDATION**

11.1 As set out at the front of the report.

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**PEER REVIEW OF INTERNAL AUDIT  
AGAINST THE  
UK PUBLIC SECTOR INTERNAL AUDIT STANDARDS**

**OVERALL SUMMARY FOR THE NORTH WEST CHIEF AUDIT  
EXECUTIVE GROUP 2016-18**

**Peer Review Sub-Group**

**Ian Corbridge**

**Jean Gleave**

**Mark Niblock**

**John Pearsall**

**Date issued: 29 January 2019**

**Peer Review of Internal Audit against the UK Public Sector Internal Audit Standards  
Overall Summary 2016-18**

**1. Introduction**

- 1.1. All principal local authorities and other relevant bodies subject to the Accounts and Audit Regulations 2015 (amended) must make provision for internal audit in accordance with the Public Sector Internal Audit Standards (PSIAS) as well as the (CIPFA) Local Government Application Note.
- 1.2. A professional, independent and objective internal audit service is one of the key elements of good governance in local government.
- 1.3. The PSIAS require that an external assessment of an organisation's internal audit function is carried out once every five years by a qualified, independent assessor or assessment team from outside of the organisation. External assessments can be in the form of a full external assessment, or a self assessment with independent external validation.
- 1.4. The North West Chief Audit Executives Group (NWCAE) established a "peer-review" process that is managed and operated by the constituent authorities. This process addresses the requirement of external assessment by "self-assessment with independent external validation". This approach brings the advantages of ensuring that the knowledge, experience and learning points arising from the reviews is more easily retained and shared across the constituent authorities. Whilst it requires an investment of time from Chief Internal Auditors and other senior Internal Audit staff to fulfil, the peer review approach also avoids the potential for significant fees which may arise from external assessments.
- 1.5. **This report presents the summary findings of the reviews carried out from 2016 to 2018 on 17 local authorities/ organisations which form part of the NWCAE Group and which subscribed to this peer review process (see Appendix 2). Whilst this report is issued initially to Chief Internal Auditors for all the relevant organisations, consideration should be given to sharing this further with senior management and Audit Committee members.**

**2. Approach /Methodology**

- 2.1. The NWCAE Group has a detailed Memorandum of Understanding (MoU) that outlines the broad methodology for the conduct of the peer review. The key elements of the process are:
  - The peer review is undertaken in three stages: pre-review; on-site review; post-review and covers audit activity during the period covered in the latest Chief Internal Auditor Annual Report and Opinion.
  - Each authority is required to complete and share its self-evaluation of the Internal Audit service together with any relevant supporting evidence/documentation in advance of on-site review commencement. The NWCAE Group agreed that the self-assessment will use the CIPFA Local Government Application Note (LGAN) questionnaire.
  - To support the on-site review, stakeholder questionnaires and interviews are also undertaken.
  - The review itself comprises a combination of "desktop" and "actual on-site" review.

- The review cannot reasonably consider all elements of the LGAN self-assessment and the review team must use the “desktop” period to determine the strengths, weaknesses and subsequent key lines of enquiry in order that the review itself is risk-based, timely, and adds real value. Each authority will be assessed against the three broad themes of: Purpose and Positioning; Structure and Resources; and Audit Execution; together with a view on the Impact that the Internal Audit service has within the organisation.
- Upon conclusion, the review team offers a “true and fair” judgement and each Authority is appraised as **Conforms**, **Partially Conforms**, or **Does Not Conform** against each thematic area of the LGAN, from which an aggregation of the three themed scores gives an overall Authority score.

### 3. Summary Findings

3.1. The Peer Review teams concluded the following judgements for the 17 organisations subject to evaluation:

Judgement	Number of local authorities/ organisations
Conforms	14
Partially conforms	3
Does not conform	0

3.2. An overall summary of the assessments against the individual elements of each area of focus is included in the table at Appendix 1. An outline of some of the common themes and findings is set out within section 4 below.

### 4. Common Themes and Findings

#### Positive Feedback

- 4.1. Some common themes amongst the many positive outcomes arising from the peer reviews include the following:
- Very good feedback and professional respect for the Internal Audit service and the Chief Internal Auditor role which add significant value to the organisation;
  - The Internal Audit service has a high profile within the organisation;
  - Staff surveys have provided positive feedback on the Internal Audit service;
  - Internal Audit maintains an effective relationship with the audit committee;
  - Audit plans and the planning process in general is comprehensive and risk focused;
  - The levels of supervision and review of audit assignments is generally adequate and effective;
  - Client feedback is requested and evidenced at the end of audit assignments;
  - Strong relationships are maintained between Internal and external audit;
  - The Quality Assurance and Improvement Programme is generally professional and effective; and
  - There has been a lot of positive feedback about the peer review process from both Members and management within the respective organisations.

## Areas of Improvement

- 4.2. Some common areas requiring improvement highlighted by the peer reviews are set out below, analysed to align with the three core theme areas for which a summary of outcomes is set out in Appendix 1.

## Purpose and Positioning

(Remit, Reporting lines, Independence, Risk based plan, Other assurance providers)

- 4.3. Key outcomes included ensuring:
- The Audit Charter is up to date, approved and fully aligned with the PSIAS, including clear definitions of roles and responsibilities for key roles;
  - Audit staff have full awareness and formal sign off of the Code of Ethics together with annual declarations of interest;
  - Feedback is sought from the Chair of Audit Committee and/ or Chief Executive to inform the annual appraisal of the Chief Internal Auditor;
  - The Strategic or Annual Audit Plan is linked with the organisation's core objectives and risks, particularly the Corporate Risk Register, and risk priorities are applied to assignments within the Audit Plan;
  - Clarity over the nature of any significant consulting and assurance services provided by Internal Audit is included within the Audit Plan;
  - The Audit Plan accounts for all the available resource within the Internal Audit team (including the Chief Internal Auditor) and includes such as consultancy reviews and services, corporate governance and risk work, attendance at Committees, and counter fraud activity, thereby ensuring that audit committee have proper oversight of the work performed;
  - Assurance mapping is fully developed to capture the outcomes from all other assurances, both internal and external, including external audit, external inspectorates and other agencies, consultants and peer reviews, all of which will inform the annual audit opinion, more especially when reliance is placed on other work;
  - The nature and scope of any operational responsibilities of the Chief Internal Auditor are clarified, together with confirmation as to how independent assurance will be gained over such areas, e.g. through the use of external peer reviews; and
  - An engagement plan/ terms of reference are agreed at the start of all audit assignments to confirm the scope, focus and timing of each piece of work and how it links in with corporate or service based objectives.

## Structure and Resources

(Competencies, Technical training and development, Resourcing, Performance management, Knowledge management)

- 4.4. Key outcomes included ensuring:
- The Quality Assurance and Improvement Programme (QAIP) should be formalised and subject to regular reviews and updates to both senior management and Members, together with supporting evidence where appropriate;
  - The QAIP includes performance evaluations by the Chair of Audit Committee, Chief Executive and Corporate Directors as considered appropriate;
  - Performance monitoring arrangements include evidence of supervisory review and post audit assignment evaluations to feed into the staff appraisal process;

- Job descriptions and person specifications are up to date, reflecting current roles and responsibilities, and are supported by competency matrices at each level, underpinning regular staff performance reviews;
- Training is formally logged to support staff development and Continuing Professional Development requirements where appropriate; and
- Appropriate resources are directed towards fraud prevention and detection, also ensuring Members are kept up to date with progress and outcomes.

#### Audit Execution

(Quality Assurance and Improvement Programme, Management of the Internal Audit function, Engagement planning/ delivery, Reporting/ Overall opinion)

#### 4.5. Key outcomes included ensuring:

- Timescales from commencement of assignments to final reporting are minimised wherever possible to enhance efficiency;
- Updates are provided to Members on agreed actions that remain outstanding beyond agreed dates;
- Use of interrogation software is optimised to enhance overall levels of assurance;
- Working papers are clear and cross-referenced to provide evidence in support of audit conclusions;
- Quarterly progress reports are produced for Members and senior management to increase visibility and organisational understanding of the Internal Audit function, and also to allow any changes to the Audit Plan to be approved;
- The Annual Internal Audit Report includes sufficient detail to support the overall audit opinion including:
  - Consideration of the impact of audit outcomes on strategic risks;
  - The materiality or organisational impact of audit findings;
  - Outcomes from investigative or irregularity related work and any associated control weaknesses identified;
  - Outcomes from other assurance providers or external assessments;
  - Details of reviews associated with governance and risk management arrangements; and
  - Confirmation of the independence of Internal Audit;
- A clear link is conveyed between any significant audit outcomes and the Annual Governance Statement;
- Summary reports are produced at the conclusion of each investigation;
- Consideration is always given to the practicality and commerciality of audit recommendations; and
- A clear and consistent report distribution protocol is established for both draft and final reports.

## Summary of outcomes for the core themes

PSIAS Ref		Conforms	Partially conforms	Does not conform	Comments
Purpose and positioning		Number of organisations			
1000	• Remit	14	3		
1000	• Reporting lines	12	5		
1110	• Independence	8	9		
2010	• Risk based plan	9	7	1	
2050	• Other assurance providers	5	12		
<b>Structure &amp; resources</b>					
1210	• Competencies	14	3		
1230	• Technical training and development	14	3		
1230	• Resourcing	14	3		
1230	• Performance management	12	4	1	
1230	• Knowledge management	16		1	
<b>Audit execution</b>					
1300	• Quality Assurance and Improvement Programme	13	3	1	
2000	• Management of the Internal Audit function	14	3		
2200	• Engagement planning	14	3		
2300	• Engagement delivery	15	2		
2400	• Reporting	17			
2450	• Overall opinion	8	9		



**Authorities/ organisations participating in the peer review process 2016-18**

Blackburn with Darwen BC  
Blackpool BC  
Bolton BC  
Bury MBC  
Cheshire East BC  
Cheshire West & Chester BC  
Halton BC  
Knowsley MBC  
Merseytravel  
Rochdale BC  
Salford City Council  
St Helens MBC  
Stockport MBC  
Tameside MBC  
Warrington BC  
Wigan MBC  
Wirral MBC

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## APPENDIX 2

### Public Sector Internal Audit Standards (PSIAS) and the CIPFA Local Government Application Note 2019 – Self-Assessment 2018/19

This checklist has been developed to satisfy the requirements set out in PSIAS 1311 and 1312 for periodic self-assessments and externally validated self-assessments as part of the Quality Assurance and Improvement Programme. It incorporates the requirements of the PSIAS as well as the Application Note in order to give comprehensive coverage of both documents.

C = Conforms, P = PARTIAL, N = Not Conforming. Evidence for each response must be provided and reasons for any partial or full non-conformance should be given, together with any compensating measures in place or actions in progress to address this.

Ref	Conformance with the Standard	C	P	N	Evidence
<b>1</b>	<b>Mission of Internal Audit</b>				
	Does the Internal audit activity aspire to accomplish the Mission of Internal Audit as set out in the PSIAS? To enhance and protect organisational value by providing risk based and objective assurance, advice and insight.	<input type="checkbox"/>			Internal Audit Charter Progress Reports Annual Report
<b>2</b>	<b>Definition of Internal Auditing</b>				
	Using evidence gained from assessing conformance with other Standards, is the internal audit activity:				
	Independent?	<input type="checkbox"/>			An experienced Team is in place Internal Audit Charter
	Objective?	<input type="checkbox"/>			Consistent process in place for conducting audit work which is reviewed and monitored Financial Regulations Internal Audit Team independent of all operational systems.
	Using evidence gained from assessing conformance with other Standards, does the internal audit activity use a systematic and disciplined approach to	<input type="checkbox"/>			Audit Manual Quality Control Checklist Internal Audit Annual Plan Report

## APPENDIX 2

Ref	Conformance with the Standard	C	P	N	Evidence
	evaluate and improve the effectiveness of risk management, control and governance processes within the organisation?				
<b>3</b>	<b>Core Principles</b>				
	<b>Demonstrates Integrity</b> Do you consider that the internal audit activity fully conforms with the PSIAS and LGAN by demonstrating integrity?	<input type="checkbox"/>			Compliance is demonstrated below
	<b>Demonstrates competence and due professional care.</b> Do you consider that the internal audit activity fully conforms with the PSIAS and LGAN by demonstrating competence and due professional care?	<input type="checkbox"/>			Compliance is demonstrated below
	<b>Is objective and free from undue influence (independent).</b> Do you consider that the internal audit activity fully conforms with the PSIAS and LGAN by being objective and free from undue influence (independent)?	<input type="checkbox"/>			Compliance is demonstrated below
	<b>Aligns with Strategies, objectives and risks of the organisation</b> Do you consider that the internal audit activity fully conforms with the PSIAS and LGAN by being aligned with the strategies, objectives, and risks of the organisation?	<input type="checkbox"/>			Compliance is demonstrated below
	<b>Is appropriately positioned and adequately resourced</b>	<input type="checkbox"/>			Compliance is demonstrated below

## APPENDIX 2

Ref	Conformance with the Standard	C	P	N	Evidence
	Do you consider that the internal audit activity fully conforms with the PSIAS and LGAN by being appropriately positioned and adequately resourced?				
	<b>Demonstrates quality and continuous improvement</b> Do you consider that the internal audit activity fully conforms with the PSIAS and LGAN by demonstrating quality and continuous improvement?	<input type="checkbox"/>			Compliance is demonstrated below
	<b>Communicates effectively</b> Do you consider that the internal audit activity fully conforms with the PSIAS and LGAN by communicating effectively?	<input type="checkbox"/>			Compliance is demonstrated below
	<b>Provides risk-based assurance</b> Do you consider that the internal audit activity fully conforms with the PSIAS and LGAN by providing risk-based assurance, based on adequate risk assessment?	<input type="checkbox"/>			Compliance is demonstrated below
	<b>Is insightful, proactive, and future-focused.</b> Do you consider that the internal audit activity fully conforms with the PSIAS and LGAN by being insightful, proactive, and future-focused?	<input type="checkbox"/>			Compliance is demonstrated below
	<b>Promotes organisational improvement.</b> Do you consider that the internal audit activity fully conforms with the PSIAS and LGAN by promoting organisational improvement?	<input type="checkbox"/>			Compliance is demonstrated below
<b>4</b>	<b>Code of Ethics</b>				
	<b>Integrity</b>				

## APPENDIX 2

Ref	Conformance with the Standard	C	P	N	Evidence
	Using evidence gained from assessing conformance with other Standards, do internal auditors:				
	Perform their work with honesty, diligence and responsibility?	<input type="checkbox"/>			An experienced Team is in place Consistent process in place for conducting audit work which is reviewed and monitored Declaration Forms
	Observe the law and make disclosures expected by the law and the profession?	<input type="checkbox"/>			Internal Audit Charter Declaration Forms
	Not knowingly partake in any illegal activity nor engage in in acts that are discreditable to the profession of internal auditing or to the organisation?	<input type="checkbox"/>			Declaration Forms
	Respect and contribute to the legitimate and ethical objectives of the organisation?	<input type="checkbox"/>			Internal Audit Charter Internal Audit Annual Plan Report Annual Plan Customer Satisfaction Questionnaires Positive feedback from Managers
	<b>Objectivity</b> Using evidence gained from assessing conformance with other Standards, do internal auditors display objectivity by not:				
	Not taking part in any activity or relationship that may impair or be presumed to impair their unbiased assessment?	<input type="checkbox"/>			Declaration Forms
	Not accepting anything that may impair or be presumed to impair their professional judgement?	<input type="checkbox"/>			Declaration Forms

## APPENDIX 2

Ref	Conformance with the Standard	C	P	N	Evidence
	Disclosing all material facts known to them that, if not disclosed, may distort the reporting of activities under review?	<input type="checkbox"/>			Declaration Forms
	<b>Confidentiality</b> Using evidence gained from assessing conformance with other Standards, do internal auditors display objectivity by:				
	Acting prudently when using information acquired in the course of their duties and protecting that information?	<input type="checkbox"/>			The Team have all had training on Working with the Data Protection Act and Information Security
	Not using information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the organisation?	<input type="checkbox"/>			Audit Manual Attendance at training events
	<b>Competency</b> Using evidence gained from assessing conformance with other Standards, do internal auditors display competence by :				
	Only carrying out services for which they have the necessary knowledge, skills and experience?	<input type="checkbox"/>			Audits are allocated by the Principal Auditors and the skills and experience of the team members are taken into account when work is allocated. If gaps are identified training is provided when available and appropriate
	Performing services in accordance with the PSIAS?	<input type="checkbox"/>			Consistent with the Internal Audit Manual
	Continually improving their proficiency and effectiveness and quality of their services, for example through CPD schemes?	<input type="checkbox"/>			Development needs are assessed through the Annual Development Review Process and feedback

## APPENDIX 2

Ref	Conformance with the Standard	C	P	N	Evidence
					<p>from. Audit Appraisal Sheets completed at the conclusion of an audit are used to inform the above process.</p> <p>Regular supervision meetings are also used to identify any training needs.</p> <p>Staff with professional qualifications complete CPD</p>
	Do internal auditors have regard to the on Standards of Public Life's <i>Seven Principles of Public Life</i> ?	<input type="checkbox"/>			<p>All internal auditors have been made aware of these principles and the need for compliance throughout their day to day work.</p> <p>Annual sign off of Code of Ethics as part of Declaration Forms completed by all members of the Internal Audit Team.</p>
	<b>Standards</b>				
	<b>Attribute Standards</b>				
	<b>1000 Purpose, Authority and Responsibility</b>				
	Does the internal audit charter include a formal definition of:				
	a) the purpose b) the authority, and c) the responsibility of the internal audit activity consistent with the Public Sector Internal Audit Standards (PSIAS)?	<input type="checkbox"/>			<p>Internal Audit Charter</p> <p>Changes in the officer structure of the Council became effective October 2017 and January 2018 and an updated Audit Charter was presented to the</p>



## APPENDIX 2

Ref	Conformance with the Standard	C	P	N	Evidence
					Audit Panel on 6 March 2018 and approved.
<b>LGAN</b>	Does the internal audit charter define the terms 'board' and 'senior management', for the purposes of the internal audit activity? Note that it is expected that the audit committee will fulfil the role of the board in the majority of instances.	<input type="checkbox"/>			Internal Audit Charter
	Does the internal audit charter also:				
	a) Set out the internal audit activity's position within the organisation?	<input type="checkbox"/>			Internal Audit Charter
	b) Establish the CAE's functional reporting relationship with the board?	<input type="checkbox"/>			Internal Audit Charter
<b>LGAN</b>	c) Establish the accountability, reporting line and relationship between the CAE and those to whom the CAE may report administratively?	<input type="checkbox"/>			Internal Audit Charter
<b>LGAN</b>	d) Establish the responsibility of the board and also the role of the statutory officers (such as the CFO, the monitoring officer and the head of paid service) with regards to internal audit?	<input type="checkbox"/>			Internal Audit Charter
	e) Establish internal audit's right of access to all records, assets, personnel and premises and its authority to obtain such information and explanations as it considers necessary to fulfil its responsibilities?	<input type="checkbox"/>			Internal Audit Charter
<b>LGAN</b>	f) Define the scope of internal audit activities?	<input type="checkbox"/>			Internal Audit Charter

## APPENDIX 2

Ref	Conformance with the Standard	C	P	N	Evidence
					Internal Audit Strategy
<b>LGAN</b>	g) Recognise that internal audit's remit extends to the entire control environment of the organisation?	<input type="checkbox"/>			Internal Audit Charter Internal Audit Strategy
<b>LGAN</b>	h)	<input type="checkbox"/>			Internal Audit Strategy
<b>LGAN</b>	i) Establish the organisational independence of internal audit?	<input type="checkbox"/>			Internal Audit Charter
	j) Cover the arrangements for appropriate resourcing?	<input type="checkbox"/>			Internal Audit Charter
	k) Define the role of internal audit in any fraud-related work?	<input type="checkbox"/>			Internal Audit Charter
	l) Set out the existing arrangements within the organisation's anti-fraud and anti-corruption policies, to be notified of all suspected or detected fraud, corruption or impropriety?	<input type="checkbox"/>			Internal Audit Charter Financial Regulations
	m) Include arrangements for avoiding conflicts of interest if internal audit undertakes non-audit activities?	<input type="checkbox"/>			Internal Audit Annual Plan Report  The independence of the Head of Risk Management and Audit (CAE) is covered in the Annual Plan Report that is presented to the Audit Panel in May/June.
	n) Define the nature of assurance services provided to the organisation, as well as assurances provided to parties external to the organisation?	<input type="checkbox"/>			Internal Audit Charter

## APPENDIX 2

Ref	Conformance with the Standard	C	P	N	Evidence
	o) Define the nature of consulting services?	<input type="checkbox"/>			Internal Audit Charter
	p) Recognise the mandatory nature of the PSIAS?	<input type="checkbox"/>			Internal Audit Charter
	Does the chief audit executive (CAE) periodically review the internal audit charter and present it to senior management and the board for approval?	<input type="checkbox"/>			The Audit Charter is reviewed by the Head of Risk Management and Audit (CAE) and presented and approved by the Audit Panel on an annual basis.
	Does the CAE attend audit committee meetings?	<input type="checkbox"/>			The Head of Risk Management and Audit (CAE) attends all Audit Panel meetings and either the Head of Risk Management and Audit (CAE) or the Principal Auditor (Pension Fund) attends the Greater Manchester Pension Fund Local Board.  Minutes of the Audit Panel meetings which evidence attendance can be found on <a href="http://www.tameside.gov.uk">www.tameside.gov.uk</a>
	Does the CAE contribute to audit committee agendas?	<input type="checkbox"/>			Yes. Democratic Services manage the agenda process and are aware of the expected reports for each meeting. A schedule of Audit content is maintained by the Head of Risk Management and Audit (CAE).
<b>1100 Independence and Objectivity</b>					
	Does the CAE have direct and unrestricted access to senior management and the board?	<input type="checkbox"/>			The Head of Risk Management and Audit (CAE) reports direct to the Director of Finance (Section 151 Officer), however, if needed the Chief Executive can be approached as set out in the Internal Audit Charter. The Head of Risk Management and Audit (CAE) is a member of the Finance Senior Leadership Team and is able to request an audience with the Single Leadership Team as required. The Head of Risk Management and Audit

## APPENDIX 2

Ref	Conformance with the Standard	C	P	N	Evidence
					(CAE) can also report direct to the Chair of the Audit Panel if necessary.  The Head of Risk Management and Audit (CAE) also has access to the Monitoring Officer.
	Does the CAE have free and unfettered access to, as well as communicate effectively with, the chief executive or equivalent and the chair of the audit committee?	<input type="checkbox"/>			As above.
	Are threats to objectivity identified and managed at the following levels:				
	a) Individual auditor?	<input type="checkbox"/>			Internal Audit Charter Declaration Forms Audit Planning Process
	b) Engagement?	<input type="checkbox"/>			Internal Audit Charter Declaration Forms Audit Planning Process
	c) Functional?	<input type="checkbox"/>			Internal Audit Charter Declaration Forms Audit Planning Process
	d) Organisation?	<input type="checkbox"/>			Internal Audit Charter
	<b>1100 Independence and Objectivity</b>				
	<i>1110 Organisational Independence</i>				
	Does the CAE report to an organisational level equal or higher to the corporate management	<input type="checkbox"/>			The Head of Risk Management and Audit (CAE) reports direct to the Director of Finance (Section 151

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Ref	Conformance with the Standard	C	P	N	Evidence
	team?				Officer).
<b>LGAN</b>	Does the CAE report to a level within the organisation that allows the internal audit activity to fulfil its responsibilities?	<input type="checkbox"/>			The Head of Risk Management and Audit (CAE) reports direct to the Director of Finance (Section 151 Officer).
<b>LGAN</b>	Have reporting and management arrangements been put in place that preserve the CAE's independence and objectivity? This is of particular importance when the CAE is line managed by another officer of the authority.	<input type="checkbox"/>			The Head of Risk Management and Audit (CAE) reports direct to the Director Of Finance (Section 151 Officer).
<b>LGAN</b>	Does the CAE's position in the management structure:				
	a) Reflect the influence he or she has on the control environment?	<input type="checkbox"/>			The Head of Risk Management and Audit (CAE) reports direct to the Director of Finance (Section 151 Officer).  The post is respected across the Council.
	b) Provide the CAE with sufficient status to ensure that audit plans, reports and action plans are discussed effectively with the board?	<input type="checkbox"/>			The Head of Risk Management and Audit (CAE) reports direct to the Director of Finance (Section 151 Officer).  All Final Reports issued are circulated to the Chief Executive, Director of Governance and Pensions (Monitoring Officer), Director of Finance (Section 151 Officer) and the Executive Member and the Director responsible for the area under review.  Regular meetings are held with Senior Management and Executive Members to review progress against the plan, issues and concerns, new risk exposures

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Ref	Conformance with the Standard	C	P	N	Evidence
					and any changes to the plan for the remaining year.
	c) Ensure that he or she is sufficiently senior and independent to be able to provide credibly constructive challenge to senior management?	<input type="checkbox"/>			See above.
	Does the CAE confirm to the board, at least annually, that the internal audit activity is organisationally independent? The following examples can be used by the CAE when assessing the organisational independence of the internal audit activity:				
	The board:				
	a) approves the internal audit charter	<input type="checkbox"/>			Approved annually in May/June.
	b) approves the risk-based audit plan	<input type="checkbox"/>			Approved annually in May/June.
	c) approves the internal audit budget and resource plan	<input type="checkbox"/>	<input type="checkbox"/>		The budget for the internal audit service is presented as part of the Budget Report to Full Council in February each year. The Audit Panel approves the Audit Plan which is balanced to resources.
	d) receives communications from the CAE on the activity's performance (in relation to the plan, for example)	<input type="checkbox"/>			Progress Reports are presented to the Audit Panel and Greater Manchester Pension Fund Local Board quarterly.  Meeting are also held with Senior Managers and Executive Members to discuss audit activity, audit planning, feedback and changes to services/structures which may have an impact on the audit plan and or the control environment.

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Ref	Conformance with the Standard	C	P	N	Evidence
					The Head of Risk Management and Audit (CAE) also meets with the Executive Member for Finance and Performance.
	e) approves decisions relating to the appointment and removal of the CAE	N/A			Only Directors/Assistant Directors have elected member involvement in the recruitment process.
	f) Approves the remunerations of the CAE				The remuneration of the CAE is set in line with the Councils Pay Scales. All job descriptions are evaluated using a standard job evaluation process
	g) seeks reassurance from management and the CAE as to whether there are any inappropriate scope or resource limitations.	<input type="checkbox"/>			Annual Audit Plan. Quarterly progress reports
	Does the chief executive or equivalent undertake, countersign, contribute feedback to or review the performance appraisal of the CAE?		<input type="checkbox"/>		The Annual Development Review (ADR) adopted by the Council is a cascade approach in which the Chief Executive sets the objectives for the Director of Finance (Section 151 Officer) who in turn sets the objectives of the Head of Risk Management and Audit (CAE).
	Is feedback sought from the chair of the audit committee for the CAE's performance appraisal?	<input type="checkbox"/>			The Director of Finance (Section 151 Officer) would be able to request input from the Chair of the Audit Panel.
	<i>1111 Direct Interaction with the Board</i>				
	Does the CAE communicate and interact directly with the board?	<input type="checkbox"/>			The Head of Risk Management and Audit (CAE) attends all Audit Panel Meetings. The meetings of the Greater Manchester Pension Fund Local Board are attended by the Head of Risk Management and Audit (CAE) and/or the Principal

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Ref	Conformance with the Standard	C	P	N	Evidence
					Auditor responsible for the Pension Fund. Evidence can be found on <a href="http://www.tameside.gov.uk">www.tameside.gov.uk</a>
	<i>1112 Chief Audit Executive Roles Beyond Internal Auditing</i>				
	Where the CAE has roles or responsibilities that fall outside of internal auditing, are adequate safeguards in place to limit impairments to independence or objectivity?				The Head of Risk Management and Audit (CAE) is responsible for Risk Management, Insurance, Business Continuity Planning and the Lead for Information Governance and the Council's Senior Information Risk Owner (SIRO). Adequate safeguards are in place which rely on the integrity of the postholder and arrangements set out in the Internal Audit Charter and Annual Audit Planning Report which state that audits in these areas will be managed by another person namely the Assistant Director of Finance or another audit team would be invited to undertake the audit to provide complete independence.
	Does the board periodically review these safeguards?				It is reported annually to the Audit Panel.
	<i>1120 Individual Objectivity</i>				
	Do internal auditors have an impartial, unbiased attitude?	<input type="checkbox"/>			Internal Audit Charter Declaration Forms Audit Planning Process
	Do internal auditors avoid any conflict of interest, whether apparent or actual?	<input type="checkbox"/>			Internal Audit Charter Declaration Forms Audit Planning Process



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Ref	Conformance with the Standard	C	P	N	Evidence
	<i>1130 Impairment to Independence or Objectivity</i>				
	If there has been any real or apparent impairment of independence or objectivity, has this been disclosed to appropriate parties (depending on the nature of the impairment and the relationship between the CAE and senior management/the board as set out in the internal audit charter)?	<input type="checkbox"/>			This would be assessed for each assignment and any concerns would be reported by the Head of Risk Management and Audit (CAE).
	Have internal auditors assessed specific operations for which they have been responsible within the previous year?	<input type="checkbox"/>			This would be assessed for each assignment allocated to new members of the team as part of the work allocation process to ensure auditors do not audit areas they were involved with previously.
	If there have been any assurance engagements in areas over which the CAE also has operational responsibility, have these engagements been overseen by someone outside of the internal audit activity?	<input type="checkbox"/>			No such reviews have taken place recently, if they had the Head of Risk Management and Audit (CAE) would not be involved and the Assistant Director of Finance (Deputy Section 151 Officer) would oversee the process.
<b>LGAN</b>	Are assignments for ongoing assurance engagements and other audit responsibilities rotated periodically within the internal audit team?	<input type="checkbox"/>			This is done as far as possible and is managed by the Principal Auditors on an assignment by assignment basis. It does get more difficult to ensure rotation with a reducing sized audit team.
<b>LGAN</b>	Have internal auditors declared interests in accordance with organisational requirements?	<input type="checkbox"/>			Declarations forms are completed by staff annually.
<b>LGAN</b>	Where any internal auditor has accepted any gifts, hospitality, inducements or other benefits from employees, clients, suppliers or other third parties (other than as may be allowed by the organisation's own policies), has this been	<input type="checkbox"/>			There has only been one instance of this when the Head of Risk Management and Audit (CAE) won an overnight stay at Shrigley Hall as part of the CIPFA Audit Weekend and this was declared and given to the Mayor's Office. Evidence available upon

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Ref	Conformance with the Standard	C	P	N	Evidence
	declared and investigated fully?				request.  Any issues identified would be fully investigated. Staff care required to adhere to the Councils policy in relation to this.
<b>LGAN</b>	Have any instances been discovered where an internal auditor has used information obtained during the course of duties for personal gain?	N/A			No such incidents have been identified and therefore further investigation has not been required.
<b>LGAN</b>	Have internal auditors disclosed all material facts known to them which, if not disclosed, could distort their reports or conceal unlawful practice, subject to any confidentiality agreements?	<input type="checkbox"/>			All auditors are experienced and are aware of the standards required. All work is reviewed by a supervising auditor usually a Principal Auditor.  Furthermore, Principal Auditors attend planning meetings to obtain background information and discuss the Terms of Reference.
	If there has been any real or apparent impairment of independence or objectivity relating to a proposed consulting services engagement, was this disclosed to the engagement client before the engagement was accepted?	<input type="checkbox"/>			No issues such as these have been identified.
	Where there have been significant additional consulting services agreed during the year that were not already included in the audit plan, was approval sought from the board before the engagement was accepted?	<input type="checkbox"/>			No significant additional consulting services agreed during the year. Any changes to the Audit Plan would be discussed with the Director of Finance (Section 151 Officer) and reported to the Audit Panel or the Greater Manchester Pension Fund Local Board.
<b>3.3</b>	<b>1200 Proficiency and Due Professional Care</b>				

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Ref	Conformance with the Standard	C	P	N	Evidence
	<i>1210 Proficiency</i>				
	Does the CAE hold a professional qualification, such as CMIIA/CCAB or equivalent?	<input type="checkbox"/>			The Head of Risk Management and Audit (CAE) is CIPFA qualified and also holds a PGC in Management.
	Is the CAE suitably experienced?	<input type="checkbox"/>			The Head of Risk Management and Audit (CAE) has 13 years' experience as the CAE, 4 years' experience as a Principal Auditor, 8 Years' as an operation Financial Manager, 3 years' as an auditor and 3 years' as a supernumerary CIPFA Trainee. All gained whilst working for Tameside MBC.
<b>LGAN</b>	Is the CAE responsible for recruiting appropriate internal audit staff, in accordance with the organisation's human resources processes?	<input type="checkbox"/>			The Head of Risk Management and Audit (CAE) is responsible for the recruitment of appropriate internal audit staff in accordance with Council policies and procedures.
<b>LGAN</b>	Does the CAE ensure that up-to-date job descriptions exist that reflect roles and responsibilities and that person specifications define the required qualifications, competencies, skills, experience and personal attributes?	<input type="checkbox"/>			Job descriptions are in place for each member of the team and these are reviewed periodically to ensure relevance (normally when a post is being recruited too).
	Does the internal audit activity collectively possess or obtain the skills, knowledge and other competencies required to perform its responsibilities?	<input type="checkbox"/>			All staff have an Annual Development Review and regular supervisions to discuss this and to identify any gaps. Training, where applicable, is sought and delivered. Internal Audit no longer employees a Computer Auditor and buys in support to complement the team from Salford MBC. Identified in the Annual Audit Plan Report and Internal Audit Strategy.
	Where the internal audit activity does not possess	<input type="checkbox"/>			Advice and assistance would be obtained. As above

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Ref	Conformance with the Standard	C	P	N	Evidence
	the skills, knowledge and other competencies required to perform its responsibilities, does the CAE obtain competent advice and assistance?				ICT support is bought in from Salford MBC. Staff also attend seminars/ workshops and webinars to update their skills and knowledge.
	Do internal auditors have sufficient knowledge to evaluate the risk of fraud and anti-fraud arrangements in the organisation?	<input type="checkbox"/>			The Internal Audit Team do have an awareness of fraud, as the majority are very experienced auditors. In addition, the Council's Counter Fraud Team is also the responsibility of the Head of Risk Management and Audit (CAE) and is co-located within the same office and learning is shared across the team. Therefore more specialist skills are available within the wider team if required.
	Do internal auditors have sufficient knowledge of key information technology risks and controls?	<input type="checkbox"/>			The Team in place is very experienced. Whilst we do not employ a computer auditor, who would specialise in this field, we have access to the CIPFA ICT Control Matrices. Contingency days are bought from Salford MBC for the provision of ad hoc support and guidance to assist with other planned work.
	Do internal auditors have sufficient knowledge of the appropriate computer-assisted audit techniques that are available to them to perform their work, including data analysis techniques?	<input type="checkbox"/>			An experienced Team is in place. All members of the Team have access to 'IDEA' which is an audit interrogation product. Excel is also used and pivot tables are used to analyse data.
	<i>1220 Due Professional Care</i>				
	Do internal auditors exercise due professional care by considering the:				
	a) Extent of work needed to achieve the engagement's objectives?	<input type="checkbox"/>			Audit procedures are set out in the Audit Manual and the Control Quality Checklist. All work is reviewed by a supervising auditor, usually a

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	b) Relative complexity, materiality or significance of matters to which assurance procedures are applied?	<input type="checkbox"/>			Principal Auditor, and all Final Reports/Post Audit Reviews are reviewed by the Head of Risk Management and Audit (CAE).  Several members of the team have a professional CCAB/IIA qualification and all have been trained to exercise due professional care.
	c) Adequacy and effectiveness of governance, risk management and control processes?	<input type="checkbox"/>			
	d) Probability of significant errors, fraud, or non-compliance?	<input type="checkbox"/>			
	e) Cost of assurance in relation to potential benefits?	<input type="checkbox"/>			
	Do internal auditors exercise due professional care during a consulting engagement by considering the:				
	a) Needs and expectations of clients, including the nature, timing and communication of engagement results?	<input type="checkbox"/>			See above.
	b) Relative complexity and extent of work needed to achieve the engagement's objectives?	<input type="checkbox"/>			See above.
	c) Cost of the consulting engagement in relation to potential benefits?	<input type="checkbox"/>			See above.
	<i>1230 Continuing Professional Development</i>				
<b>LGAN</b>	Has the CAE defined the skills and competencies for each level of auditor?	<input type="checkbox"/>			These are outlined in the job descriptions/person specifications for each job. Annual Development Reviews review performance and development. Regular supervisions review any ongoing issues throughout the year.

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Ref	Conformance with the Standard	C	P	N	Evidence
<b>LGAN</b>	Does the CAE periodically assess individual auditors against the predetermined skills and competencies?	<input type="checkbox"/>			Through the appraisal process outlined above. At the conclusion of an audit an Auditor Appraisal Sheet is completed by both the auditor and the supervisor to review the audit undertaken. The process is used to review performance, identify individual training needs and improvements in the audit process or wider Council issues.
	Do internal auditors undertake a programme of continuing professional development?	<input type="checkbox"/>			This is determined through the appraisal process outlined above. All CCAB qualified staff have to commit to CPD and the Annual Development Process adopted by the Council has been approved by both CIPFA and ACCA as an Approved Scheme.
	Do internal auditors maintain a record of their professional development and training activities?		<input type="checkbox"/>		This is recorded as part of the Annual Development Review Process and held within the Me Learning platform which is used by the Council to provide E-Learning courses to all staff.  During 2019/20 a facility within the Councils Payroll System iTrent will become available which will provide a centralised record of all training undertaken for staff. The system is currently being tested.
<b>3.4</b>	<b>1300 Quality Assurance and Improvement Programme</b>				
	Has the CAE developed a Quality Assurance and Improvement Programme (QAIP) that covers all aspects of the internal audit activity and enables conformance with all aspects of the PSIAS to be evaluated?	<input type="checkbox"/>			Detailed in the Quality Assurance and Improvement Programme which is presented to the Audit Panel annually in May/June.

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Ref	Conformance with the Standard	C	P	N	Evidence
	Does the QAIP assess the efficiency and effectiveness of the internal audit activity and identify opportunities for improvement?	<input type="checkbox"/>			Detailed in the Quality Assurance and Improvement Programme which is presented to the Audit Panel annually in May/June.
	Does the CAE maintain the QAIP?	<input type="checkbox"/>			The Quality Assurance and Improvement Programme is presented annually to members. The review of audit activity and improvements is presented in the Annual Audit Report, quarterly progress reports and the annual review of Internal Audit.
	Are any statutory requirements for review of the internal audit activity satisfied?				In line with the Accounts and Audit Regulations an annual review of the effectiveness of the system of internal control is undertaken and reported to the Audit Panel. This is based on an annual self-assessment against the PSIAS and an external review every 5 years.
	<i>1310 Requirements of the Quality Assurance and Improvement Programme</i>				
	Does the QAIP include both internal and external assessments?	<input type="checkbox"/>			Both are covered in the Quality Assurance and Improvement Programme.
	<i>1311 Internal Assessments</i>				
<b>LGAN</b>	Does the CAE ensure that audit work is allocated to staff with the appropriate skills, experience and competence?	<input type="checkbox"/>			The Principal Auditors are responsible for ensuring that members of the Internal Audit Team are allocated work which is appropriate to them. Any issues or concerns are raised through the regular supervision process. Meetings are regularly held between the Head of

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Ref	Conformance with the Standard	C	P	N	Evidence
					Risk Management and Audit (CAE) and the Principal Auditors to discuss work allocations, progress against the plan, staff issues and training requirements.
	Do internal assessments include ongoing monitoring of the internal audit activity, such as:				
	a) Routine quality monitoring processes?	<input type="checkbox"/>			<p>The process for this is defined in the Audit Manual and the Quality Control Checklist which is used for all audits. It includes ongoing review throughout the assignment and then a final quality review by the Head of Risk Management and Audit (CAE).</p> <p>At the conclusion of an audit an Audit Appraisal Sheet is completed by both the Auditor and the Supervisor and assesses:-</p> <ul style="list-style-type: none"> <li>• Timescales;</li> <li>• Days Taken;</li> <li>• Level of Supervision;</li> <li>• Working Papers;</li> <li>• Audit Process; and</li> <li>• Audit Report.</li> </ul>
	b) Periodic assessments for evaluating conformance with the PSIAS?	<input type="checkbox"/>			A review is undertaken annually and reported to the Audit Panel.
<b>LGAN</b>	Does ongoing performance monitoring contribute to quality improvements through the effective use of performance targets?	<input type="checkbox"/>			The key performance indicators and targets for the service are included in the Quality Assurance and Improvement Programme and the Annual Plan Report presented to the Audit Panel/Greater Manchester Pension Fund Local Board. The agreed targets include:



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Ref	Conformance with the Standard	C	P	N	Evidence
					<ul style="list-style-type: none"> <li>- % Compliance with PSIAS;</li> <li>- % of Plan Complete;</li> <li>- % of Recommendations Implemented;</li> <li>- % of Satisfied Customers; and</li> <li>- No of Reported Irregularities.</li> </ul> <p>They are reviewed annually and actual performance against the above measures is reported to the Audit Panel/Greater Manchester Pension Fund Local Board as part of the Risk Management and Audit Annual Report.</p>
	Is there a set of comprehensive targets which between them encompass all significant internal audit activities?	<input type="checkbox"/>			Yes see above.
<b>LGAN</b>	Are the performance targets developed in consultation with appropriate parties and included in any service level agreement?	<input type="checkbox"/>			The performance targets are discussed with the Director of Finance (Section 151 Officer), the Executive Member for Finance and Performance and the Audit Panel/Greater Manchester Pension Fund Local Board.
<b>LGAN</b>	Does the CAE measure, monitor and report on progress against these targets?	<input type="checkbox"/>			Progress against targets is reported annually to the Audit Panel and the Greater Manchester Pension Fund Local Board.
<b>LGAN</b>	Does ongoing performance monitoring include obtaining stakeholder feedback?	<input type="checkbox"/>			A customer satisfaction questionnaire is issued at the end of each audit assignment and the results are reported to the Audit Panel and Greater Manchester Pension Fund Local Board annually as part of the suite of internal audit PIs. Regular meetings take place with Senior Managers and Executive Members to obtain feedback on service delivery.

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Ref	Conformance with the Standard	C	P	N	Evidence
	<p>Are the periodic self-assessments or assessments carried out by people external to the internal audit activity undertaken by those with a sufficient knowledge of internal audit practices?</p> <p>Sufficiency would require knowledge of the PSIAS and the wider guidance available such as the Local Government Application Note and/or IIA practice advisories, etc.</p>	<input type="checkbox"/>			<p>Periodic self-assessments are undertaken by the Head of Risk Management and Audit (CAE) and the Principal Auditors who are all professionally qualified, experienced and knowledgeable of internal audit practices.</p> <p>A self-assessment is conducted annually against the PSIAS and reported to the Audit Panel as part of the annual review of Internal Audit.</p>
<b>LGAN</b>	<p>Does the periodic assessment include a review of the activity against the risk-based plan and the achievement of its aims and objectives?</p>	<input type="checkbox"/>			<p>The Head of Risk Management and Audit (CAE) reviews activity against the audit plan as this is one of the key performance indicators and the results of this are reported to the Audit Panel and Greater Manchester Pension Fund Local Board, as part of the Risk Management and Audit Services Quarterly Progress Report.</p> <p>Quarterly Activity Reports are issued to Senior Managers and Executive Members which provide a review of progress against the plan, the status of each audit in their area and the assurance level given to all finalised audits.</p>
	<i>1312 External Assessments</i>				
	<p>Has an external assessment been carried out, or is planned to be carried out, at least once every five years?</p>	<input type="checkbox"/>			<p>An external assessment has not been carried out yet.</p> <p>It is however, planned that a NW Chief Audit Executive Group peer review will be undertaken in March 2018.</p> <p>This will then be completed every five years.</p>

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Ref	Conformance with the Standard	C	P	N	Evidence
<b>LGAN</b>	Has the CAE discussed the alternative approaches to external assessment with the board? This should reflect the relative costs of the different approaches, the potential advantages of an external viewpoint, and whether there are factors which might be considered to warrant a demonstrably independent assessment.	<input type="checkbox"/>			The Head of Risk Management and Audit (CAE) has looked at the options available including the use of an external firm or peer review. The self-assessment plus independent validation is deemed to be the most appropriate approach and the best value for money. This was agreed with the previous Director of Finance (Section 151 Officer) and the Peer Review Process adopted by the North West Chief Audit Executive Group was reported to and approved by the Audit Panel on 1 November 2016. The service was assessed using the approach in March 2018. The Options for the next External Assessment will be discussed with the Director of Finance and presented to the Audit Panel for approval.
	Has the CAE properly discussed the qualifications and independence of the assessor or assessment team with the board?	<input type="checkbox"/>			The approach was presented and approved by the Audit Panel on 1 November 2016. See comment above about future external assessments.
<b>LGAN</b>	Has the CAE agreed the scope of the external assessment with an appropriate sponsor, such as the chair of the audit committee, the CFO or the chief executive?	<input type="checkbox"/>			The approach was agreed by the Audit Panel on 1 November 2016. See comment above about future external assessments.
	Has the CAE agreed the scope of the external assessment with the external assessor or assessment team?	<input type="checkbox"/>			The Peer Review Process adopted by the North West Chief Audit Executive Group is detailed in a Memorandum of Understanding and was approved by the Audit Panel on 1 November 2016. See comment above about future external assessments.
	Has the assessor or assessment team demonstrated its competence in both areas of professional practice of internal auditing and the	<input type="checkbox"/>			The Peer Review Process adopted by the North West Chief Audit Executive Group is detailed in a Memorandum of Understanding and was approved

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Ref	Conformance with the Standard	C	P	N	Evidence
	<p>external assessment process? Competence can be determined in the following ways:</p> <ul style="list-style-type: none"> <li>a) experience gained in organisations of similar size</li> <li>b) complexity</li> <li>c) sector (i.e. the public sector)</li> <li>d) industry (i.e. local government), and</li> <li>e) technical experience.</li> </ul> <p>Note that if an assessment team is used, competence needs to be demonstrated across the team and not for each individual member.</p>				<p>by the Audit Panel on 1 November 2016.</p> <p>It is conducted by Heads of Audit/Audit Managers of the various teams that make up the North West Chief Audit Executive Group.</p> <p>The Assessment Team consists of two Heads of Internal Audit/Audit Managers from two different authorities and all assessment reviews are moderated by two different Heads of Internal Audit/Audit Managers. See comment above about future external assessments.</p>
	How has the CAE used his or her professional judgement to decide whether the assessor or assessment team demonstrates sufficient competence to carry out the external assessment?	<input type="checkbox"/>			The Peer Review Process adopted by the North West Chief Audit Executive Group is detailed in a Memorandum of Understanding and was approved by the Audit Panel on 1 November 2016. See comment above about future external assessments.
	Does the assessor or assessment team have any real or apparent conflicts of interest with the organisation? This may include, but is not limited to, being a part of or under the control of the organisation to which the internal audit activity belongs.	<input type="checkbox"/>			The Peer Review Process adopted by the North West Chief Audit Executive Group is detailed in a Memorandum of Understanding and was approved by the Audit Panel on 1 November 2016. See comment above about future external assessments.
	<i>1320 Reporting on the Quality Assurance and Improvement Programme</i>				
	Has the CAE reported the results of the QAIP to senior management and the board?	<input type="checkbox"/>			The Self-Assessment against the Public Sector Internal Audit Standards is presented to the Audit Panel annually in May/June.

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Ref	Conformance with the Standard	C	P	N	Evidence
					<p>The Head of Risk Management and Audit (CAE) reports performance against the targets in the Risk Management and Audit Annual Report, this is discussed with the Director of Finance (Section 151 Officer) and presented to the Audit Panel in May/June.</p> <p>Continual improvements to service delivery or process are reported to the Audit Panel in the Risk Management and Audit Quarterly Progress Reports.</p> <p>Direct reference to the QAIP is included in the Annual Report and progress reports presented to the Audit Panel.</p>
	Note that:				
	a) the results of both external and periodic internal assessment must be communicated upon completion	□			<p>Results of delivery of the actions outlined in the Annual Audit Plan are reported to the Audit Panel/Greater Manchester Pension Fund Local Board on an annual basis.</p> <p>Results of any benchmarking exercises are reported as and when undertaken and discussed with the Director of Finance (Section 151 Officer) and presented to the Audit Panel.</p> <p>The results from Customer Satisfaction Questionnaires are used internally within the service to identify training needs and reported to the Audit Panel/Greater Manchester Pension Fund Local Board annually as part of the Risk Management and Audit Annual Report.</p>

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					<p>The Review of Internal Audit, which is based on the Public Sector Internal Audit Standards, is reported to the Audit Panel every May/June.</p> <p>The result of the external assessment, which was conducted in March 2018, was reported to the Audit Panel in May 2018.</p>
	b) the results of ongoing monitoring must be communicated at least annually	<input type="checkbox"/>			See above.
	c) the results must include the assessor's or assessment team's evaluation with regards to the degree of the internal audit activity's conformance with the PSIAS.	<input type="checkbox"/>			See above.
	Has the CAE included the results of the QAIP and progress against any improvement plans in the annual report?	<input type="checkbox"/>			Development Work undertaken was mentioned in the annual report; however, due to capacity issues resources were concentrated on delivering the audit plan.
	<i>1321 Use of 'Conforms with the International Standards for the Professional Practice of Internal Auditing'</i>				
	Has the CAE stated that the internal audit activity conforms with the PSIAS only if the results of the QAIP support this?	<input type="checkbox"/>			<p>Annual Report.</p> <p>Review of Internal Audit Report.</p>
	<i>1322 Disclosure of Non-conformance</i>				
	Has the CAE reported any instances of non-conformance with the PSIAS to the board?	<input type="checkbox"/>			The External Assessment completed in March 2018 Confirmed that the service conformed to the PSIAS

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Ref	Conformance with the Standard	C	P	N	Evidence
					and no instances of non-compliance were reported. This is also reported in the Annual Report.
	Has the CAE considered including any significant deviations from the PSIAS in the governance statement and has this been evidenced?	<input type="checkbox"/>			The self-assessment against the PSIAS used for the External Assessment did not, and the updated self-assessment for 2018/19 has not identified any significant deviations.
<b>4</b>	<b>Performance Standards</b>				
<b>4.1</b>	<b>2000 Managing the Internal Audit Activity</b>				
	Do the results of the internal audit activity's work achieve the purposes and responsibility of the activity, as set out in the internal audit charter?	<input type="checkbox"/>			The Head of Risk Management and Audit (CAE) presents Quarterly Progress Reports and an Annual Report to the Director of Finance (Section 151 Officer) and the Audit Panel/Greater Manchester Pension Fund Local Board.
	Does the internal audit activity conform with the <i>Definition of Internal Auditing</i> and the <i>Standards</i> ?	<input type="checkbox"/>			Internal Audit Charter Annual Audit Plan Annual Audit Plan Report Audit Manual
	Do individual internal auditors, who are part of the internal audit activity, demonstrate conformance with the <i>Code of Ethics</i> and the <i>Standards</i> ?	<input type="checkbox"/>			All Audit Staff sign Declaration Forms to say that they have read the Code of Ethics. The achievement of the Annual Audit Plan and positive feedback from auditees and senior managers is testament that internal auditors demonstrate conformance. No complaints or concerns have ever been raised.
	Does the internal audit activity add value to the organisation and its stakeholders by				
	a) Providing objective and relevant assurance?	<input type="checkbox"/>			Internal Audit Charter

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Ref	Conformance with the Standard	C	P	N	Evidence
	b) Contributing to the effectiveness and efficiency of the governance, risk management and internal control processes?	<input type="checkbox"/>			Internal Audit Strategy Final Audit Reports Head of Risk Management and Audit's (CAE) Annual Report  Request from Senior Managers/Executive Members for audit reviews.  Positive customer feedback.
	<i>2010 Planning</i>				
	Has the CAE determined the priorities of the internal audit activity in a risk-based plan and are these priorities consistent with the organisation's goals?	<input type="checkbox"/>			Internal Audit Plan Internal Audit Plan Report The plan is created in consultation with Senior Management, Executive Members and the Director of Finance (Section 151 Officer). All activities in the "audit universe" are risk assessed in the audit management system Galileo.
	Does the risk-based plan take into account the requirement to produce an annual internal audit opinion?	<input type="checkbox"/>			Internal Audit Plan Internal Audit Plan Report  In compiling the risk based plan attention to the overall levels of assurance given across all service areas is monitored to ensure the balance will generate an annual audit opinion.
	Does the risk-based plan take into account the organisation's assurance framework?	<input type="checkbox"/>			Internal Audit Plan Internal audit Plan Report Assurance Framework The process adopted takes into account the various sources of assurance across the Council for example:-



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Ref	Conformance with the Standard	C	P	N	Evidence
					<ul style="list-style-type: none"> <li>Scrutiny Reviews/Reports;</li> <li>Inspection Reports;</li> <li>Corporate Risk Register;</li> <li>Corporate Plan;</li> <li>External Audit Letter/Reports;</li> <li>Code of Corporate Governance;</li> <li>AGS Director Assurance Letters;</li> <li>AGS Self-Assessment Checklists; and</li> <li>Investigations undertaken and Control Reports.</li> </ul>
	Does the risk-based plan incorporate or is it linked to a strategic or high-level statement of:				
	a) How the internal audit service will be delivered?	<input type="checkbox"/>			Internal Audit Plan Report Internal Audit Charter Internal Audit Strategy
	b) How the internal audit service will be developed in accordance with the internal audit charter?	<input type="checkbox"/>			Detailed in the Internal Audit Plan Report and the Quality Assurance Improvement Programme.
	c) How the internal audit service links to organisational objectives and priorities?	<input type="checkbox"/>			<p>The Council's objectives are set out in the Corporate Plan. Internal Audit supports the individual operations, which deliver the objectives within this by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.</p> <p>Regular meetings with Executive Members and Senior Managers ensure that the Audit Plan reflects the needs of the organisation and keeps pace with priorities. These meetings are important as they enable the risk assessments in the Audit Management System to be updated.</p>

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Ref	Conformance with the Standard	C	P	N	Evidence
	Does the risk-based plan set out how internal audit's work will identify and address local and national issues and risks?	<input type="checkbox"/>			<p>See above.</p> <p>In compiling the plan local issues/risks are identified by liaising with Executive Members and Senior Managers and the Director of Finance (Section 151 Officer).</p> <p>National issues/risks are identified by attending training events/seminars/workshops/NW Chief Audit Executive Group, researching TIS Online, Better Governance Forum and the CIPFA Fraud Centre. A Review of the published Fraud Report is also undertaken.</p>
	In developing the risk-based plan, has the CAE taken into account the organisation's risk management framework and relative risk maturity of the organisation?	<input type="checkbox"/>			The Head of Risk Management and Audit (CAE) is also responsible for the Council's risk management framework and overseeing the corporate risk register and therefore has a good insight into areas of specific concern.
	If such a risk management framework does not exist, has the CAE used his or her judgement of risks after input from senior management and the board and evidenced this?	<input type="checkbox"/>			The Head of Risk Management and Audit (CAE) is also responsible for the Council's risk management framework and overseeing the corporate risk register and therefore has a good insight into areas of specific concern.
<b>LGAN</b>	Does the risk-based plan set out the:				
	a) Audit work to be carried out?	<input type="checkbox"/>			Internal Audit Plan. Internal Audit Plan Report. Audit Charter
	b) Respective priorities of those pieces of audit work?	<input type="checkbox"/>			
	c) Estimated resources needed for the work?	<input type="checkbox"/>			

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Ref	Conformance with the Standard	C	P	N	Evidence
<b>LGAN</b>	Does the risk-based plan differentiate between audit and other types of work?	<input type="checkbox"/>			<p>Internal Audit Plan. Internal Audit Plan Report. Audit Charter</p> <p>The risk based plan details:-</p> <ul style="list-style-type: none"> <li>• Audits to be undertaken;</li> <li>• Planning and Control Days;</li> <li>• Contingency for Advice and Support;</li> <li>• Post Audit Review Days; and</li> <li>• Investigation/Counter Fraud Days.</li> </ul>
<b>LGAN</b>	Is the risk-based plan sufficiently flexible to reflect the changing risks and priorities of the organisation?	<input type="checkbox"/>			<p>If new risks emerge in year then the Head of Risk Management and Audit (CAE) has the option to make a change to the plan and seeks approval for this from the Director of Finance (Section 151 Officer) and the relevant Director concerned. Any changes to the audit plan are reported to the Audit Panel as part of the Head of Risk Management and Audit (CAE) Quarterly Progress Report.</p> <p>Audit assignments are normally planned on a quarterly basis which helps ensure flexibility should risks change in the year.</p>
	Does the CAE review the plan on a regular basis and has he or she adjusted the plan when necessary in response to changes in the organisation's business, risks, operations, programmes, systems and controls?	<input type="checkbox"/>			<p>The Principal Auditors are responsible for monitoring the plan and meeting with Executive Members and Senior Managers to identify any changes needed to the plan. These changes are then discussed with the Head of Risk Management and Audit (CAE) and reported to the Audit Panel and the Greater Manchester Pension Fund Local Board.</p> <p>Adjustments may also be required due to gaps in resources.</p>

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Ref	Conformance with the Standard	C	P	N	Evidence
	Is the internal audit activity's plan of engagements based on a documented risk assessment?	<input type="checkbox"/>			<p>Annually the Principal Auditors review the audit universe in the Audit Management System Galileo in preparation for meetings with Senior Managers and Executive Members. The Meetings are held to review the audit universe to ensure it is correct and up to date and includes any new risk exposures, identify what audits are due to be undertaken and their key areas of concern. All of the above feeds into the risk assessment process.</p> <p>The risk assessment in the Audit Management System Galileo is based on:-</p> <ul style="list-style-type: none"> <li>• Susceptibility to Error/Fraud;</li> <li>• Control Environment;</li> <li>• Sensitivity and Reputation of the Council;</li> <li>• Complexity;</li> <li>• Volume and Value of Transactions;</li> <li>• Management Concerns;</li> <li>• Management Changes;</li> <li>• Specific Business Risks/Business Importance;</li> <li>• Quality, Integrity and Security of Information; and</li> <li>• Years since Previous Audit.</li> </ul> <p>Following the planning meetings the risk assessments are updated in Galileo and a list of audits in priority order is produced.</p> <p>Consultation then takes place with colleagues in Financial Management to ascertain if they have any concerns in their areas of responsibility.</p> <p>The Head of Risk Management and Audit (CAE) then meets with the Principal Auditors to further</p>

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Ref	Conformance with the Standard	C	P	N	Evidence
					<p>develop the planning process by reviewing the assurance framework and assessing the list of audits to provide challenge into the process. Once the list is agreed it is then matched against available resources to agree the draft plan for the new financial year.</p> <p>Process outlined in the Annual Plan Report, Internal Charter and Audit Manual.</p>
	Is the risk assessment used to develop the plan of engagements undertaken at least annually?	<input type="checkbox"/>			Yes - see above.
<b>LGAN</b>	In developing the risk-based plan, has the CAE also considered the following:				
	a) Any declarations of interest (for the avoidance for conflicts of interest)?	<input type="checkbox"/>			<p>The Head of Risk Management and Audit (CAE) challenges the Principal Auditors on their inclusion of audits on the list to check there are no conflicts.</p> <p>Any conflicts within the Internal Audit Team are reviewed and resolved as the work is allocated.</p> <p>Annual Audit Plan Annual Audit Plan Report Audit Manual</p>
	b) The requirement to use specialists, e.g. IT or contract and procurement auditors?	<input type="checkbox"/>			<p>Annual Audit Plan. Annual Audit Plan Report Internal Audit Strategy</p> <p>The Council does not employ an IT Specialist and uses the services of Salford MBC Computer Services.</p>

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Ref	Conformance with the Standard	C	P	N	Evidence
	c) Allowing contingency time to undertake ad hoc reviews or fraud investigations as necessary?	<input type="checkbox"/>			<p>Advice and Support days are included for each service area in the plan which can be used for ad hoc reviews.</p> <p>A separate resource is available for Fraud Investigation/Counter Fraud Work and the details are included in the Annual Audit Plan and the Annual Audit Plan Report</p>
	d) The time required to carry out the audit planning process effectively as well as regular reporting to and attendance of the board, the development of the annual report and the CAE opinion?	<input type="checkbox"/>			<p>Days are included within the plan for:-</p> <ul style="list-style-type: none"> <li>• Planning and Control</li> <li>• Reporting to Members</li> </ul> <p>Annual Audit Plan Annual Audit Plan Report Internal Audit Charter Internal Audit Strategy</p>
	In developing the risk-based plan, has the CAE consulted with senior management and the board to obtain an understanding of the organisation's strategies, key business objectives, associated risks and risk management processes?	<input type="checkbox"/>			<p>Senior Management are involved in the planning/risk assessment process. Individual Executive Members are consulted as part of the planning process to determine the draft plan.</p> <p>The draft plan is discussed with the Director of Finance (Section 151 officer) and shared with both the Monitoring Officer and External Audit ahead of it being presented to the Audit Panel/Greater Manchester Pension Fund Local Board for approval.</p> <p>As with all plans the Audit Panel/Greater Manchester Pension Fund Local Board are advised that the plan will be kept under constant review to ensure it captures the requirements of the</p>

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Ref	Conformance with the Standard	C	P	N	Evidence
					organisation. Both bodies are informed that any changes will be reported to the future meetings.
	Does the CAE identify and consider the expectations of senior management, the board and other stakeholders for internal audit opinion and any other conclusions?	<input type="checkbox"/>			<p>Input from senior management, executive members and other stakeholders is important to the planning process to ensure risk assessments are up to date, priorities are identified and indicative timings discussed. However, the Head of Risk Management and Audit (CAE) and the Principal Auditors have a wealth of experience and a detailed knowledge of the Council and their professional judgement is paramount to the compilation of the plan and they are all aware that managers may steer Internal Audit away from areas to save receiving unfavourable audit opinions.</p> <p>In terms of individual assignments a draft report is issued and then a closure meeting is arranged to seek management opinion on the factual accuracy of the report and acceptance of the recommendations.</p> <p>Input from stakeholders is important so that they buy into the recommendations made.</p>
	Does the CAE take into consideration any proposed consulting engagement's potential to improve the management of risks, to add value and to improve the organisation's operations before accepting them?	<input type="checkbox"/>			<p>Consultancy Reviews are assessed as part of the planning process.</p> <p>In some circumstances it adds more benefit and value to the organisation to undertake this type of review.</p>
	<i>Are consulting engagements that have been accepted included in the risk-based plan?</i>	<input type="checkbox"/>			All audits/reviews are listed in the Annual Audit Plan to ensure that the plan balances to resources and that management and the Audit Panel/Greater Manchester Pension Fund Local Board are fully

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Ref	Conformance with the Standard	C	P	N	Evidence
					aware of the work plan for the year. However, plans can and do change and these changes would be notified to the Audit Panel/Greater Manchester Pension Fund Local Board as part of the quarterly progress report.
	<i>2020 Communication and Approval</i>				
	Has the CAE communicated the internal audit activity's plans and resource requirements to senior management and the board for review and approval?	<input type="checkbox"/>			Annual Audit Plan is presented to the Director of Finance (Section 151 Officer) and to the Audit Panel/ Greater Manchester Pension Fund Local Board for approval in May/June.
	Has the CAE communicated any significant interim changes to the plan and/or resource requirements to senior management and the board for review and approval, where such changes have arisen?	<input type="checkbox"/>			Presented to the Audit Panel/ Greater Manchester Pension Fund Local Board in the Risk Management and Audit Progress Reports.  Discussed with management as and when required and reported as part of quarterly activity reports.
	Has the CAE communicated the impact of any resource limitations to senior management and the board?	<input type="checkbox"/>			Resource requirements/issues are set out in the Audit Plan Report presented to the Audit Panel/ Greater Manchester Pension Fund Local Board. They are also discussed in detail with management and the Director of Finance (Section 151 Officer).  Quarterly Activity Reports presented to management detail the plan, actual days per audit and any issues with resources.
	<i>2030 Resource Management</i>				
	Does the risk-based plan explain how internal audit's resource requirements have been	<input type="checkbox"/>			This is covered in the Risk Management and Audit Service Annual Plan Report and the detail is held in



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	assessed?				the planning working papers.
<b>LGAN</b>	Has the CAE planned the deployment of resources, especially the timing of engagements, in conjunction with management to minimise disruption to the functions being audited, subject to the requirement to obtain sufficient assurance?	<input type="checkbox"/>			All audits are planned in conjunction with management, and priorities are discussed at the planning meetings and the quarterly activity meetings.
<b>LGAN</b>	If the CAE believes that the level of agreed resources will impact adversely on the provision of the internal audit opinion, has he or she brought these consequences to the attention of the board? This may include an imbalance between the work plan and resource availability and/or other significant matters that jeopardise the delivery of the plan or require it to be changed.	<input type="checkbox"/>			Any issues with delivering the plan would be discussed with the Director of Finance (Section 151 Officer) and reported to the Audit Panel/Greater Manchester Pension Fund Local Board as part of the Annual Audit Plan Report and the Quarterly Progress Reports.
	<i>2040 Policies and Procedures</i>				
	Has the CAE developed and put into place policies and procedures to guide the internal audit activity?	<input type="checkbox"/>			Internal Audit Manual Quality Control Checklist  A detailed process is outlined in the above documents and confirmed by the review process undertaken by the Principal Auditors and Head of Risk Management and Audit.
<b>LGAN</b>	Has the CAE established policies and procedures to guide staff in performing their duties in a manner than conforms to the PSIAS? Examples include maintaining an audit manual and/or using electronic management systems.	<input type="checkbox"/>			Internal Audit Manual. Quality Control Checklist  School audits are performed using an Audit Programme which guides the auditor through the process.

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					<p>All other audits are performed using the Audit Management System Galileo which again guides the auditor through the process in conjunction with the Quality Control Checklist.</p> <p>We also have a matrix in place detailing the distribution list for reports to ensure reports are issued in a consistent manner.</p>
<b>LGAN</b>	Are the policies and procedures regularly reviewed and updated to reflect changes in working practices and standards?	<input type="checkbox"/>			<p>Improvement days are held which give the opportunity for policies and procedures to be reviewed.</p> <p>Staff are experienced and if something is causing an issue it is either raised at a supervision meeting, an ADR or at a team meeting.</p>
	<i>2050 Coordination</i>				
	Does the risk-based plan include an adequately developed approach to using other sources of assurance and any work that may be required to place reliance upon those sources?	<input type="checkbox"/>			<p>This is discussed with senior managers when the Principal Auditors meet them as part of the audit planning process and any external inspections may influence whether a review will be included on the audit plan.</p> <p>This would be captured as part of the planning meeting notes.</p> <p>We also review the External Auditors reports and plan and liaise with Scrutiny, or review their web pages, to see what reviews they have undertaken or are planning to undertake.</p> <p>When auditing the Pension Fund assurance is</p>

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					obtained from various sources e.g. Third Party Auditors or Industry Regulators. Where assurance provided by a third party is used, checks are undertaken to determine the degree of reliance that can be placed on them.
<b>LGAN</b>	Has the CAE carried out an assurance mapping exercise as part of identifying and determining the approach to using other sources of assurance?	<input type="checkbox"/>			See above response.  An Assurance Framework is in place.
	Does the CAE share information and coordinate activities with other internal and external providers of assurance and consulting services?	<input type="checkbox"/>			Quarterly liaison meetings are in place with the Councils External Auditor where work is shared. The Head of Risk Management and Audit (CAE)/Principal Auditors will also liaise with other internal services undertaking review work and provide copies of audit reports when appropriate to do so. Scrutiny reports and plans are reviewed.  Audits/Reviews are started in full consultation with management and any external inspections due would be taken into account so that resources are not duplicated and areas over inspected.
<b>LGAN</b>	Does the CAE meet regularly with the nominated external audit representative to consult on and coordinate their respective audit plans?	<input type="checkbox"/>			See above.  External Audit also attend both the Audit Panel/Greater Manchester Pension Fund Local Board.
	Where key organisational risks relate to work undertaken through partnerships, the auditor may be able to take assurance from work undertaken by others, or by obtaining assurance directly.				When auditing the Pension Fund assurance is obtained from various sources e.g. Third Party Auditors or Industry Regulators. Where assurance provided by a third party is used, checks are undertaken to determine the degree of

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Ref	Conformance with the Standard	C	P	N	Evidence
					reliance that can placed on them.
	<i>2060 Reporting to Senior Management and the Board</i>				
	Does the CAE report periodically to senior management and the board on the internal audit activity's purpose, authority, responsibility and performance relative to its plan?	<input type="checkbox"/>			<p>This is done via the Risk Management and Audit Quarterly Progress Reports to the Audit Panel/Greater Manchester Pension Fund Local Board.</p> <p>Management/Executive Members receive Quarterly Activity Reports and regular liaison meetings are held with them to discuss progress to date, outstanding audits, new risks, changing priorities and any issues/concerns that need to be taken into account.</p> <p>Urgent matters would be discussed with the Director of Finance (Section 151 Officer) and/or the Assistant Director of Finance (Deputy Section 151 Officer).</p> <p>Weekly planning meetings are held with the Assistant Director of Finance (Deputy Section 151 Officer) where feedback on audit activity is provided.</p> <p>The Head of Risk Management and Audit (CAE) has a 1:1 with the Director of Finance (Section 151 Officer) monthly.</p>
	Does the periodic reporting also include significant risk exposures and control issues, including fraud risks, governance issues and other matters needed or requested by senior management and the board?	<input type="checkbox"/>			See above.

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	Is the frequency and content of such reporting determined in discussion with senior management and the board and are they dependent on the importance of the information to be communicated and the urgency of the related actions to be taken by senior management or the board?	<input type="checkbox"/>			See above.
	<i>2070 External Service Provider and Organisational Responsibility for Internal Auditing</i>				
	Where an external internal audit service provider acts as the internal audit activity, does that provider ensure that the organisation is aware that the responsibility for maintaining and effective internal audit activity remains with the organisation?	N/A			N/A
	Does the internal audit activity evaluate and contribute to the improvement of the organisation's governance, risk management and internal control processes?	N/A			N/A
	Does the internal audit activity evaluate and contribute to the improvement of the above using a systematic and disciplined approach?	N/A			N/A
	<i>2110 Governance</i>				
	Does the internal audit activity assess and make appropriate recommendations to improve the organisation's governance processes for :				

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Ref	Conformance with the Standard	C	P	N	Evidence
	Making strategic and operational decisions?				
	Overseeing risk management and control?				
	a) Promote appropriate ethics and values within the organisation?	<input type="checkbox"/>			<p>This is all demonstrated in the Head of Risk Management and Audit's (CAE) Annual Audit Plan Report and Quarterly Progress Reports presented to the Audit Panel/Greater Manchester Pension Fund Local Board.</p> <p>Activity reports provided to Senior Management and Executive Members.</p> <p>Meetings with Senior Management and Executive Members.</p> <p>Feedback from Managers at meetings or returned via Customer Satisfaction Questionnaires.</p> <p>Covered in the Internal Audit Charter and Strategy.</p> <p>Head of Risk Management and Audits (CAE) Annual Report.</p> <p>Internal Audit is regularly asked for advice by managers when changes are being made to systems or processes.</p> <p>Internal Auditors work closely with the Risk and Insurance Team and the Fraud Investigators to ensure learning is shared across all disciplines.</p>
	b) Ensure effective organisational performance management and accountability?	<input type="checkbox"/>			
	c) Communicate risk and control information to appropriate areas of the organisation?	<input type="checkbox"/>			
	d) Coordinate the activities of and communicate information among the board, external and internal auditors and management?	<input type="checkbox"/>			
	Has the internal audit activity evaluated the:				This would be built into the risk and controls reviewed within service area audits.

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	a) design	<input type="checkbox"/>			
	b) implementation, and	<input type="checkbox"/>			
	c) effectiveness of the organisation's ethics-related objectives, programmes and activities?	<input type="checkbox"/>			
	Has the internal audit activity assessed whether the organisation's information technology governance supports the organisation's strategies and objectives?	<input type="checkbox"/>			<p>This would be delivered on a system by system basis. However, days are included in the plan each year to review ICT Services. Salford Computer Audit Services are engaged to undertake the more technical reviews and days are also included for advice and support in relation to ICT controls in other audit reviews.</p> <p>When new systems are being introduced Internal Audit are involved and a system sign off is completed to ensure that the system is fit for purpose and does not expose the Council to any unforeseen risks.</p>
	<i>2120 Risk Management</i>				
	Has the internal audit activity evaluated the effectiveness of the organisation's risk management processes by determining that:				
	a) Organisational objectives support and align with the organisation's mission?	<input type="checkbox"/>			The Head of Risk Management and Audit (CAE) is also responsible for setting the Council's Risk Management Framework and therefore is able to influence whether the Council is taking adequate steps to effectively manage risk.

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					<p>All reports that are presented to the Single Leadership Team, Board, Panels, Working Groups and Council all have to consider the risk management implications as it is built into the reporting template.</p> <p>The Corporate Risk Register was reviewed and presented to the Audit Panel in October 2018 and May/June 2019 The</p> <p>The risk management process is under review in conjunction with the Single Leadership Team to determine the most effective way forward as we continue to integrate with the CCG. The Corporate Risk Register will be aligned with the Themes and Priorities of the Corporate Plan</p>
	b) Significant risks are identified and assessed?	<input type="checkbox"/>			<p>See above.</p> <p>All audits are risk based and involve reviewing the risks for the area under review.</p>
	c) Appropriate risk responses are selected that align risks with the organisation's risk appetite?	<input type="checkbox"/>			<p>See above.</p>
	d) Relevant risk information is captured and communicated in a timely manner across the organisation, thus enabling the staff, management and the board to carry out their responsibilities?	<input type="checkbox"/>			<p>See above.</p> <p>A written report is issued to management for all work undertaken by the Internal Audit Team setting out the risks reviewed and the findings and recommendations.</p> <p>The progress reports presented by the Head of Risk Management and Audit to the Audit Panel/ Greater</p>



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					Manchester Pension Fund Local Board cover these aspects. Where a fraud investigation is undertaken a control report is produced thereafter to ensure that any control issues identified are resolved to minimise similar frauds occurring in the future.
	Has the internal audit activity evaluated the risks relating to the organisation's governance, operations and information systems regarding the:				
	a) Achievement of the organisation's strategic objectives?	<input type="checkbox"/>			The Councils strategic objectives are set out in the Corporate Plan. The Annual Audit Plan is risk based and meets the priorities identified during the planning process undertaken in conjunction with Senior Managers, Executive Members and the Director of Finance (Section 151 Officer).
	b) Reliability and integrity of financial and operational information?	<input type="checkbox"/>			Audits within the Annual Audit Plan meet this requirement. Several audits within the plan specifically cover this point, e.g. General Ledger, Payroll, Creditors. Operational audits also cover aspects depending on the risks reviewed. A System Sign Off is also undertaken to ensure the integrity of data/information when new systems are introduced or existing amended/updated.
	c) Effectiveness and efficiency of operations and programmes?	<input type="checkbox"/>			See above.
	d) Safeguarding of assets?	<input type="checkbox"/>			See above.
	e) Compliance with laws, regulations, policies, procedures and contracts?	<input type="checkbox"/>			See above.

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	<p>Has the internal audit activity evaluated the potential for fraud and also how the organisation itself manages fraud risk?</p> <p>CIPFA has issued a Code of Practice on Managing the Risk of Fraud and Corruption, and strongly recommends that it is used as the basis for assessment of how an authority manages its fraud risk.</p>	<input type="checkbox"/>			<p>This is done as part of the annual planning process and details are included in the Annual Audit Plan and Report.</p> <p>Frauds investigated are reviewed.</p> <p>Attendance at regional fraud groups also provides intelligence and shared learning.</p> <p>National Fraud reports and fraud alerts/bulletins produced by NAFN Data and Intelligence Services are reviewed.</p> <p>The Code of Practice has been used to assess the team in conjunction with the requirements of the Strategy for Fighting Fraud and Corruption Locally.</p>
	Do internal auditors address risk during consulting engagements consistently with the objectives of the engagement?	<input type="checkbox"/>			All consultancy reviews are risk based and focus on risk and control issues and they are delivered in line with the objectives of the engagement.
	Are internal auditors alert to other significant risks when undertaking consulting engagements?	<input type="checkbox"/>			<p>As above.</p> <p>An experienced Team is in place and auditors are alert to other risks.</p>
	Do internal auditors incorporate knowledge of risks gained from consulting engagements into their evaluation of the organisation's risk management processes?	<input type="checkbox"/>			An experienced Team is in place, managed by two experienced Principal Auditors and the knowledge of risks gained from consulting requirements where appropriate are used to evaluate the organisations risk management processes.
	Do internal auditors successfully avoid managing risks themselves, which would in effect lead to taking on management responsibility, when assisting management in establishing or improving	<input type="checkbox"/>			Risks, controls, findings and recommendations are presented to management in an Internal Audit Report for action by the relevant service.

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	risk management processes?				
	<i>2130 Control</i>				
	Has the internal audit activity evaluated the adequacy and effectiveness of controls in the organisation's governance, operations and information systems regarding the:				
	a) Achievement of the organisation's strategic objectives?	<input type="checkbox"/>			This is achieved through the delivery of the Annual Audit Plan and following the recognised audit procedure set out in the Audit Manual/Quality Control Checklist, using the Audit Management System Galileo.
	b) Reliability and integrity of financial and operational information?	<input type="checkbox"/>			See above.
	c) Effectiveness and efficiency of operations and programmes?	<input type="checkbox"/>			See above.
	d) Safeguarding of assets?	<input type="checkbox"/>			See above.
	e) Compliance with laws, regulations, policies, procedures and contracts?	<input type="checkbox"/>			See above.
	Do internal auditors utilise knowledge of controls gained during consulting engagements when evaluating the organisation's control processes?	<input type="checkbox"/>			Auditors provide an update of their work at regular one to one meetings with their Principal Auditor. Regular meetings are held between the Head of Risk Management and Audit (CAE) and the Principal Auditors where key findings are discussed. Feedback is provided on a regular basis from all staff. All reports are read by the Head of Risk Management and Audit (CAE) including

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					<p>investigation reports before they are issued. Liaison between team members is excellent and they share learning and experience on a regular basis to support one another.</p> <p>However, care is taken to ensure that auditors involved in consultancy do not then audit the area.</p>
<b>4.3</b>	<b>2200 Engagement Planning</b>				
	Do internal auditors develop and document a plan for each engagement?	<input type="checkbox"/>			<p>A Terms of Reference document is issued for all audits/reviews, which outlines the objectives, scope, timing and resources with the exception of schools.</p> <p>A standard programme is in place for schools and ahead of the visit, once confirmed with the Head, a pre audit questionnaire and an ICT questionnaire is issued, which asks for information to be provided before the visit.</p> <p>With regards to Greater Manchester Pension Fund Employer Visits a set programme is in place and liaison takes place in advance of a visit. A letter is sent to the Director of Finance which explains the process.</p>
	Does the engagement plan include the engagement's:				
	a) Objectives?	<input type="checkbox"/>			See above.
	b) Scope?	<input type="checkbox"/>			See above.
	c) Timing?	<input type="checkbox"/>			See above.

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	d) Resource allocations?	<input type="checkbox"/>			See above.
	Do internal auditors consider the following in planning an engagement, and is this documented:				
	a) The objectives of the activity being reviewed?	<input type="checkbox"/>			<p>This is documented in the Terms of Reference which forms part of the standard suite of documents produced for an audit. An introductory meeting is held with the service area under review to discuss aspects of the review and to obtain up to date information about the service area. All information is stored within the Audit Management System Galileo.</p> <p>A risk based approach is adopted and the aspects listed are covered when the audit/review is being planned.</p>
	b) The means by which the activity controls its performance?	<input type="checkbox"/>			See above.
	c) The significant risks to the activity being audited?	<input type="checkbox"/>			See above.
	d) The activity's resources?	<input type="checkbox"/>			See above.
	e) The activity's operations?	<input type="checkbox"/>			See above.
	f) The means by which the potential impact of risk is kept to an acceptable level?	<input type="checkbox"/>			See above.
	g) The adequacy and effectiveness of the activity's governance, risk management and control processes compared to a relevant framework or model?	<input type="checkbox"/>			See above.

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	h) The opportunities for making significant improvements to the activity's governance, risk management and control processes?	<input type="checkbox"/>			See above.
	Where an engagement plan has been drawn up for an audit to a party outside of the organisation, have the internal auditors established a written understanding with that party about the following:	<input type="checkbox"/>			On behalf of the Greater Manchester Pension Fund we do audit bodies external to the Council and the same process is adopted as for the Council. A Terms of Reference is issued and the planning takes place with both the organisation concerned and the Officer responsible for that area of work within the Greater Manchester Pension Fund. For Pension Fund Employer Visits a letter is also used to outline the objectives and scope of the audit.
	a) Objectives?	<input type="checkbox"/>			See above.
	b) Scope?	<input type="checkbox"/>			See above.
	c) The respective responsibilities and other expectations of the internal auditors and the outside party (including restrictions on distribution of the results of the engagement and access to engagement records)?	<input type="checkbox"/>			This would be defined as part of the Terms of Reference and the reporting process.
	For consulting engagements, have internal auditors established an understanding with the engagement clients about the following:				
	a) Objectives?	<input type="checkbox"/>			This would be discussed and agreed for each review and Terms of Reference issued, if appropriate.
	b) Scope?	<input type="checkbox"/>			See above.
	c) The respective responsibilities of the internal	<input type="checkbox"/>			See above.

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	auditors and the client and other client expectations?				
	For significant consulting engagements, has this understanding been documented?	<input type="checkbox"/>			See above.
	<i>2210 Engagement Objectives</i>				
	Have objectives been agreed for each engagement?	<input type="checkbox"/>			These are agreed with the service at the audit planning meeting and then formalised in the Terms of Reference.
	Have internal auditors carried out a preliminary risk assessment of the activity under review?	<input type="checkbox"/>			This is discussed between the Principal Auditor and the Auditor responsible for the review ahead of the audit planning meeting with the service area. The auditor would start to research the area under review to determine the potential risks and controls to be covered. This would be done by using control matrices available, TIS Online, looking at previous audits delivered and by speaking to colleagues in the team. The risks would be discussed with the service at the audit planning meeting and the key risks to focus on would be prioritised and agreed.
	Do the engagement objectives reflect the results of the preliminary risk assessment that has been carried out?	<input type="checkbox"/>			All Terms of Reference are reviewed by the Principal Auditors who will ensure that the preliminary work is reflected in the objectives, however, this can change when the planning meeting takes place and throughout the audit if something comes to light. It is important that the scope of the audit is deliverable within the days allocated to the audit.
	Have internal auditors considered the probability of				

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	the following, when developing the engagement objectives:				
	a) Significant errors?	<input type="checkbox"/>			<p>The auditors will consider each of these factors when planning the audit and developing the Internal Control Evaluation Action Plan which lists the risks and controls to be covered.</p> <p>This is reviewed by the Principal Auditor in line with the Audit Manual and Quality Control Checklist.</p>
	b) Fraud?	<input type="checkbox"/>			See above.
	c) Non-compliance?	<input type="checkbox"/>			See above.
	d) Any other risks?	<input type="checkbox"/>			See above.
	Have internal auditors ascertained whether management and/or the board have established adequate criteria to evaluate and determine whether objectives and goals have been accomplished?	<input type="checkbox"/>			Internal audit undertake periodic reviews of performance management across the Council and the need for this is identified as part of the Annual Audit Planning process.
	If the criteria have been deemed adequate, have the internal auditors used the criteria in their evaluation of governance, risk management and controls?	<input type="checkbox"/>			Performance management is an area which is considered as a standard control in each audit assignment.
	If the criteria have been deemed inadequate, have the internal auditors worked with management and/or the board to develop appropriate evaluation criteria?	<input type="checkbox"/>			Such issues would be reported in an audit report to management and agreement to the recommendations would be obtained from senior management.
<b>LGAN</b>	If the value for money criteria have been referred	<input type="checkbox"/>			Value is one of the control objectives considered in



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	to, has the use of all the organisation's main types of resources been considered; including money, people and assets?				all audit reviews, however, full value for money audits are not routinely completed.
	Do the objectives set for consulting engagements address governance, risk management and control processes as agreed with the client?	<input type="checkbox"/>			This would be agreed on a case by case basis with the service for each consultancy assignment.
	Are the objectives set for consulting engagements consistent with the organisation's own values, strategies and objectives?	<input type="checkbox"/>			The Principal Auditors and the Head of Risk Management and Audit (CAE) would make this assessment based on the request for consultancy work to determine whether it was consistent with the Council's objectives. If not, the assignment would not be accepted.
	<i>2220 Engagement Scope</i>				
	Is the scope that is established for the engagement sufficient to satisfy the engagement's objectives?	<input type="checkbox"/>			This would be confirmed in the Terms of Reference once agreed with the service area manager.
	Does the engagement scope include consideration of the following relevant areas of the organisation:				
	a) Systems?	<input type="checkbox"/>			This would be confirmed in the Terms of Reference once agreed with the service area manager.
	b) Records?	<input type="checkbox"/>			See above.
	c) Personnel?	<input type="checkbox"/>			See above.
	d) Premises?	<input type="checkbox"/>			See above.
	Does the engagement scope include consideration of the following relevant areas under the control of				

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	outside parties, where appropriate:				
	a) Systems?	<input type="checkbox"/>			This would be agreed on a case by case basis dependent on the nature of the audit assignment and discussed at the audit planning meeting to ensure all parties were engaged and aware of the review.
	b) Records?	<input type="checkbox"/>			See above.
	c) Personnel?	<input type="checkbox"/>			See above.
	d) Premises?	<input type="checkbox"/>			See above.
	Where significant consulting opportunities have arisen during an assurance engagement, was a specific written understanding as to the objectives, scope, respective responsibilities and other expectations drawn up?	<input type="checkbox"/>			<p>Any changes to an audit would be agreed with senior management in advance to ensure clarity and understanding. Principal Auditors would use their experience and professional judgement to determine the best way forward and consult with the Head of Risk Management and Audit (CAE) where appropriate.</p> <p>Consideration would be given to separating the two aspects and assigning another auditor to the consultancy element to reduce the risk of impartiality.</p>
	Where significant consulting opportunities have arisen during an assurance engagement, were the results of the subsequent engagement communicated in accordance with the relevant consulting Standards?	<input type="checkbox"/>			The reporting lines and format for reporting would be agreed at the outset of the review and reporting would be consistent with the standards adopted as per the Audit Manual/Control Checklist and the Audit Management System Galileo, which holds all the standard reporting templates.

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	For a consulting engagement, was the scope of the engagement sufficient to address any agreed-upon objectives?	<input type="checkbox"/>			This would be agreed with the service area at the planning meeting and documented in the Terms of Reference.
	If the internal auditors developed any reservations about the scope of a consulting engagement while undertaking that engagement, did they discuss those reservations with the client and therefore determine whether or not to continue with the engagement?	<input type="checkbox"/>			Any concerns would be flagged with the Principal Auditor who would raise this with the Service Manager and the Head of Risk Management and Audit (CAE).
	During consulting engagements, did internal auditors address the controls that are consistent with the objectives of those engagements?	<input type="checkbox"/>			This would be documented in the Audit Management System Galileo and agreed at the planning meeting and covered by the Terms of Reference. The quality control process in place ensures that the controls have been sufficiently addressed.
	During consulting engagements, were internal auditors alert to any significant control issues?	<input type="checkbox"/>			The auditors are mindful of control issues and if a matter was significant enough this would be reported to their Principal Auditor and if necessary the Head of Risk Management and Audit (CAE).
	<i>2230 Engagement Resource Allocation</i>				
	Have internal auditors decided upon the appropriate and sufficient level of resources required to achieve the objectives of the engagement based on:				
	a) The nature and complexity of each individual engagement?	<input type="checkbox"/>			An estimated resource is included in the annual internal audit plan at the outset of each financial year. These timescales are usually adhered to unless there is a reason to amend. Any requirement

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					for increased resource will be agreed with the Principal Auditor and Head of Risk Management and Audit (CAE). If it transpires that the allocated days are not required then the auditor has the flexibility to deliver under resource as long at the objectives of the scope have been met. This would be checked as part of the quality control process.
	b) Any time constraints?	<input type="checkbox"/>			See above.
	c) The resources available?	<input type="checkbox"/>			See above.
	<i>2240 Engagement Work Programme</i>				
	Have internal auditors developed and documented work programmes that achieve the engagement objectives?	<input type="checkbox"/>			This is outlined in the Internal Audit Manual/Quality Control Checklist and driven by using the Audit Management System Galileo which hosts all the standard documents/templates used.
	Do the engagement work programmes include the following procedures for:				
	a) Identifying information?	<input type="checkbox"/>			This is outlined in the internal audit quality control checklist and driven by using the Audit Management System Galileo which hosts all the standard documents/templates. The Team consists of a number of experienced auditors who are able to undertake audits and cover the aspects listed below.
	b) Analysing information?	<input type="checkbox"/>			See above.
	c) Evaluating information?	<input type="checkbox"/>			See above.

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	d) Documenting information?	<input type="checkbox"/>			See above.
	Were work programmes approved prior to implementation for each engagement?	<input type="checkbox"/>			The work programme/internal control evaluation action plan and any test schedules are reviewed by the Principal Auditor prior to work being undertaken.
	Were any adjustments required to work programmes approved promptly?	<input type="checkbox"/>			These would be approved with the Principal Auditor and/or the Head of Risk Management and Audit (CAE) as required.
<b>4.4</b>	<b>2300 Performing the Engagement</b>				
	Have internal auditors carried out the following in order to achieve each engagement's objectives:				
	a) Identify sufficient information?	<input type="checkbox"/>			This is achieved through using the Audit Management System Galileo which guides the auditor through the audit process and holds the standard documents/templates in line with the Audit Manual/Quality Control Checklist. Any issues would be picked up as part of the quality review process.
	b) Analyse sufficient information?	<input type="checkbox"/>			See above.
	c) Evaluate sufficient information?	<input type="checkbox"/>			See above.
	d) Document sufficient information?	<input type="checkbox"/>			See above.
	<i>2310 Identifying Information</i>				
	Have internal auditors identified the following in order to achieve each engagement's objectives:				

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	a) Sufficient information?	<input type="checkbox"/>			This is achieved through using the Audit Management System Galileo which guides the auditor through the audit process and holds the standard documents/templates in line with the Audit Manual/Quality Control Checklist. Any issues would be picked up as part of the quality review process.
	b) Reliable information?	<input type="checkbox"/>			See above.
	c) Relevant information?	<input type="checkbox"/>			See above.
	d) Useful information?	<input type="checkbox"/>			See above.
	<i>2320 Analysis and Evaluation</i>				
	Have internal auditors based their conclusions and engagement results on appropriate analyses and evaluations?	<input type="checkbox"/>			The information is recorded on the Audit Management System Galileo, which is used to populate the standard documents/templates as defined in the Audit Manual/Quality Control Checklist. Each audit is reviewed by a Principal Auditor and all working papers are reviewed to ensure that the objectives of the audit have been achieved and that the conclusions and recommendations are based on sound analyses and evaluations.
<b>LGAN</b>	Have internal auditors remained alert to the possibility of the following:				
	a) intentional wrongdoing	<input type="checkbox"/>			As part of each assignment the auditor needs to complete an internal control evaluation action plan which lists all relevant risks, expected controls, actual controls and then an evaluation of the outcome. There are a number of specific risks

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					<p>which should be looked at as part of each audit therefore ensuring that key themes are considered throughout.</p> <p>The team consists of a number of experienced auditors who are alert to the possibility of wrongdoing, errors and omissions, poor value for money, failure to comply with management policy and conflicts of interest.</p> <p>Issues are reported to the Principal Auditors and, where necessary, additional resources would be drafted in to assist depending on the issue identified or it may be referred to the Fraud Investigators/Counter Fraud Specialists. Liaison takes place with the Head of Risk Management and Audit (CAE) where appropriate.</p>
	b) errors and omissions	<input type="checkbox"/>			See above.
	c) poor value for money	<input type="checkbox"/>			See above.
	d) failure to comply with management policy, and	<input type="checkbox"/>			See above.
	e) conflicts of interest	<input type="checkbox"/>			See above.
	When performing their individual audits, and has this been documented?	<input type="checkbox"/>			This would be documented within the Audit Management System Galileo.
	<i>2330 Documenting Information</i>				
	Have internal auditors documented the relevant information required to support engagement conclusions and results?	<input type="checkbox"/>			This would all be documented in the Audit Management System Galileo. Principal Auditors check compliance as part of the quality review

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					<p>process. A suite of standard documents/templates have been prepared which auditors need to complete throughout their assignments.</p> <p>A review checklist is in place which the auditors complete throughout the assignment which links to all key documentation which needs to be in place. Any queries would be referred back to the auditor in the form of "Review Points" for further work or clarification.</p>
<b>LGAN</b>	Are working papers sufficiently complete and detailed to enable another experienced internal auditor with no previous connection with the audit to ascertain what work was performed, to re-perform it if necessary and to support the conclusions reached?	<input type="checkbox"/>			See above.
	Does the CAE control access to engagement records?	<input type="checkbox"/>			<p>The arrangements for releasing reports are set out in the Annual Audit Plan Report, the Internal Audit Charter and the reporting matrix.</p> <p>Internal Audit working papers are maintained and recorded within the Audit Management System Galileo which is held on the Council's servers managed by ICT Services. Access to the system is restricted to members of the Internal Audit Team and controlled by a username and password.</p>
	Has the CAE obtained the approval of senior management and/or legal counsel as appropriate before releasing such records to external parties?	<input type="checkbox"/>			As detailed in the Quality Control Checklist audit reports have to be cleared for issue by the Assistant Director responsible for the area under review and the Head of Risk Management and Audit (CAE). Any areas of concern in the report relating to legal issues



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					would be discussed with the Head of Legal Services and likewise employment issues with the Assistant Director of People and Workforce Development. Any significant issues would be raised the appropriate Director and the Director of Finance (Section 151 Officer).
	Has the CAE developed and implemented retention requirements for all types of engagement records?	<input type="checkbox"/>			The retention periods are set out in the Audit Manual and the Councils Retention and Disposal Guidelines and Schedule which are available of the Staff Portal as part of the Information Governance page.
	Are the retention requirements for engagement records consistent with the organisation's own guidelines as well as any relevant regulatory or other requirements?	<input type="checkbox"/>			The retention periods are set out in the Audit Manual and in the Councils Retention and Disposal Guidelines and Schedule which are available of the Staff Portal as part of the Information Governance page.
	<i>2340 Engagement Supervision</i>				
	Are all engagements properly supervised to ensure that objectives are achieved, quality is assured and that staff are developed?	<input type="checkbox"/>			<p>The Principal Auditor will attend the planning meeting with the auditor to ensure a shared knowledge of the area and agreement in respect of the objectives and scope of the audit. A quality review process is built in the process to ensure that adequate supervision arrangements are in place. If the auditor feels it appropriate to meet with the Head of Risk Management and Audit (CAE) at any stage to discuss the audit then this will be accommodated.</p> <p>The Quality Control Checklist and the Galileo system capture key dates where supervision has taken place.</p>

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	Is appropriate evidence of supervision documented and retained for each engagement?	<input type="checkbox"/>			See above response. When a draft report is issued from the Audit Management System Galileo a number of review points can be raised in the system and it keeps a trail of these to ensure all points have been closed before the report is issued. The Principal Auditors are responsible for ensuring all aspects of the Quality Control Process are adhered to and documented.
<b>4.5</b>	<b>2400 Communicating Results</b>				
	Do internal auditors communicate the results of engagements?	<input type="checkbox"/>			Draft and final reports are issued by the Head of Risk Management and Audit (CAE). The Auditor and Principal Auditor would attend the closure meeting to verbally communicate the findings and recommendations and discuss management responses.
	<i>2410 Criteria for Communicating</i>				
	Do the communications of engagement results include the following:				
	a) The engagement's objectives?	<input type="checkbox"/>			A standard reporting template is used which covers:- <ul style="list-style-type: none"> <li>• Introduction;</li> <li>• Audit Scope and Objectives;</li> <li>• Risks;</li> <li>• Audit Outcome;</li> <li>• Audit Assurance;</li> <li>• Action Plan; and</li> <li>• Levels of Priority/Assurance.</li> </ul>
	b) The scope of the engagement?	<input type="checkbox"/>			As above.

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	c) Applicable conclusions?	<input type="checkbox"/>			As above.
	d) Recommendations and action plans, if appropriate?	<input type="checkbox"/>			As above.
<b>LGAN</b>	Has the internal auditor discussed the contents of the draft final report with the appropriate levels of management to confirm factual accuracy, seek comments and confirm the agreed management actions?	<input type="checkbox"/>			A draft report closure meeting is held for every audit prior to the final report being issued.
<b>LGAN</b>	If recommendations and an action plan have been included, are recommendations prioritised according to risk?	<input type="checkbox"/>			All recommendations are graded with a priority:- High Medium Low Efficiency
<b>LGAN</b>	If recommendations and an action plan have been included, does the communication also state agreements already reached with management, together with appropriate timescales?	<input type="checkbox"/>			Recommendations will be discussed at the draft report closure meeting and an agreed action, target date and responsible officer will be agreed with service management and their response will be included in the final report.
<b>LGAN</b>	If there are any areas of disagreement between the internal auditor and management, which cannot be resolved by discussion, are these recorded in the action plan and the residual risk highlighted?	<input type="checkbox"/>			This happens very rarely as agreement is reached through negotiation. If a recommendation could not be agreed then it would be recorded as 'Not Agreed' in the action plan and included in the final report which goes to the Chief Executive, Director of Governance and Pensions (Monitoring Officer), Director of Finance (Section 151 Officer) and the Executive Member for the service area under review.
	Do communications disclose all material facts	<input type="checkbox"/>			The auditors are expected to disclose material facts

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<b>LGAN</b>	known to them in their audit reports which, if not disclosed, could distort their reports or conceal unlawful practice, subject to confidentiality requirements?				in the report and this is checked by the Principal Auditor when reviewing the working papers.
<b>LGAN</b>	Do the final communications of engagement results contain, where appropriate, the internal auditor's opinions and/or conclusions, building up to the annual internal audit opinion on the control environment?	<input type="checkbox"/>			Every report includes an audit outcome and an audit assurance level/statement. The Head of Risk Management and Audit (CAE) takes account of these when preparing the annual opinion.
	When an opinion or conclusion is issued, are the expectations of senior management, the board and other stakeholders taken into account?	<input type="checkbox"/>			The draft report will include the assurance statement which can be discussed with senior management before the report is issued. The Audit Panel/Greater Manchester Pension Fund Local Board will have sight of the final assurance statement and have the ability to call officers to a future meeting to explain their response where a low level of assurance has been issued.
	When an opinion or conclusion is issued, is it supported by sufficient, reliable, relevant and useful information?	<input type="checkbox"/>			This is achieved through adherence to the Audit Manual/Quality Control Checklist and the use of the Audit Management System Galileo, a thorough review process and discussion and engagement with management to ensure the report accurately reflects the area reviewed and that the recommendations are accepted for implementation.
	Where appropriate, do engagement communications acknowledge satisfactory performance of the activity in question?	<input type="checkbox"/>			If good practice is identified as part of the review this is outlined in the audit outcome section of the report. This is also reflected by the number of recommendations made and the assurance level given.

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	When engagement results have been released to parties outside of the organisation, does the communication include limitations on the distribution and use of the results?	<input type="checkbox"/>			Where applicable this would be added to the report and the email communication sent with it.
<b>LGAN</b>	Where the CAE has been required to provide assurance to other partnership organisations, or arm's length bodies such as trading companies, have the risks of doing so been managed effectively, having regard to the CAE's primary responsibility to the management of the organisation for which they are engaged to provide internal audit services?	<input type="checkbox"/>			When undertaking reviews of partnership arrangements these are done on behalf of the Council and the scope would be set to ensure that the audit focuses on the Council's interests.
	<i>2420 Quality of Communications</i>				
	Are communications:				
	a) Accurate?	<input type="checkbox"/>			All fieldwork is reviewed by the Principal Auditors. Reports are initially issued as draft and a closure meeting held with the service to agree the findings and recommendations before the final report is issued. The final report is reviewed by the Head of Risk Management and Audit (CAE). This process is captured in the Audit Manual/Quality Control Checklist
	b) Objective?	<input type="checkbox"/>			As above this would be part of the quality review process.
	c) Clear?	<input type="checkbox"/>			As above.
	d) Concise?	<input type="checkbox"/>			As above.

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	e) Constructive?	<input type="checkbox"/>			As above.
	f) Complete?	<input type="checkbox"/>			As above.
	g) Timely?	<input type="checkbox"/>			A draft report deadline is agreed with the client at the outset of the audit. The auditor will then plan their work to ensure that the deadline is achieved and adequate time is factored in for quality review by the Principal Auditor.
	<i>2421 Errors and Omissions</i>				
	If a final communication has contained a significant error or omission, did the CAE communicate the corrected information to all parties who received the original communication?	<input type="checkbox"/>			The factual accuracy of the report should be dealt with at draft report stage where a closure meeting is held with the service to agree the findings and recommendations. If an error was identified after issuing the final report and notified to Internal Audit, the Head of Risk Management and Audit (CAE) would discuss this with the Principal Auditor and make an assessment on whether the change was necessary and if so the final report would be amended and recirculated to all recipients.
	<i>2430 Use of 'Conducted in Conformance with the International Standards for the Professional Practice of Internal Auditing'</i>				
	Do internal auditors report that engagements are 'conducted in conformance with the PSIAS' only if the results of the QAIP support such a statement?	<input type="checkbox"/>			All reports state that the "This Audit has been undertaken in accordance with the Public Sector Internal Audit Standards". Conformance is reported to the Audit Panel/Greater Manchester Pension Fund Local Board on an annual basis.
	<i>2431 Engagement Disclosure of Nonconformance</i>				

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	Where any non-conformance with the PSIAS has impacted on a specific engagement, do the communication of the results disclose the following:				
	a) The principle or rule of conduct of the <i>Code of Ethics</i> or <i>Standard(s)</i> with which full conformance was not achieved?	<input type="checkbox"/>			<p>The Self-assessment undertaken by the Head of Risk Management and Audit against PSIAS has not identified any significant issues. A full report is provided to the Audit Panel annually assessing the service against PSIAS. The only issue reported to the Panel was the requirement to have an external assessment every five years.</p> <p>In terms of individual pieces of work these are monitored throughout the audit by the Principal Auditors and subject to final review by the Head of Risk Management and Audit (CAE) before being issued. If any concerns came to light throughout the work these would be reported to the Head of Risk Management and Audit (CAE) who would report to the Director of Finance (Section 151 Officer) as appropriate. To date, no incidents have come to light and therefore it is not possible to evidence examples of where this has happened.</p>
	b) The reason(s) for non-conformance?	<input type="checkbox"/>			See above.
	c) The impact of non-conformance on the engagement and the engagement results?	<input type="checkbox"/>			See above.
	<i>2440 Disseminating Results</i>				
	Has the CAE determined the circulation of audit reports within the organisation, bearing in mind	<input type="checkbox"/>			Reporting lines within the service area will be agreed at the audit planning meeting, however, as

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	confidentiality and legislative requirements?				<p>set out in the Annual Plan Report, Internal Audit Charter and Reporting Matrix, a standard reporting protocol is in place.</p> <p>At the draft report stage this will usually include the relevant Assistant Director, Head of Service and any service manager involved in delivering the service or responsible for implementing a recommendation.</p> <p>The final report will go to all of the above and the Chief Executive, Director of Governance and Pensions (Monitoring Officer), Director of Finance (Section 151 Officer), the Director and Executive Member for the area under review and External Audit.</p> <p>The assurance level for each audit will be reported to Audit Panel/ Greater Manchester Pension Fund Local Board.</p> <p>Reporting to external organisations in relation to the Pension Fund is discussed with the managers at each stage of the process.</p> <p>Should any other officer require a copy of the report a request must be made to the Head of Risk Management and Audit (CAE) who will then either seek approval from the Director of Finance (Section 151 Officer) or relevant Director requesting authorisation to release the report.</p> <p>Extract Reports may be issued in some instances where an officer may be responsible for only one or</p>



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					two recommendations and that officer does not need to see the full detail of the report.
	Has the CAE communicated engagement results to all appropriate parties?	<input type="checkbox"/>			As above.
	Before releasing engagement results to parties outside the organisation, did the CAE:				
	a) Assess the potential risk to the organisation?	<input type="checkbox"/>			See above.
	b) Consult with senior management and/or legal counsel as appropriate?	<input type="checkbox"/>			See above.
	c) Control dissemination by restricting the use of the results?	<input type="checkbox"/>			See above.
	Where any significant governance, risk management and control issues were identified during consulting engagements, were these communicated to senior management and the board?	<input type="checkbox"/>			Ordinarily, when undertaking a consultancy engagement the results of this would be reported to the service commissioning the work. However, if serious issues were identified then the Head of Risk Management and Audit (CAE) would flag these with the Director of Finance (Section 151 Officer) and, if necessary, instigate a change to the audit plan so that the issues can be looked at in more detail.
	<i>2450 Overall Opinion</i>				
	Has the CAE delivered an annual internal audit opinion?	<input type="checkbox"/>			This is included in the Annual Report which is presented to the Audit Panel/Greater Manchester Pension Fund Local Board every year usually May/June.

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	Does the annual internal audit opinion conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control?	<input type="checkbox"/>			This is reported in the Head of Risk Management and Audit's (CAE) Annual Report to the Audit Panel/Greater Manchester Pension Fund Local Board.
	Does the annual internal audit opinion take into account the expectations of senior management, the board and other stakeholders?	<input type="checkbox"/>			The annual opinion is reported to the Director of Finance (Section 151 Officer) and the Audit Panel/ Greater Manchester Pension Fund Local Board who can comment should they wish.
	Is the annual internal audit opinion supported by sufficient, reliable, relevant and useful information?	<input type="checkbox"/>			<p>The annual audit opinion is based on the results of audit work over the financial year and recorded in the Audit Management System Galileo.</p> <p>Regular activity reports are provided to Senior Management which show the plan for their area, actual days delivered, the status of the audit and any assurance levels allocated.</p> <p>Assurance levels are reported to the Audit Panel/Greater Manchester Pension Fund Local Board at every meeting in the Progress Report presented by the Head of Risk Management and Audit Services (CAE).</p> <p>The annual opinion draws on the information from these and also the details included in the Annual Governance Statement.</p>
	Does the communication identify the following:				
	a) The scope of the opinion, including the time period to which the opinion relates?	<input type="checkbox"/>			Annual Report.

## APPENDIX 2

Ref	Conformance with the Standard	C	P	N	Evidence
	b) Any scope limitations?	<input type="checkbox"/>			Annual Report.
	c) The consideration of all related projects including the reliance on other assurance providers?	<input type="checkbox"/>			Annual Report.
	d) The risk or control framework or other criteria used as a basis for the overall opinion?	<input type="checkbox"/>			Annual Report.
	Where a qualified or unfavourable annual internal audit opinion is given, are the reasons for that opinion stated?	<input type="checkbox"/>			These would be detailed in the Annual Report should the need arise.
	Has the CAE delivered an annual report that can be used by the organisation to inform its governance statement?	<input type="checkbox"/>			The Annual Report produced by the Head of Risk Management and Audit is used as part of the assurance framework for the Annual Governance Statement.
	Does the annual report incorporate the following:				
	a) The annual internal audit opinion?	<input type="checkbox"/>			Annual Report.
<b>LGAN</b>	b) A summary of the work that supports the opinion?	<input type="checkbox"/>			Annual Report.
<b>LGAN</b>	c) A disclosure of any qualifications to the opinion?	<input type="checkbox"/>			Annual Report.
<b>LGAN</b>	d) The reasons for any qualifications to the opinion?	<input type="checkbox"/>			Annual Report.
<b>LGAN</b>	e) A disclosure of any impairments or restriction in scope?	<input type="checkbox"/>			Annual Report.

## APPENDIX 2

Ref	Conformance with the Standard	C	P	N	Evidence
<b>LGAN</b>	f) A comparison or work actually carried out with the work planned?	<input type="checkbox"/>			Annual Report.
	g) A statement on conformance with the PSIAS?	<input type="checkbox"/>			Annual Report.
<b>LGAN</b>	h) The results of the QAIP?	<input type="checkbox"/>			Annual Report.
<b>LGAN</b>	i) Progress against any improvement plans resulting from the QAIP?	<input type="checkbox"/>			Annual Report.
<b>LGAN</b>	j) A summary of the performance of the internal audit activity against its performance measures and targets?	<input type="checkbox"/>			Annual Report.
	k) Any other issues that the CAE judges is relevant to the preparation of the governance statement?	<input type="checkbox"/>			Reference is made in the Annual Report that it provides assurance for the Annual Governance Statement.
<b>4.6</b>	<b>2500 Monitoring Progress</b>				
	Has the CAE established a process to monitor and follow up management actions to ensure that they have been effectively implemented or that senior management have accepted the risk of not taking action?	<input type="checkbox"/>			<p>Post Audit Reviews are conducted six months after the issue of a final report. However, if a low level of assurance is given then the Post Audit Review is conducted after three months.</p> <p>All Post Audit Reviews are recorded in a spreadsheet and monitored by both the auditor who issued the final report and the Principal Auditor. The audit management system is not used to track recommendations, although this has been identified as a development area.</p>

## APPENDIX 2

Ref	Conformance with the Standard	C	P	N	Evidence
					<p>When they fall due the auditor will prepare the Post Audit Review document from Galileo making reference to the final report issued to ensure the process has captured all the recommendations made. This is then issued to the responsible officers for completion. Meetings are then arranged to discuss the recommendations and whether they have been implemented. Once completed and the evidence collated the Post Audit Review is reviewed by the Principal Auditor. Before it is released the Assistant Director for the area is asked to authorise release in accordance with the quality control checklist.</p> <p>The final document is then sent to the Head of Risk Management and Audit (CAE) for review. Once approved it is circulated to all recipients of the final report.</p> <p>Results of progress are reported at summary level to the Audit Panel/Greater Manchester Pension Fund Local Board at each meeting. Any significant outstanding recommendations that are of concern to Internal Audit would be reported to the Audit Panel/Greater Manchester Pension Fund Local Board; however, in the majority of cases these are implemented.</p> <p>A more detailed report is provided to management as part of the quarterly review meetings which are conducted by the Principal Auditors.</p>
	Where issues have arisen during the follow-up	<input type="checkbox"/>			A revised audit opinion is not issued as the Post

## APPENDIX 2

Ref	Conformance with the Standard	C	P	N	Evidence
	process, has the CAE considered revising the internal audit opinion?				Audit Review only looks at the recommendations made, it does not revisit all controls examined at the audit and therefore at that stage cannot confirm that all controls are still operating effectively. In the Post Audit Review report an outcome is reported which indicates that by implementing the recommendations the internal controls in place will have improved.
	Do the results of monitoring management actions inform the risk-based planning of future audit work?	<input type="checkbox"/>			This is considered as part of the risk assessment of the audit universe which is undertaken each year during the annual planning process.
	Does the internal audit activity monitor the results of consulting engagements as agreed with the client?	<input type="checkbox"/>			This is agreed on a case by case basis with the service area concerned.
<b>4.7</b>	<b>2600 Communicating the Acceptance of Risks</b>				
	If the CAE has concluded that management has accepted a level of risk that may be unacceptable to the organisation, has he or she discussed the matter with senior management?	<input type="checkbox"/>			If agreement could not be reached then this would be recorded in the internal audit report next to the relevant audit recommendation by way of an Audit Comment, which would reiterate the original recommendation. Significant issues would be raised with the Service Director and the Director of Finance (Section 151 Officer) and where appropriate reported to the Audit Panel/ Greater Manchester Pension Fund Local Board. However, this has not happened in recent years and usually agreement is reached with senior management through negotiations prior to reaching the escalation stage.



## APPENDIX 2

Ref	Conformance with the Standard	C	P	N	Evidence
	If, after discussion with senior management, the CAE continues to conclude that the level of risk may be unacceptable to the organisation, has he or she communicated the situation to the board?	<input type="checkbox"/>			See above.

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# Agenda Item 7.

<b>Report To:</b>	<b>AUDIT PANEL</b>
<b>Date:</b>	4 June 2019
<b>Reporting Officer:</b>	Kathy Roe – Director of Finance Wendy Poole – Head of Risk Management and Audit Services
<b>Subject:</b>	<b>CORPORATE RISK REGISTER UPDATE</b>
<b>Report Summary:</b>	To present the Corporate Risk Register detailed at <b>(Appendix 1)</b> for comment, challenge and approval.
<b>Recommendations:</b>	<ol style="list-style-type: none"><li>1. Members consider and approve the Corporate Risk Register at <b>(Appendix 1)</b>.</li><li>2. Members note the development work identified in Section 8 of the report.</li></ol>
<b>Corporate Plan:</b>	Managing risks will enable the Council to deliver services safely and in an informed manner to achieve the best possible outcomes for residents.
<b>Policy Implications:</b>	Effective risk management supports the achievement of Council objectives and demonstrates a commitment to high standards of corporate governance.
<b>Financial Implications:</b> <b>(Authorised by the statutory Section 151 Officer and Chief Finance officer)</b>	Effective risk management assists in safeguarding assets, ensuring the best use of resources and the effective delivery of services. It also helps to keep insurance premiums and compensation payments to a minimum.
<b>Legal Implications:</b> <b>(Authorised by the Borough Solicitor)</b>	Demonstrates compliance with the Accounts and Audit Regulations 2015 (Amended 2106) and the Code of Corporate Governance.
<b>Risk Management:</b>	Failure to manage risks will impact on service delivery, the achievement of objectives and the Council's Medium Term Financial Plan.
<b>Access to Information:</b>	The background papers can be obtained from the author of the report, Wendy Poole, Head of Risk Management and Audit Services by contacting:  Telephone:0161 342 3846  e-mail: <a href="mailto:wendy.poole@tameside.gov.uk">wendy.poole@tameside.gov.uk</a>

## 1. INTRODUCTION

- 1.1 The report presents the revised and updated Corporate Risk Register for comment, challenge and approval.
- 1.2 Risk Management is facilitated by the Risk Management and Audit Service under the direction of the Head of Risk Management and Audit. All risks are owned by members of the Single Leadership Team, with support from Assistant Directors, managers and staff.

## 2. WHAT IS RISK MANAGEMENT?

- 2.1 Risk Management is the process of identifying risks, evaluating their likelihood and potential impact and determining the most effective methods of controlling them or responding to them. It is a means of maximising opportunities and minimising the costs and disruption to the organisation caused by undesired events.

## 3. DRIVERS FOR RISK MANAGEMENT

Two of the key drivers for risk management are:-

- 3.1 Accounts and Audit Regulations 2015

PART 2, Section 3 – Responsibility for Internal Control, states at 4(1) that:-

**A relevant authority must ensure that it has a sound system of internal control which:**

- (a) facilitates the effective exercise of its functions and the achievement of its aims and objectives;**
- (b) ensures that the financial and operational management of the authority is effective; and**
- (c) includes effective arrangements for the management of risk.**

- 3.2 Code of Corporate Governance

Principal 4 - Taking informed and transparent decisions which are subject to effective scrutiny and managing risks.

The supporting principal states:-

***“Ensuring that an effective risk management system is in place”.***

The related requirement is to:-

***“Ensure that risk management is embedded into the culture of the authority, with members and managers at all levels recognising that risk management is part of their Risk Management”.***

## 4. THE BENEFITS OF RISK MANAGEMENT

- 4.1 Effective risk management can deliver a number of tangible and intangible benefits to individual services and to the council as a whole:-
- Improved strategic management
    - Greater ability to deliver against objectives and targets.
  - Improved operational management
    - Reduction in interruptions to service delivery;

- Reduction in managerial time spent dealing with the consequences of a risk event having occurred; and
  - Improved health and safety of those employees and those affected by the Council's undertakings.
- Improved financial management
    - Better informed financial decision making;
    - Enhanced financial control;
    - Reduction in financial costs associated with losses due to service interruption, litigation etc.; and
    - Reduction in insurance premiums.
  - Improved customer services
    - Minimal service disruption to customers and a positive external image as a result of all of the above.

## **5. RESPONSIBILITY FOR RISK MANAGEMENT**

- 5.1 The Council recognises that it is the responsibility of all members and employees to have regard for risk in carrying out their duties. If uncontrolled, risk can have a negative impact on resources that could better be directed to front line service provision and to meeting the Council's priorities outlined in the Corporate Plan.
- 5.2 Senior Management (Directors, Assistant Directors and Service Unit Managers) has the responsibility and accountability for managing the risks within their own work areas. Employees have a duty to work safely, avoid unnecessary waste of resources and contribute to risk management initiatives in their own area of activities. The cooperation and commitment of all employees is required to ensure that Council resources are not squandered as a result of uncontrolled risks.
- 5.3 All reports presented to Decision Makers have to consider risks and the reporting templates used have a risk management comment on the front sheet which has to be completed.

## **6. RISK MANAGEMENT POLICY AND STRATEGY**

- 6.1 The Risk Management Policy and Strategy was approved by the Audit Panel in October 2018 as a two year strategy and therefore is not presented as part of this update.

## **7. CORPORATE RISK REGISTER**

- 7.1 The Corporate Risk Register is attached at **Appendix 1**.
- 7.2 The Corporate Risk Register has been updated in conjunction with the Single Leadership Team to ensure that the risks are recorded against the correct Director and that it presents an up to date view of the corporate risks facing the Council.
- 7.3 The revised format details:-
- Corporate Plan Theme;
  - Risk Number;
  - Risk Description;
  - Evaluation of Controls;
  - Impact Score;
  - Likelihood Score;
  - Risk Rating (Impact/Likelihood);

- Risk Owner (Director); and
- Responsible AD/SUM

7.4 The 22 Corporate Risks can be summarised in the risk matrix below:-

	Impact level				
	Insignificant (1)	Minor (2)	Medium (3)	Major (4)	Major Disaster (5)
<b>Likelihood</b>					
<b>Almost Certain</b> (5)					
<b>Very likely</b> (4)				<b>3</b>	<b>1</b>
<b>Likely</b> (3)			<b>1</b>	<b>8</b>	<b>2</b>
<b>Unlikely</b> (2)			<b>2</b>	<b>3</b>	<b>2</b>
<b>Very Low</b> (1)					

## 8. DEVELOPMENT WORK

- 8.1 A detailed review of the risk management process is being undertaken with the Single Leadership Team to compare our process with best practice including the revised ISO 31000 (2018) for Risk Management, practices across other local authorities and the Tameside and Glossop Clinical Commissioning Group.
- 8.2 The Corporate Risk Register will be further reviewed to ensure that the risks link to the both the themes and priorities in the Corporate Plan.



## 9. RECOMMENDATIONS

- 9.1 As set out at the front of the report.

Corporate Plan Theme	Risk No.	Risk Description	Evaluation of Controls	Impact Score	Likelihood score	Risk Rating (Impact/Likelihood)	Risk Owner (Director)	Responsible AD/SUM
Starting Well	1	The Council is unable to deliver the Medium Term Financial Plan - Failure to deliver services within reduced budgets and provide for future financial stability, including the maintenance of the Council's resource base and council tax collection.	Effective	5	4	20	Kathy Roe	Tom Wilkinson
Living Well								
Ageing Well								
Great Place/Vibrant Economy								
Corporate Support and Enabling Services	2	Not implementing the latest products or best practice in information technology to ensure that the organisation remains effective and efficient, enabling it to deliver its services.	Partially Effective	4	4	16	Kathy Roe	Tim Rainey
Ageing Well	3	Failure to manage the local home care market and capacity available to deliver appropriate and timely care packages for people requiring long term care.	Partially Effective	4	4	16	Stephanie Butterworth	Sandra Whitehead
Great Place/Vibrant Economy	4	The property portfolio rationalisation necessary for the delivery of appropriate council wide services is not delivered and consequently savings and capital receipts required to fund the investment programme are not achieved.	Partially Effective	4	4	16	Jayne Traverse	Mathew Chetwynd
Starting Well	5	Failing to protect vulnerable children - Vulnerable children are put at risk due to poor systems/processes and reduced service provision.	Partially Effective	5	3	15	Richard Hancock	Tracy Morris
Starting Well	6	Risk that the full re inspection of the Local Authorities Children's Services returns a judgement of inadequate	Partially Effective	5	3	15	Richard Hancock	Tracy Morris
Corporate Support and Enabling Services	7	Failure to effectively implement and monitor the effectiveness of a health and safety management system within the organisation.	Partially Effective	4	3	12	Ian Saxon	Sharon Smith
Living Well	8	Failure to deliver council duties to improve the health and wellbeing of Tameside residents.	Effective	4	3	12	Jeanelle de Gruchy	Debbie Watson Anna Moloney
Ageing Well	9	Vulnerable adults are put at risk due to poor systems/processes and reduced service provision. Impacting the balance of safeguarding vulnerable people alongside the allocation of Individual Cash Budgets and developing new ways of working to promote independence.	Effective	4	3	12	Stephanie Butterworth	Sandra Whitehead
Living Well	10	Increased demand for services due to demographic changes - Tameside is unable to meet the needs of its ageing population and young people with increasingly complex needs transitioning into Adult Services requiring significant savings to be made, or reductions in levels of dependency, to manage rising levels of demand and cost.	Effective	4	3	12	Stephanie Butterworth	Sandra Whitehead
Corporate Support and Enabling Services	11	The inconsistent application of information standards and controls could result in a significant, unauthorised disclosure of personal and/or special category data.	Effective	4	3	12	Sandra Stewart / Kathy Roe	Aileen Johnson Tim Rainey Wendy Poole
Corporate Support and Enabling Services	12	Ineffective procurement and contract monitoring - Procurement does not deliver value for money and is not conducted in line with best practice, PSOs and European legislation. The strategic focus on commissioning is less effective due to a lack of skills and capacity to drive the change in culture.	Effective	4	3	12	Kathy Roe	Tom Wilkinson
Great Place/ Vibrant Economy	13	Tameside is unable to exploit growth opportunities and this has a detriment to residents, local businesses and the borough's future prosperity.	Effective	4	3	12	Jayne Traverse	David Berry Nigel Gilmore Mathew Chetwynd
Starting Well	14	Implementation of a Strategic Commissioning Function across the Council and the CCG may increase the operational and financial risks of the Council whilst the priorities agreed are implemented to improve outcomes for our public whilst creating a more sustainable future for the organisation.	Effective	4	3	12	Steven Pleasant	Single Leadership Team
Living Well								
Ageing Well								
Great Place/ Vibrant Economy								
Great Place/ Vibrant Economy	15	Vision Tameside is not completed on time and in Budget.	Effective	5	2	10	Ian Saxon	N/A

Corporate Plan Theme	Risk No.	Risk Description	Evaluation of Controls	Impact Score	Likelihood score	Risk Rating (Impact/Likelihood)	Risk Owner (Director)	Responsible AD/SUM
Great Place/ Living Well	16	Failure to provide an appropriate Civil Contingencies response to an incident or emergency affecting the community or the Council, including Brexit and extreme weather conditions due to climate change.	Partially Effective	5	2	10	Ian Saxon Kathy Roe	Emma Varnam Mike Gurney Wendy Poole
Great Place/ Vibrant Economy	17	The Council fails to benefit from the opportunities generated from the increased central government devolution to the Greater Manchester Region.	Effective	3	3	9	Single Leadership Team	Senior Management Group
Starting Well	18	Failure to support schools effectively to achieve a judgement of good/outstanding by Ofsted, due to stagnant funding, placing pressure on budgets and the number of schools in deficit.	Effective	4	2	8	Richard Hancock	Tim Bowman
Corporate Support and Enabling Services	19	Pension Fund investments do not provide the appropriate/anticipated level of assets to meet liabilities and/or fail to make benefit payments as required	Effective	4	2	8	Sandra Stewart	Tom Harrington Paddy Dowdall Euan Miller Emma Mayall
Great Place/ Vibrant Economy	20	The lack of an up to date strategic planning framework and associated Local policies to manage development in Tameside.	Effective	4	2	8	Jayne Traverse	
Corporate Support and Enabling Services	21	Failure to prevent or detect acts of significant fraud or corruption with consequent financial or reputational damage to the Council.	Effective	3	2	6	Kathy Roe	Tom Wilkinson Wendy Poole
Living Well	22	In-effective community cohesion. The community cohesion activities undertaken do not have the required results, of raising awareness, integration and acceptance within the community.	Effective	3	2	6	Ian Saxon	Emma Varnam

# Agenda Item 8.

<b>Report To:</b>	<b>AUDIT PANEL</b>
<b>Date:</b>	4 June 2019
<b>Reporting Officer:</b>	Wendy Poole – Head of Risk Management and Audit Services
<b>Subject:</b>	<b>RISK MANAGEMENT AND AUDIT SERVICES – ANNUAL REPORT 2018/19</b>
<b>Report Summary:</b>	The report summarises the work performed by the Service Unit and provides assurances as to the adequacy of the Council's systems of internal control.
<b>Recommendations:</b>	Members note the report.
<b>Corporate Plan:</b>	Internal Audit supports the individual operations, which deliver the objectives within the Community Strategy.
<b>Policy Implications:</b>	Effective Risk Management and Internal Audit supports the achievement of Council objectives and demonstrates a commitment to high standards of corporate governance.
<b>Financial Implications:</b> (Authorised by the statutory Section 151 Officer and Chief Finance Officer)	Effective Risk Management and Internal Audit assists in safeguarding assets, ensuring the best use of resources and the effective delivery of services. It also helps to keep insurance premiums and compensation payments to a minimum.
<b>Legal Implications:</b> (Authorised by the Borough Solicitor)	Demonstrates compliance with the Accounts and Audit Regulations 2015, which require the Council to “undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector auditing standards or guidance”
<b>Risk Management:</b>	The services of the Risk Management and Audit Service Unit assists in providing the necessary levels of assurance that the significant risks relating to the Council's operations are being effectively managed and controlled.
<b>Access to Information:</b>	The background papers can be obtained from the author of the report, Wendy Poole, Head of Risk Management and Audit Services by contacting:  Telephone: 0161 342 3846  e-mail: <a href="mailto:wendy.poole@tameside.gov.uk">wendy.poole@tameside.gov.uk</a>

## 1 INTRODUCTION

- 1.1 The purpose of the report is to present a review of the Risk Management and Audit Services for 2018/19. It covers Internal Audit, Risk Management and Insurance and the National Anti-Fraud Network (NAFN) Data and Intelligence Services.
- 1.2 The definition of Internal Audit is outlined by the Public Sector Internal Audit Standards as follows:  
“Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes”.
- 1.3 The key elements of the definition are:-
- **Risk Management** – A process to identify, assess, manage and control potential events or situations to provide reasonable assurance regarding the achievement of the organisation’s objectives.
  - **Control** – Any action taken by management, the board and other parties to manage risk and increase the likelihood that established objectives and goals will be achieved. Management plans, organises and directs the performance of sufficient actions to provide reasonable assurance that objectives and goals will be achieved.
  - **Governance** – The combination of processes and structures implemented by the Board to inform, direct, manage and monitor the activities of the organisation toward the achievement of its objectives.

## 2 THE AUTHORITY FOR INTERNAL AUDIT

### 2.1 Local Government Act 1972 Section 151.

*“Every Local Authority shall make arrangements for the proper administration of its financial affairs and shall secure that one of its officers has responsibility for the administration of those affairs”*

The Council’s Constitution formally nominates the Director of Finance as the Council’s Section 151 Officer who will rely on the work of the Internal Audit Service for assurance that the Council’s financial systems are operating satisfactorily.

### 2.2 Accounts and Audit Regulations 2015 Part 2, Section 3 – Responsibility for Internal Control

A relevant Authority must ensure that it has a sound system of internal control which:

- (a) facilitates the effective exercise of its functions and the achievement of its aims and objectives;
- (b) ensures that the financial and operational management of the authority is effective; and
- (c) includes effective arrangements for the management of risk.

### 2.3 Accounts and Audit Regulations 2015 Part 2, Section 5 – Internal Audit

- (1) A relevant body must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.
- (2) Any officer or member of a relevant body must, if required to do so for the purpose of the internal audit:
  - (a) Make available such documents and records; and
  - (b) Supply such information and explanation;as are considered necessary by those conducting the internal audit.



- (3) In this regulation “documents and records” includes information recorded in an electronic form.

This is supported by the Council’s Financial Regulations, which reflect Internal Audit’s statutory authority to review and investigate all areas of the Council’s activities in order to ensure that the Council’s interests are protected.

#### 2.4 **Accounts and Audit Regulations 2015 Section 6 – Review of Internal Control System**

- (1) A relevant Authority must, each financial year:
- (a) conduct a review of the effectiveness of the system of internal control required by regulation 3; and
  - (b) prepare an annual governance statement.
- (2) If the relevant Authority referred to in paragraph (1) is a Category 1 Authority, following the review, it must:
- (a) consider the findings of the review required by paragraph (1)(a):
    - (i) by a committee; or
    - (ii) by members of the Authority meeting as a whole; and
  - (b) approve the annual governance statement prepared in accordance with paragraph (1)(b) by resolution of:
    - (i) a committee; or
    - (ii) members of the Authority meeting as a whole.
- (3) Relates to Category 2 Authorities and not applicable to the Council.
- (4) The annual governance statement, referred to in paragraph (1)(b) must be:
- (a) approved in advance of the relevant authority approving the statement of accounts in accordance with regulations 9(2)(b) or 12(2)(b) (as the case may be); and
  - (b) prepared in accordance with proper practices in relation to accounts(a).

2.5 The Terms of Reference for the Audit Panel adequately meet the requirements of the Accounts and Audit Regulations.

2.6 The review of the effectiveness of the system of internal control referred to in paragraph 2.4 has been conducted and a separate report is on the agenda.

### **3 KEY ACHIEVEMENTS DURING 2018/19**

3.1 The major achievements of the Service Unit for 2018/19 are as follows: -

- The Internal Audit function was judged to be compliant with the Public Sector Internal Audit Standards (PSIAS) following an External Peer Review in March 2018, and the recommendations from the review have been implemented enhancing the service further. Furthermore, the Self-Assessment completed for 2018/19 against the updated standard reaffirmed full compliance.
- The implementation rate for audit recommendations was 93%.
- Customer feedback is very positive with continued high levels of satisfaction demonstrated on customer questionnaires.
- Annual reports, plans and regular progress reports presented to Members via the Audit Panel and the Greater Manchester Pension Fund Local Board.
- The Annual Governance Statement was produced in accordance with best practice and agreed timescales and no adverse comments were received when our External Auditors (Grant Thornton) reviewed it.
- The National Anti-Fraud Network (NAFN) Data and Intelligence Services introduced the National Database for Taxi Licence Refusals and Revocations to improve public safety.

- Twenty-six fraud cases were investigated during the year and 18 cases were closed.
- Following an inspection in November 2018, NAFN received an excellent inspection report from the Investigatory Powers Commissioners Officer (IPCO) and for the second year, no recommendations were received. Lord Justice Fulford, the Investigatory Powers Commissioner, added in his report, “This is most commendable and reflects well the knowledge, experience and professionalism of your staff, along with the robust procedures you have in place”.
- Progress towards compliance with GDPR and the Data Protection Act 2018 are ongoing despite limited resources being available.
- Cashable saving of approximately £105,000 have been identified as a result of fraud related investigations.

#### 4 COVERAGE FOR 2018/19

4.1 The report presented to the Audit Panel on 29 May 2018 provided an overview of the work planned for 2018/19 for the Service Unit. The Original Annual Audit Plan of 1,757 days was detailed in the report and approved by the Audit Panel. The Audit Plan, however, as reported during the year has been revised on a regular basis to ensure that it was aligned to changes in service priorities, risks, directorate structures and resources available.

4.2 Table 1 below shows the full year position of the Audit Plan by Directorate/Service Area. It details the approved plan, the revised plan, the actual days delivered as at 31 March 2019 and the percentage completed. **Appendix 1** provides a detailed breakdown of the 2018/19 Audit Plan.

**Table 1 – Audit Plan Progress as at 31 March 2019**

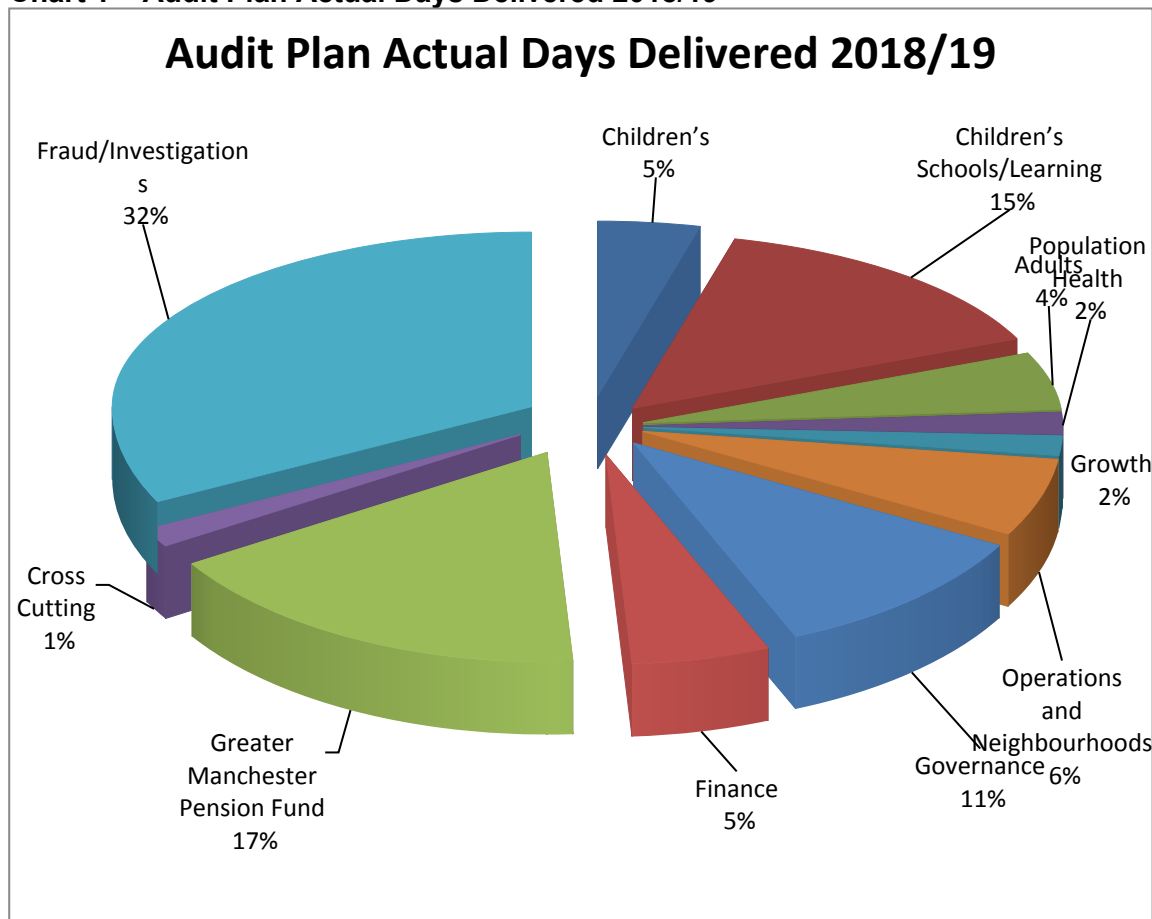
Directorate/Service Area	Approved Plan Days 2018/19	Revised Plan 2018/19	Actual Days to 31/03/2019	% Complete Against Revised Plan
Children’s	89	63	78	124
Children’s Schools/Learning	243	228	247	108
Adults	102	81	75	93
Population Health	25	26	28	108
Growth	76	35	25	71
Operations and Neighbourhoods	101	103	100	97
Governance	162	172	176	99
Finance	176	91	89	98
Cross Cutting	20	25	24	96
Greater Manchester Pension Fund	300	300	285	95
Fraud/Investigations	463	530	542	102
<b>Total Planned Days for 2018/2019</b>	<b>1,757</b>	<b>1,654</b>	<b>1,669</b>	<b>101</b>

- 4.3 Resources on planned work reduced during the year for the following reasons:
- The original plan was based on known estimated resources at the beginning of the year and based on a full complement of staff
  - The Auditor that joined the team in March 2018 left at the end of December. An intensive training and support package was put in place to enable the new starter to develop as an auditor, which affected productivity significantly, as he was still learning to be an Auditor when he left.
  - A number of conflicting priorities in terms of irregularities and investigations have diverted days away from planned work to reactive work to ensure timely responses were provided.

- Responding to requests from managers for new audits/assurance work and providing advice and support to ensure changes to systems, processes and procedures do not adversely affect the control environment.
- Assisting with and conducting investigations relating to information incidents in line with the Councils Information Security Incidents Reporting Procedure and Practice Note.
- The Auditor vacancy has not yet been filled and the recruitment process is still ongoing.

4.4 The changes throughout the year to the Audit Plan resulted in a reduction of 103 days from 1,757 to 1,654 and 1,669 actual days were delivered against the revised plan. Chart 1 below demonstrates the actual days delivered per Directorate/Service Area.

**Chart 1 – Audit Plan Actual Days Delivered 2018/19**



4.5 The successful delivery of the plan can be measured in three ways:-

- Actual Productive Audit Days Delivered against the Revised Plan  
The days delivered against the plan, including Fraud Work totalled 1,669 compared to the revised plan of 1,654, which represents 101%.
- Actual Productive Audit Days Delivered against the Original Plan  
The days delivered against the plan, including Fraud Work totalled 1,669 compared to the revised plan of 1,757, which represents 95%.
- Percentage of Planned Audits Completed  
This measure focuses on the planned audits, calculates the actual rate of completion per audit, and then consolidates the individual outcomes into one single percentage figure. The figure for 2018/19 is 92% compared to 93% in both 2017/18 and 2016/17.

4.6 Whilst the number of days delivered has exceeded the revised plan, not all these days related to planned work, as a number of priority jobs were requested in the later part of Quarter 4 and days were allocated to the preparation of a number of control reports to prevent further incidents occurring.

4.7 The following sections of the report provide details of the key areas covered during the period April 2018 to March 2019 and comment on any important issues arising from our work.

**Financial Systems:**

4.8 During 2018/19 work has been undertaken on the financial systems detailed in Table 2 below to ensure they were operating securely, fit for purpose and that the information generated from them into the general ledger was reliable. Where issues were identified as part of the systems audit work, action plans were agreed with management and these will be followed up in due course:-

**Table 2 – Financial Systems Audits 2018/19**

Audit	Level of Assurance	Final Issued	Post Audit Review Due
Payroll - Schools, incl. Third Party Providers	High	Work in Progress	
External Audit Checks Payroll	No Issues Highlighted, Payroll System Fit for Purpose		
Creditors - Procure to Pay	Low	July 2018	PAR - Work in Progress
Debtors		Work in Progress	
Council Tax	Medium	Sept 2018	Due June 2019
NNDR	Medium	June 2018	PAR - Work in Progress
External Audit Checks – General Expenditure	No Issues Highlighted, Payments System Fit for Purpose		
Bank Reconciliation Procedures	Medium	Draft March 2019	

4.9 Post Audit Reviews have been completed for the General Ledger and Monitoring of the Capital Programme and the majority of recommendations made have been implemented. Post Audit Reviews are in progress on Payroll, Creditors - Procure to Pay and NNDR.

4.10 Three financial systems audits were also undertaken on the Pension Fund, as detailed in Table 3 below. Where issues were identified as part of the systems audit work, action plans were agreed with management and these will be followed up in due course:-

**Table 3 – Financial Systems Audits 2018/19**

Audit	Level of Assurance	Final Issued	Post Audit Review Due
Contribution Income	High	Nov 2018	PAR Due May 2019
Calculation and Payment of Benefits	High	July 2018	Completed – All Recommendations Implemented
Treasury Management	Medium	May 2018	Complete – 10/11 Recommendations Implemented

4.11 Sections 4.12 to 4.18 provide details of the audit work undertaken in each directorate.

**4.12 Adults**

Areas reviewed during the year have included:-

- Integrated Urgent Care Team
- Locality Teams Care Management

#### 4.13 **Children's/Learning**

Areas reviewed during the year have included:-

- Children's Homes
- Liquid Logic
- Troubled Families
- Payroll Schools, incl. Third Party Providers

#### 4.14 **Population Health**

Areas reviewed during the year have included:-

- Health Visiting Service

#### 4.15 **Operations and Neighbourhoods**

Areas reviewed during the year have included:-

- Youth Service
- Provision of Integrated Transport Service
- Local Authority Bus Subsidy Grant
- Blue Badge System Sign Off
- Cycling Ambition Grant
- Local Transport Capital Block Funding Grant

#### 4.16 **Governance**

Areas reviewed during the year have included:-

- Apprenticeship Levy
- GMPF Annual Return – Compliance Checks
- Registrar Assurance Visits
- Car Allowance and Holiday Pay Assurance Work
- Debtors
- Council Tax
- Deferred Payment Scheme Reconciliation Exercise
- Agresso Upgrade System Sign Off
- External Audit Checks – Payroll

#### 4.17 **Finance**

Areas reviewed during the year have included:-

- Bank Reconciliation Procedures
- External Audit Checks – General Expenditure
- Cyber Security Review
- Assurance work in relation to DDoS Attacks
- ISO 27001 Gap analysis

#### 4.18 **Greater Manchester Pension Fund:-**

Areas reviewed during the year have included:-

- Transfer of Assets re Capital International
- iConnect
- Contribution Income
- Calculation and Payment of Benefits
- Agresso Upgrade System Sign Off
- ICT Device Management
- Visits to Contributing Bodies
- Service Charges
- Provided advice on New Employer Codes, My Pension and Postcode Data.

4.19 A summary of the audit opinions issued in relation to risk/system based audit work for 2018/19 compared to 2017/18 and 2016/17 is shown in Table 4 below: -

**Table 4 – Final Reports System Based Audits**

Opinion	Total for 2018/19	%	Total for 2017/18	%	Total for 2016/17	%
High	11 (9)	37	8 (7)	42	5 (4)	20
Medium	13 (5)	43	8 (2)	42	13 (8)	52
Low	6 (3)	20	4 (1)	16	7 (2)	28
<b>Totals</b>	<b>30 (17)</b>	<b>100</b>	<b>20 (10)</b>	<b>100</b>	<b>25 (14)</b>	<b>100</b>

Note: The figures in brackets in the above table relate to the Pension Fund

- 4.20 In addition to the thirty final reports issued above, a further fifteen draft reports have been issued for comments and management responses and these will be reported to the Panel in due course.
- 4.21 Twenty three schools have been audited and final reports issued as part of our cyclical review programme during 2018/2019. A summary of the opinions issued for schools during 2018/2019 compared to 2017/18 and 2016/17 is shown in Table 5 below: -

**Table 5 – Audit Opinions – Schools**

Opinion	Total for 2018/19	%	Total for 2017/18	%	Total for 2016/17	%
High	8	35	8	50	6	50
Medium	13	56	5	31	5	42
Low	2	9	3	19	1	8
<b>Totals</b>	<b>23</b>	<b>100</b>	<b>16</b>	<b>100</b>	<b>12</b>	<b>100</b>

- 4.22 A further two draft reports have been issued for comments and management responses and these will be reported to the Panel in due course.
- 4.23 In addition to the reports issued in Tables 4 and 5, a significant number of days were allocated throughout the year to work that did not generate a report with a level of assurance attached. The areas listed below are examples of this work:-
- Grant Certification;
  - Advice and consultancy work provided to support service redesigns and the implementation of new or updated systems;
  - Investigations into allegations of Fraud/Irregularities
  - Investigating Information Incidents; and
  - Control Reports.
- 4.24 It is important to note, however, that whilst the above work does not generate an audit opinion it still provides assurance to the Head of Risk Management and Audit Services in terms of the overall audit opinion and undoubtedly adds value to the Council. It ensures that expenditure is in accordance with grant conditions, that new/amended systems are introduced with satisfactory controls in place and that control issues identified as part of fraud/irregularity investigations are resolved to improve the control environment.
- 4.25 Post Audit Reviews are undertaken approximately six months after the Final Report has been issued, however, where a low level of assurance is issued the Post Audit Review is scheduled for three months to ensure that the issues identified are addressed. Forty Post Audit Reviews have been completed in total during the year and these are detailed in Appendix 1. A summary of the six Post Audit Reviews completed during Quarter 4 is presented in Table 6 below. It details the number of recommendations made and implemented. The percentage rate of recommendations implemented for the year is 93%.
- 4.26 Internal Audit was satisfied with the reasons put forward by management where the recommendations had not yet been fully implemented and there are no significant issues

outstanding to report to the Panel. Fifteen Post Audit Reviews are in progress, which will be reported to the Panel at a future meeting.

**Table 6 – Post Audit Reviews – Recommendations Implemented**

Post Audit Reviews	Recommendations			Comments
	Made	Implemented		
	No.	No.	%	
St Damian's RC College	8	8	100	
GMPF - ICT Device Management	2	2	100	
Calculation and Payment of Benefits	3	3	100	
Troubled Families	7	7	100	
Treasury Management - Pension Fund	11	10	91	The outstanding recommendation relates to procedure notes, which need to be updated. However, compensating controls are in place as all officers have been trained and they each keep their own process notes. The recommendation has been accepted and will be implemented when resources are available.
Monitoring of Capital Programme	34	28	82	The recommendations outstanding relate to guidance notes, recharges, monitoring forms and the use of Agresso have been accepted and will all be reviewed during 2019/20.

## 5 ANTI-FRAUD WORK

### Irregularity Investigations

- 5.1 Investigations are conducted by two members of the Internal Audit Team under the direction of a Principal Auditor and the Head of Risk Management and Audit Services to ensure consistency of approach. All cases were investigated using the approved standard protocol and procedure, which complies with best practice. A control report is produced in the majority of cases for management to ensure that corrective action is taken where possible to ensure that the control environment is improved therefore minimising the risk of similar irregularities occurring in the future.
- 5.2 All investigations and assistance cases are reviewed by the Standards Panel regularly and, where appropriate, the members of the Panel challenge and comment on the cases and offer further guidance and direction. Assistance cases can range from obtaining information for an investigating officer to actually undertaking a large proportion of the analysis work to provide evidence for the investigatory process.
- 5.3 The number of cases investigated during the period April 2018 to March 2019 is summarised in Table 7 below.

**Table 7 – Investigations Undertaken from April 2018 to March 2019**

Detail	No. of Cases
Cases B/Forward from 2017/2018	11
Current Year Referrals	15
<b>Total</b>	<b>26</b>

Detail	No. of Cases
Cases Closed	18
Cases Still under Investigation	8
<b>Total</b>	<b>26</b>
<b>Assistance Cases</b>	<b>8 (3 Active)</b>

5.4 The above investigations can be categorised by fraud type as shown in Table 8 below.

**Table 8 – Investigations by Fraud Type**

Fraud Type	No. of Cases	Value £	Recovered To Date £	Annual Savings £	No. of Staff Left due to Investigations
Direct Payment	7	99,952	2,800	96,429	
Misappropriation of Service Users monies	2	23,006			1
Procurement	3	79,576			4
Staff Conduct	2	502			1
Misappropriation of Public Funds (Incl. HBen)	4	20,790	13,218	825	
Theft	6	1,214			1
Misuse of Resources	2	Unknown			
<b>Total</b>	<b>26</b>	<b>225,040</b>	<b>16,018</b>	<b>97,254</b>	<b>7</b>

5.5 Fourteen of the above cases investigated involved frauds perpetrated against the Council by claimants or third parties. The figures shown in the Value and Potential Annual Savings column in Table 8, are estimated based on the information available to date. Several of the cases are still being investigated or prepared for prosecution and the value of the fraud could change as the case progresses. The Annual Savings represent the cashable savings to the Council in relation to Direct Payments that have been stopped and Council Tax Support being reduced as a direct result of Internal Audit's involvement in the case.

5.6 The assistance cases whereby Internal Audit help managers to progress investigations, referred to in Table 8 above, have identified potential savings in the region of £14,000. In one case, the Council is now paying £8,547 less in care payments per annum due to Internal Audit's involvement.

5.7 The processes in place within Internal Audit and across the Council to manage the risk of fraud and corruption are in accordance with the code of practice issued by the Chartered Institute of Public Finance and Accountancy in 2014 entitled "Managing the Risk of Fraud and Corruption". Recently the Fraud Investigators/Counter Fraud Specialist and the Principal Auditor, responsible for managing this aspect of the service, have been on some fraud training and interviewing skills courses and the learning from these is being built into the processes and procedures used within the team.

#### **National Fraud Initiative**

5.8 The data sets for the National Fraud Initiative (NFI) 2018 Exercise were uploaded in October 2018 and the matches identified for Tameside were received in February 2019. Table 9 below provides a summary of the key matches identified and further updates will be provided to the Audit Panel as investigations are progressed.

5.9 The match reports this year have been rated, high, medium or low and the definitions are as follows:

- High – These reports contain individual matches where some significant fraud risks were identified.
- Medium – These reports contain individual matches where potential fraud risk factors were identified.



- Low – These reports contain individual matches where limited potential fraud risk factors were identified.

**Table 9 – NFI Data Matches 2018**

NFI Data Set	Total Number of Matches	Report Match Rating	Comments		
			Processed	In Progress	No. of Error/Frauds and Value
Pensions to DWP Deceased Persons	897	High		897	
Pensions to Payroll	1,885	High		1885	
Deferred Pensions to DWP Deceased	145	High		145	
Housing Benefits to Student Loans	31	High		31	
Housing Benefits Claimants to DWP Deceased	82	High		82	
Housing Benefit Claimants to Pensions	496	High		496	2 Errors £3,972
Council Tax Reduction Scheme to Pensions	783	High		783	
Council Tax Reduction Scheme to Payroll	81	High		81	
Personal Budgets to DWP Deceased	2	High		2	
Blue Badge to DWP Deceased	34	High	33	1	13 Errors £7,475
Private Residential Care Homes to DWP Deceased	50	High		50	
<b>Totals</b>	<b>4,486</b>		<b>33</b>	<b>4,453</b>	<b>15 Errors £11,447</b>

5.10 Work is still ongoing to review and investigate the matches identified and further update reports will be provided to the Audit Panel during 2019/20.

## **6 NATIONAL ANTI-FRAUD NETWORK (NAFN)**

6.1 NAFN held its AGM and Summit at The Etihad Stadium in Manchester in October and the theme was 'Data, Disclosure and Threats'. The event attracted 191 attendees representing 96 member organisations and feedback was very positive.

6.2 NAFN has continued to engage with its key stakeholders and members to ensure that the services it offers meet with their requirements and expectations.

6.3 NAFN was subject to its annual inspection by the Investigatory Powers Commissioners Officer (IPCO) in November and received another positive and successful inspection. For the second year, no recommendations were received. Lord Justice Fulford, the Investigatory Powers Commissioner, added in his report, "This is most commendable and reflects well the knowledge, experience and professionalism of your staff, along with the robust procedures you have in place".

6.4 NAFN was also audited by the DVLA in October 2018, to ensure that data requests submitted were in line with the agreed protocol and that only legitimate requests were

processed by NAFN Officers. Overall, there were a minimal number of compliance issues raised and they have all been addressed.

- 6.5 The National Register of Taxi and Private Hire Drivers who have had their licences refused or revoked, improving the safety of the travelling public, became operational during Q3. NAFN is now working closely with the Local Government Association to ensure that the guidance issued to all Taxi Licencing Teams is adhered to, enabling them to maximise the benefits of the system.
- 6.6 NAFN's core purpose is to support members in their protection of the public purse and acts as an Intelligence Hub providing a single point of contact for members to acquire data and intelligence in support of investigations, enforcement action and debt collection. The increase in Local Authority members is because of the roll out of the abovementioned National Taxi Licence Database. A breakdown is provided in Table 10 below:-

**Table 10 – NAFN Membership**

Member Type	March 2019	March 2018	March 2017
Local Authorities	359	350	359
Housing Associations	57	54	47
Other Public Bodies	15	14	12
<b>Totals</b>	<b>431</b>	<b>418</b>	<b>418</b>

- 6.7 In terms of marketing the following was achieved despite the loss of the Membership and Communications Manager early in the year:-
- 9 Monthly Newsletters were issued;
  - 42 Webinar sessions were delivered; and
  - Intelligence Alerts providing updates on new fraud activities, risks and best practice.
- 6.8 NAFN also sponsored the Fighting Fraud and Corruption Locally (FFCL) Conference and Awards Event held in London on 21 March. The event attracted Local Authorities, working in counter fraud, sharing their experience, good practice and success stories. As one of the main sponsors, NAFN presented the 'Pursue' award (which recognised the outstanding work that goes on detecting and investigating fraud on a day-to-day basis) to the South West London Fraud Partnership (SWLFP) for their scale of success and the intelligent use of surveillance.
- 6.9 The number of requests received during 2018/19 are detailed in Table 11 below and compared to 2017/18 increased by 19% overall.

**Table 11 – NAFN Requests Received**

Type of Request	2018/19	2017/18	2016/17
General Data Protection Requests	33,530	38,980	47,765
Social Security Fraud Act	-	-	-
Driver and Vehicle Licensing Agency	15,584	16,507	15,489
Regulation of Investigatory Powers Act	1,032	760	946
Prevention of Social Housing Fraud Act/Council Tax Reduction Scheme	12,108	12,425	8,449
<b>Sub Total</b>	<b>62,254</b>	<b>68,672</b>	<b>72,649</b>
Type B (Online)	152,762	112,341	99,227
<b>Grand Total</b>	<b>215,016</b>	<b>181,013</b>	<b>171,876</b>
<b>% Increase/(Decrease)</b>	<b>19%</b>	<b>5%</b>	<b>(3%)</b>

- 6.10 The number and type of requests received is reported quarterly to the Executive Board and progress is monitored closely to ensure that staffing levels are appropriate to ensure requests are processed in line with performance standards and that other key services linked to the marketing strategy are delivered.

## **7 RISK MANAGEMENT AND INSURANCE**

- 7.1 The approved priorities for 2018/2019 were:-

- To review the risk management system to ensure that it complies with best practice including a review of service area risk registers;
- To ensure the Corporate Risk Register is updated on a quarterly basis and reported to the Single leadership Team and the Audit Panel;
- To facilitate the continued implementation of the Information Governance Framework, ensuring that the Council is compliant with the General Data Protection Regulations (GDPR) and the Data Protection Act 2018;
- To review the Business Continuity Management system in place to streamline the process to create a management tool that is workable, with the capability to provide knowledge and information should a major incident occur affecting service delivery;
- To review the insurance database used by the team to ensure it is fit for purpose and that the reporting function is efficient and effective;
- To continue to support managers to assess their risks as services are redesigned to ensure that changes to systems and procedures remain robust and resilient offering cost effective mitigation and that claims for compensation can be successfully repudiated and defended should litigation occur; and
- To attend management team meetings quarterly to provide updates on insurance, information governance, risk management and business continuity.

- 7.2 A review of the risk management process has commenced by comparing the Council's process to that of the Tameside and Glossop Clinical Commissioning Group and other authorities across Greater Manchester. Further work needs to be undertaken with the Single Leadership Team to ensure that the process adopted meets the needs of the Strategic Commission. A Corporate Risk Register Update is presented as a separate item on the agenda.

- 7.3 Work has continued throughout the year towards compliance with the General Data Protection Guidelines and the Data Protection Act 2018. It is accepted by the Information Commissioner that compliance is a journey and that we all need to work towards protecting the privacy and rights of the data subjects that we work with. During 2018/19, progress has been made in the following areas:-

- The public data protection webpage has been refreshed, to include privacy notices, advice on exercising individual rights and the Information Governance Policy;
- Information Asset Audits have been undertaken and the Register of Processing Activities is drafted;
- Policies, procedures and guidance are in place;
- Training has been delivered and further opportunities are being reviewed;
- Sharing and Processing Agreements are reviewed/updated on an ongoing basis;
- The team has supported the completion of Data Protection Impact Assessments (DPIA) and the process adopted has been reviewed and refreshed to take on board the advice provided by the AGMA Information Governance Group. The current process was approved by the Information Governance Group in April 2019 and consists of a screening document to determine if a full DPIA is needed. The purpose of a DPIA is to determine the risks to personal data through the life of a process to ensure adequate controls are in place to protect it; and
- Completion of the Data Security and Protection Toolkit (previously known as the IG Toolkit) which is an online self-assessment provided by NHS Digital to ensure that

organisations who need to access NHS data, have appropriate security standards in place.

- 7.4 Business Continuity Plans have been updated across the Council using a revised template. The Corporate Business Continuity Plan is now being prepared and over the summer, options for discussion and approval will be reviewed in terms of exercising individual services plans and the corporate plan should a major incident occur. As part of this work all services/functions will be listed and prioritised using a Red, Amber, Green (RAG) rating system based on the Maximum Time Period for Disruption to inform any corporate response required.
- 7.5 The insurance renewal due on 1 April 2019 was completed to ensure appropriate insurance covers are in place to protect the Council.
- 7.6 Support in relation to insurance claims has been provided to both service areas and schools throughout the year to ensure that claims against the Council are robustly defended.

## 8 PERFORMANCE INDICATORS

- 8.1 The performance of the section is monitored in a variety of ways and a number of indicators have been devised to enable comparisons between financial years and between similar organisations. Formal benchmarking using the Chartered Institute of Public Finance and Accountancy has not taken place for a number of years due to budget cuts and capacity; however, the North West Chief Audit Executive Group is aiming to reintroduce the comparison of a small number of key performance indicators during the coming year.
- 8.2 The Key Performance Indicators for Internal Audit for 2018/19 are detailed in Table 12 below and they are compared to the two previous years 2017/18 and 2016/17.

**Table 12 - Key Performance Indicators 2018/19**

	Indicator	Target	18/19	17/18	16/17	Comments
1	Compliance with Public Sector Internal Audit Standards	100%	100%	100%	100%	Target Achieved
2	% of Plan Completed	90%	92%	93%	93%	Target Achieved
3	Customer Satisfaction (per questionnaires)	90% of customers "satisfied ≥ 65%"	100%	100%	94%	Target Achieved
4	% Recommendations Implemented	90%	93%	90%	92%	Target Achieved
5	No. of Irregularities Reported/Investigated	Downward Trend	15	8	15	Target Not Achieved

- 8.3 Whilst only four of the five targets have been achieved, it must to be acknowledged that not all the measures used are fully within the control of the team as explained below.
- 8.4 With regards to the Percentage of Plan Complete this a volatile indicator and affected by the timing of audits, staff availability in both internal audit and service areas to support the audit, reactive work (irregularities) and the timing of in year priority requests.

- 8.5 The Percentage of Recommendations Implemented indicator whilst demonstrating that the standard and quality of recommendations made are acceptable, their implementation is the responsibility of management and delays can occur for example due to lack of capacity, new systems and service redesigns.
- 8.6 The number of Irregularities Reported/investigated has increased from eight to fifteen, however, this is a reactive indicator and not within the team's control.
- 8.7 The effectiveness of the team in terms of adding value to the Council is an important element of the role of internal audit (as per the definition outlined in section 1.1) and the service as a whole, however, it is extremely difficult to use quantitative indicators to measure this performance. Added value is demonstrated by the variety of work undertaken above, the responsive and flexible approach adopted, the positive comments and feedback received from auditees and the opinion of our External Auditors that they can place reliance on the work of Internal Audit.

**9 PUBLIC SECTOR INTERNAL AUDIT STANDARDS**

- 9.1 The Internal Audit function was judged to be compliant with the Public Sector Internal Audit Standards (PSIAS) following an External Peer Review in March 2018, and the recommendations from the review have been implemented enhancing the service further. Furthermore, the Self-Assessment completed for 2018/19 against the updated standard reaffirmed full compliance.
- 9.2 The Review of Internal Audit 2018/19 Report earlier on the agenda provided details of the progress in relation the recommendations made following the External Peer Review in March 2018 and the full assessment undertaken against the individual standards for 2018/19.
- 9.3 The Quality Assurance and Improvement Programme which is presented as part of the Risk Management and Audit Planned Work 2019/20 Report details the service developments for 2019/20, including any minor issues identified from the 2018/19 Self-Assessment.

**10 QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME (QAIP)**

- 10.1 The process and procedures in place within Internal Audit are continually reviewed and any issues/inefficiencies identified are addressed immediately to assist and improve productivity.
- 10.2 The service developments included in the Quality Assurance and Improvement Programme for 2018/19 are listed below in Table 13 together with a progress update.

**Table 13 – Progress Update on Service Developments**

Development	Progress to March 2019
A key development for 2018/19 is to review the usage of the audit management system 'Galileo' to further maximise efficiencies from the use of e-technology.	Some minor improvements have been implemented during the year but the key aim to review the Post Audit Review process has not been completed and has been included for 2019/20.
To deliver the recommendations from the PSIAS Peer Review conducted in March 2018 detailed at Appendix D.	4 out of the 5 recommendations made have been implemented. The outstanding one asked the Council to consider allocating the formal SIRO designation to a chief officer,

Development	Progress to March 2019
	even if the internal audit team continues to support the SIRO function. This has not been implemented and will be considered during 2019/20 as the roles relating to Information Governance are still being assessed as the Council and CCG continue to integrate.
To review all fraud, bribery and corruption policies, plans etc., including the whistleblowing and money laundering policies, to ensure they are fit for purpose and then consider how to effectively deliver training and awareness.	Updated policies, procedures and plans have been drafted and are currently being reviewed. Appropriate approval will then be sought and consideration given as to how to effectively disseminate the information to members and officers.
To provide an options paper for the provision of Internal Audit going forward across the Strategic Commission.	Not implemented, to be carried forward to 2019/20.

## 11 INDEPENDENCE OF INTERNAL AUDIT

- 11.1 In accordance with the Public Sector Internal Audit Standards, the Internal Audit Team/Function has continued to remain independent of any non-audit operational responsibilities during 2018/19.
- 11.2 As indicated above in Table 13 the independence of the Head of Risk Management and Audit Services has not been reviewed in line with the recommendation made as a result of the External Peer Review and will be addressed during 2019/20.
- 11.3 However, any audit work in areas directly managed by the Head of Risk Management and Audit Services would be managed by somebody independent to the process, for instance the Assistant Director of Finance or the audit would be undertaken by another AGMA Audit Team.

## 12 AUDIT OPINION BASED ON RESULTS OF 2018/19 ACTIVITY

- 12.1 The Audit Panel can take reasonable assurance that arrangements to secure governance, risk management and internal control, within those areas reviewed, are suitably designed and applied effectively.
- 12.2 It has to be accepted that the gross risk for the Council has increased in recent years (as we have reduced capacity whilst still having to deliver a significant change programme to meet our financial challenges). The finding of our work is that controls are in place to mitigate these risks and where improvements have been highlighted, managers have agreed to implement the suggested recommendations. This will aid the management of risks and support the overall control environment.

## 13 RECOMMENDATION

- 13.1 As set out at the front of the report..

**ANNUAL AUDIT PLAN DAYS DELIVERED 2018/19**

Activity Title	Purpose of Audit	Revised Plan	Actual Days	Variance	Status	Level of Assurance
<b>CHILDRENS</b>						
Safeguarding	This review will examine the risks and the controls in place to mitigate those risks, in relation to Safeguarding Children.	1.20	1.90	0.70	Final Report Issued	Medium
Control Report - Use of Electronic Signatures/ Monitoring of Time in Respect of Agency Workers	To address control weaknesses identified as a result of undertaking an irregularity investigation.	4.00	3.97	-0.03	Final Report Issued	
Leaving Care	To provide assurance that internal controls are in place to ensure effective transition from the leaving care service.	1.20	1.20	0.00	Final Report Issued	Low
PAR - Leaving Care	Follow up work to ensure audit recommendations have been implemented.	3.00	1.47	-1.53	Work in progress	
Troubled Families	To provide assurance that internal controls are in place to ensure effective transition from the leaving care service.	2.30	2.30	0.00	Completed	Medium
PAR - Troubled Families	Follow up work to ensure audit recommendations have been implemented.	3.00	3.20	0.20	Completed	
Children's Homes	To review the financial, health and safety and risk assessment procedures at the Homes in addition to ensuring that the outcomes for the children are achieved.	20.00	30.40	10.40	Final Report Issued	Medium
Budgetary Control and Financial Management - Children's	To review the processes for monitoring the budget within Children's Services.	3.00	3.41	0.41	Rescheduled to 2019/20	
Liquid Logic	To review the system to ensure the security, technological and access controls are robust to protect the sensitive information within the system.	10.00	11.21	1.21	Draft Report Issued	
PAR - St Lawrence Road - Investigation Control Report	Follow up work to ensure audit recommendations have been implemented.	4.00	4.51	0.51	Work in Progress	
Planning and Control - Children's	Provision of days for planning/controlling the plan including activity reporting, meetings with Senior Management and Executive Members to ensure that changes throughout the year are reflected in the plan where appropriate.	6.00	5.48	-0.52	Ongoing	
Advice - Children's	Provision of days to support management in the development and maintenance of effective controls in light of new risk exposures and service changes.	5.20	9.26	4.06	Ongoing	
<b>TOTAL FOR CHILDREN'S</b>		<b>62.90</b>	<b>78.32</b>	<b>15.42</b>		

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<b>SCHOOLS/LEARNING</b>						
Gorse Hall Primary/Nursery School	To review the Financial Management/ICT Procedures/Information Governance Procedures of the school to ensure robust processes and procedures are in place in accordance with best practice to deliver a strong control environment.	6.00	5.90	-0.10	Final Report Issued	High
Stalyhill Junior School		6.00	6.60	0.60	Final Report Issued	High
Stalyhill Infants School		6.00	5.97	-0.03	Final Report Issued	High
Buckton Vale Primary School		6.00	6.70	0.70	Final Report Issued	High
Lyndhurst Primary/Nursery School		0.00	0.00	0.00	Rescheduled to 2019/20	
Ravensfield Primary School		6.00	6.30	0.30	Final Report Issued	Medium
Broadbottom CE Primary School		6.00	6.34	0.34	Final Report Issued	Medium
Mottram CE Primary School		6.00	7.40	1.40	Final Report Issued	Medium
St Johns CE Primary School		6.00	6.00	0.00	Final Report Issued	High

Activity Title	Purpose of Audit	Revised Plan	Actual Days	Variance	Status	Level of Assurance
Micklehurst Primary School	To review the Financial Management/ICT Procedures/Information Governance Procedures of the school to ensure robust processes and procedures are in place in accordance with best practice to deliver a strong control environment.	6.00	7.31	1.31	Final Report Issued	High
Holy Trinity CE Primary		6.00	6.40	0.40	Draft Report Issued	Medium
St Marys CE Infant/Nursery School Droylsden		12.00	11.77	-0.23	Final Report Issued	Medium
St Josephs RC Primary/Nursery School		6.00	7.25	1.25	Final Report Issued	Medium
St John Fisher RC Primary School		6.00	7.88	1.88	Draft Report Issued	Low
Corrie Primary/Nursery		6.00	7.22	1.22	Final Report Issued	Medium
St Christopher's RC Primary School		0.00	0.00	0.00	Rescheduled to 2019/20	
Samuel Laycock School		6.00	6.78	0.78	Draft Report Issued	Medium
Mossley Hollins High School		12.00	12.10	0.10	Final Report Issued	Medium
St Damien's RC Science College		10.00	8.30	-1.70	Final Report Issued	High
St Thomas More RC College		10.00	9.77	-0.23	Final Report Issued	High
Cromwell High School		10.00	7.75	-2.25	Draft Report Issued	
Holden Clough Primary/Nursery		2.00	2.40	0.40	Final Report Issued	Medium
Holy Trinity C E Gee Cross		2.50	4.40	1.90	Final Report Issued	Medium
St Marys R C Primary/Nursery, Dukinfield		0.75	0.57	-0.18	Final Report Issued	Medium
St Anne's R C Primary/Nursery, Audenshaw		1.00	1.90	0.90	Final Report Issued	Low
Thomas Ashton Primary/Secondary Centres		1.20	1.30	0.10	Final Report Issued	Medium
Payroll - Schools, incl Third Party Providers		To ensure that there are adequate controls in place, and the payroll rules are being complied with re payroll in schools, including where the service has been outsourced.	15.00	17.00	2.00	Work in progress
Special Educational Needs and Disability (SEND)	To provide assurance that the system used to recoup monies for out of borough placements was fit for purpose.	0.00	7.27	7.27	Work in progress	
PAR - Arlies Primary/Nursery	Follow up work to ensure audit recommendations have been implemented.	1.00	0.67	-0.33	Completed	
PAR Control Report - Wild Bank Primary/Nursery		1.25	1.30	0.05	Completed	
PAR - Millbrook Primary/Nursery		1.00	0.56	-0.44	Completed	
PAR - Poplar St Primary/Nursery		1.00	1.00	0.00	Completed	
PAR - Dane Bank Primary/Nursery		1.00	1.07	0.07	Completed	
PAR - Milton St Johns C E Primary		0.40	0.49	0.09	Completed	
PAR - St Pauls R C Primary/Nursery Hyde		1.00	0.57	-0.43	Completed	
PAR - St Marys R C Primary/Nursery, Dukinfield		1.50	1.70	0.20	Completed	
PAR - Alder Community High School		3.00	3.10	0.10	Completed	
PAR - Aldwyn Primary		1.50	1.60	0.10	Completed	
PAR - St Anne's R C Primary/Nursery, Audenshaw		2.00	2.40	0.40	Completed	
PAR - St Peters RC Primary/Nursery Stalybridge		0.20	0.30	0.10	Completed	
PAR - St. Georges C E Primary Mossley		1.00	1.14	0.14	Completed	
PAR - Thomas Ashton Primary/Secondary Centres		3.00	3.20	0.20	Completed	
PAR - Hyde Community College		2.00	2.52	0.52	Completed	
PAR - Mossley Hollins High		2.00	0.10	-1.90	Work in progress	
PAR - St Damien's R C Science College		1.00	1.08	0.08	Completed	
PAR - Holy Trinity C E Gee Cross		1.00	0.14	-0.86	Work in progress	
PAR - Pupil Referral Service	6.00	8.20	2.20	Completed		
Corrie Primary/Nursery - Income Records Review	To provide assurance in relation to the Income Records at the school.	4.80	4.80	0.00	Completed	
Corrie Primary/Nursery School - Control Report	Investigations and Control Reports to ensure improvements in controls are implemented to ensure irregularities do not reoccur.	1.20	1.20	0.00	Completed	
Investigation Control Report - Arundale Primary		2.10	2.10	0.00	Completed	
Pinfold Primary - Theft of iPads August 2018		2.00	2.16	0.16	Draft Report Issued	



Activity Title	Purpose of Audit	Revised Plan	Actual Days	Variance	Status	Level of Assurance
PAR - Investigation Control Report - Arundale Primary/Nursery	Follow up work to ensure audit recommendations have been implemented.	4.00	4.80	0.80	Completed	
Planning and Control - Learning	Provision of days for planning/controlling the plan including activity reporting, meetings with Senior Management and Executive Members to ensure that changes throughout the year are reflected in the plan where appropriate.	8.00	9.80	1.80	Ongoing	
Post Audit Review - Learning	Follow up work to ensure audit recommendations have been implemented.	0.00	0.00	0.00	Ongoing	
Advice - Learning	Provision of days to support management in the development and maintenance of effective controls in light of new risk exposures and service changes. Provision of School Newsletter.	15.00	12.17	-2.83	Ongoing	
<b>TOTAL FOR SCHOOLS/LEARNING</b>		<b>228.40</b>	<b>246.73</b>	<b>18.33</b>		

ADULTS						
Integrated Urgent Care Team	To provide assurance that effective internal controls are in place in respect of the Integrated Urgent Care Team.	15.00	27.11	12.11	Draft Report Issued	
Locality Teams - Care Management	To provide assurance that effective internal controls are in place in respect of Care Management.	15.00	18.03	3.03	Work in progress	
Nursing and Residential Home Placements/Payments	To provide assurance that effective internal controls are in operation in respect of the placement of clients into residential/nursing homes and that the payments made are correct.	15.00	0.00	-15.00	Rescheduled to 2019/20	
Control Report - Misappropriation of Service Users Monies	To address control weaknesses identified as a result of undertaking an irregularity investigation.	1.80	1.80	0.00	Completed	
PAR - Learning Disabilities Client Accounts	Follow up work to ensure audit recommendations have been implemented.	1.50	0.98	-0.52	Work in progress	
PAR - Control Report - Somerset House	Follow up work to ensure audit recommendations have been implemented.	2.00	2.20	0.20	Completed	
Control Report - The Issue of Emails Containing Personal and Sensitive Client Information to the Incorrect Care Homes	To address control weaknesses identified as a result of undertaking an irregularity investigation.	4.00	4.00	0.00	Completed	
Control Report - Integrated Urgent Care Team	To address control weaknesses identified as a result of undertaking an irregularity investigation.	5.50	5.37	-0.13	Draft Report Issued	
PAR - Reablement	Follow up work to ensure audit recommendations have been implemented.	2.50	3.28	0.78	Completed	
Planning and Control - Adult Services	Provision of days for planning/controlling the plan including activity reporting, meetings with Senior Management and Executive Members to ensure that changes throughout the year are reflected in the plan where appropriate.	8.00	8.19	0.19	Ongoing	
Advice - Adult Services	Provision of days to support management in the development and maintenance of effective controls in light of new risk exposures and service changes.	10.00	4.21	-5.79	Ongoing	
Post Audit Reviews - Adult Services	Follow up work to ensure audit recommendations have been implemented.	1.00	0.00	-1.00	Ongoing	
<b>TOTAL FOR ADULTS</b>		<b>81.30</b>	<b>75.16</b>	<b>-6.14</b>		

Activity Title	Purpose of Audit	Revised Plan	Actual Days	Variance	Status	Level of Assurance
<b>POPULATION HEALTH</b>						
Health and Wellbeing - Health Visiting Service	To review the process in place for the commissioning and monitoring of the Health Visiting Service as an aspect of the Mandatory Healthy Child Programme (0-5).	15.00	20.26	5.26	Draft Report Issued	
PAR - Public Health - Contract Monitoring - Provision of a Drug and Alcohol Recovery Service	Follow up work to ensure audit recommendations have been implemented.	1.00	1.50	0.50	Completed	
Public Health - Information Incident Investigation Control Report	To address control weaknesses identified as a result of undertaking an information security incident investigation.	3.70	3.66	-0.04	Completed	
PAR - Information Incident Investigation Control Report - Katherine Cavendish House	Follow up work to ensure audit recommendations have been implemented.	2.00	0.57	-1.43	Work in Progress	
Planning and Control	Provision of days for planning/controlling the plan including activity reporting, meetings with Senior Management and Executive Members to ensure that changes throughout the year are reflected in the plan where appropriate.	3.00	1.97	-1.03	Ongoing	
Advice and Support	Provision of days to support management in the development and maintenance of effective controls in light of new risk exposures and service changes.	1.00	0.00	-1.00	Ongoing	
Post Audit Reviews	Follow up work to ensure audit recommendations have been implemented.	0.00	0.00	0.00	Ongoing	
<b>TOTAL FOR POPULATION HEALTH</b>		<b>25.70</b>	<b>27.96</b>	<b>2.26</b>		

<b>GROWTH</b>						
Estate Management	Advice regarding the Consultancy Review.	0.80	0.80	0.00	Complete	
Planning Process	To provide assurance that effective systems are in place in respect of the planning process.	15.00	3.93	-11.07	Suspended	
Control Report - Facilities Management	To address control weaknesses identified as a result of undertaking an irregularity investigation.	0.00	1.58	1.58	Work in Progress	
PAR - Section 106 Agreements, Developer Levy and Community Infrastructure Levy	Follow up work to ensure audit recommendations have been implemented.	2.50	1.52	-0.98	Work in Progress	
Planning and Control	Provision of days for planning/controlling the plan including activity reporting, meetings with Senior Management and Executive Members to ensure that changes throughout the year are reflected in the plan where appropriate.	4.00	4.02	0.02	Ongoing	
Hattersley Collaboration Agreement	To undertake an audit of the Final Accounts.	0.30	0.50	0.20	Final Report Issued	
Hattersley Collaboration Agreement	To undertake an audit of the Final Accounts.	5.00	11.20	6.20	Draft Report Issued	
Advice and Support	Provision of days to support management in the development and maintenance of effective controls in light of new risk exposures and service changes.	1.00	1.77	0.77	Ongoing	
Post Audit Reviews	Follow up work to ensure audit recommendations have been implemented.	6.00	0.00	-6.00	Ongoing	
<b>TOTAL FOR GROWTH</b>		<b>34.60</b>	<b>25.32</b>	<b>-9.28</b>		

<b>OPERATIONS AND NEIGHBOURHOODS</b>						
Youth Service	To ensure effective internal controls are in place in relation to the delivery of the Youth Service.	15.00	17.40	2.40	Draft Report Issued	

Activity Title	Purpose of Audit	Revised Plan	Actual Days	Variance	Status	Level of Assurance
Provision of the Integrated Transport Service	To provide assurance that internal controls are in place to ensure the effective provision of transport to service users.	20.00	33.42	13.42	Draft Report Issued	
Servitor	To review the process for calculating engineering recharges to ensure that they are being correctly determined.	15.00	1.50	-13.50	Review to be Undertaken by Financial Management	
Disabled Facilities Grant	Certification to confirm that expenditure has been incurred in accordance with the grant conditions.	3.00	1.70	-1.30	Completed	
Use Of CCTV	To provide assurance that effective internal controls are in place in respect of the provision of the Closed Circuit Television system.	1.50	4.30	2.80	Final Report Issued	Low
Local Authority Bus Subsidy Grant	Certification to confirm that expenditure has been incurred in accordance with the grant conditions.	2.00	2.65	0.65	Completed.	
Control Report - Thefts at Tame Street Garage	To address control weaknesses identified as a result of undertaking an irregularity investigation.	7.00	6.63	-0.37	Final Report Issued	
Control Report - Theft at Droylsden Library		4.00	2.49	-1.51	Work in Progress	
Control Report - Youth Service - Unauthorised Use of a Vehicle and Equipment		5.00	3.60	-1.40	Work in Progress	
Control Report - Waste Services		0.00	1.69	1.69	Work in Progress	
Control Report - Thefts at Tame Street Offices		0.00	1.06	1.06	Work in Progress	
Blue Badge - System Sign Off	Signing off the Blue Badge system and providing assurance that it is 'fit to go live'.	0.00	5.62	5.62	Completed.	
PAR - Use Of CCTV	Follow up work to ensure audit recommendations have been implemented.	5.00	5.37	0.37	Completed.	
Planning and Control	Provision of days for planning/controlling the plan including activity reporting, meetings with Senior Management and Executive Members to ensure that changes throughout the year are reflected in the plan where appropriate.	7.00	5.67	-1.33	Ongoing	
Advice and Support	Provision of days to support management in the development and maintenance of effective controls in light of new risk exposures and service changes.	12.00	7.28	-4.72	Ongoing	
Post Audit Reviews	Follow up work to ensure audit recommendations have been implemented.	6.00	0.00	-6.00	Ongoing	
<b>TOTAL FOR OPERATIONS AND NEIGHBOURHOODS</b>		<b>102.50</b>	<b>100.38</b>	<b>-2.12</b>		

GOVERNANCE						
Apprenticeship Levy	A review of the processes within the organisation, including the finance process.	15.00	18.81	3.81	Draft Report Issued	Medium
iTREN Self Service	We will sign off the new module to ensure that the appropriate procedure has been followed prior to the implementation and the system is fit for purpose and secure.	10.00	4.87	-5.13	Work in Progress	
GMPF Annual Return - Compliance Checks	Checks on the compliance checklist submitted with the GMPF Annual Return, to enable it to be signed off by the Head of Internal Audit.	4.00	3.76	-0.24	Completed	
External Audit Checks - Payroll	External Audit select a sample from iTrent and Internal Audit carry out checks and provide the evidence to support the transactions.	6.00	9.81	3.81	Completed	
Registrars Visit August 2018	An allocation is included in the Plan each year to review the records and income in respect of individual Registrars on a	3.75	3.60	-0.15	Final Report Issued	High

Activity Title	Purpose of Audit	Revised Plan	Actual Days	Variance	Status	Level of Assurance
Registrars Visit December 2018	Records and income in respect of individual Registrars, on a cyclical basis.	3.00	2.77	-0.23	Final Report Issued	High
Members Allowances - Publication	To provide data assurance in relation to the publication of members allowances.	3.00	2.63	-0.37	Completed	
Creditors Full System	To provide assurance that all invoices and payment requisitions are paid correctly, on a timely basis, and expenditure is appropriately accounted for.	3.00	5.30	2.30	Final Report Issued	Low
PAR - Payroll Whole System	Follow up work to ensure audit recommendations have been implemented.	1.50	1.93	0.43	Work in Progress	
PAR - DBS Procedures	Follow up work to ensure audit recommendations have been implemented.	1.50	3.08	1.58	Work in Progress	
PAR - Procure and Pay	Follow up work to ensure audit recommendations have been implemented.	0.00	0.69	0.69	Work in Progress	
Agresso Upgrade - Sign off	Signing off the upgrade of the General Ledger system.	15.00	15.66	0.66	Completed	
Car Allowances Review	To provide data assurance in relation to Car Allowances	1.80	1.78	-0.02	Completed	
Holiday Pay Exercise	To provide data assurance in relation to Holiday Pay	3.00	3.00	0.00	Completed	
Advice and Support - New Pay Structure	To provide data assurance in relation to the New Pay Structure	0.00	4.62	4.62	Completed	
Determination and Recovery of Adult Service Care and Support Charges	To review the processes in place to ensure that charges are being correctly calculated and promptly recovered.	15.00	5.51	-9.49	Work in Progress	
Debtors Full System	To provide assurance that all invoices are correctly raised and income is promptly collected and appropriately accounted for.	15.00	19.80	4.80	Work in Progress	
PAR - Direct Payments	Follow up work to ensure audit recommendations have been implemented.	2.00	5.32	3.32	Completed	
Council Tax Full System	To examine the internal controls in place regarding the collection of Council Tax income to ensure it is promptly collected, maximised and correctly accounted for.	4.00	8.21	4.21	Final Report Issued	Medium
NNDR Full System	To examine the internal controls in place regarding the collection of NNDR income to ensure it is maximised, promptly recovered and correctly accounted for.	0.85	1.20	0.35	Final Report Issued	Medium
Deferred Payment Scheme - Reconciliation Exercise	Examining deferred payments to ensure they have been correctly determined in accordance with approved policies and procedures.	15.00	17.56	2.56	Draft Report Issued	
PAR - NNDR Full System	Follow up work to ensure audit recommendations have been implemented.	1.50	0.60	-0.90	Work in Progress	
Planning and Control	Provision of days for planning/controlling the plan including activity reporting, meetings with Senior Management and Executive Members to ensure that changes throughout the year are reflected in the plan where appropriate.	8.00	10.55	2.55	Ongoing	
Advice and Support	Provision of days to support management in the development and maintenance of effective controls in light of new risk exposures and service changes.	30.00	18.97	-11.03	Ongoing	
Post Audit Reviews	Follow up work to ensure audit recommendations have been implemented.	5.50	0.00	-5.50	Ongoing	
Social Media Controls	A review will be carried out to ensure that the set up and security of the Authority's Social Media accounts is robust and in line with recommended practice.	5.00	5.95	0.95	Work in progress	
<b>TOTAL FOR GOVERNANCE</b>		<b>172.40</b>	<b>175.98</b>	<b>3.58</b>		

Activity Title	Purpose of Audit	Revised Plan	Actual Days	Variance	Status	Level of Assurance
<b>FINANCE</b>						
Review of Financial Regulations	To review and make recommendations to update Financial Regulations.	2.00	1.55	-0.45	Completed	
Insurance	To review the arrangements in place for the delivery of the insurance function.	0.00	0.00	0.00	Deferred	
Procurement	Contingency days to be discussed with Director of Finance and Assistant Director of Finance to review procurement processes.	0.00	0.00	0.00	Rescheduled to 2019/20	
Information Governance	A review of the arrangements in place in respect of Information Governance.	0.00	0.00	0.00	Rescheduled to 2019/20	
Risk Management	A review of the arrangements in place in respect of Risk Management.	0.00	0.00	0.00	Deferred	
Bank Reconciliation Procedures	To provide assurance that bank reconciliations are being correctly undertaken on a regular/timely basis and that any discrepancies are being promptly investigated.	12.00	13.22	1.22	Draft Report Issued	
External Audit Checks - General Expenditure	To undertake checks on a sample of expenditure transactions to ensure that they are appropriate to the needs of the Council, have been appropriately authorised and correctly accounted for.	6.00	11.38	5.38	Completed	
Staff Travel and Accommodation	To provide assurance that effective arrangements are in place in respect of procuring travel and accommodation arrangements.	0.00	0.00	0.00	Deferred	
PAR - Review of Financial Systems - General Ledger and Budgetary Control	Follow up work to ensure audit recommendations have been implemented.	0.30	0.42	0.12	Completed	
VAT	To provide assurance that VAT is being appropriately accounted for.	0.75	0.28	-0.47	Final Report Issued	Medium
PAR - Monitoring of the Capital Programme	Follow up work to ensure audit recommendations have been implemented.	4.00	6.20	2.20	Completed	
Treasury Management	To provide assurance that effective internal controls are in place in respect of the provision of the Treasury Management function.	0.50	1.58	1.08	Final Report Issued	Medium
PAR - Better Care Fund	Follow up work to ensure audit recommendations have been implemented.	0.25	0.60	0.35	Completed	
PAR - Treasury Management	Follow up work to ensure audit recommendations have been implemented.	1.50	2.93	1.43	Completed	
Planning and Control - Finance	Provision of days for planning/controlling the plan including activity reporting, meetings with Senior Management and Executive Members to ensure that changes throughout the year are reflected in the plan where appropriate.	4.00	3.72	-0.28	Ongoing	
Advice and Support - Finance	Provision of days to support management in the development and maintenance of effective controls in light of new risk exposures and service changes.	7.00	7.19	0.19	Ongoing	
Post Audit Reviews - Finance	Follow up work to ensure audit recommendations have been implemented.	4.50	0.00	-4.50	Ongoing	
Cyber Security Review	The review will examine the controls in place, to ensure that the Authority is protected from cyber attacks.	15.00	13.65	-1.35	Work in progress	
Distributed Denial of Service (DDoS) attacks	A consultancy review to look at the DDoS attacks was undertaken by Salford Computer Services.	9.00	8.91	-0.09	Completed	

Activity Title	Purpose of Audit	Revised Plan	Actual Days	Variance	Status	Level of Assurance
ISO 27001 Gap Analysis	Although the Authority does not have this formal accreditation, it is planned to compare the recommended controls in the Standard to the controls that are currently in place.	10.00	10.07	0.07	Work in progress	
BACS - New System Sign Off	New BACS software is to be introduced and Internal Audit will carry out checks to sign it off prior to it going live.	2.00	0.37	-1.63	Completed	
PAR - Device Management	Follow up work to ensure audit recommendations have been implemented.	0.50	1.40	0.90	Completed	
Planning and Control	Provision of days for planning/controlling the plan including activity reporting, meetings with Senior Management and Executive Members to ensure that changes throughout the year are reflected in the plan where appropriate.	4.00	4.34	0.34	Ongoing	
Advice and Support	Provision of days to support management in the development and maintenance of effective controls in light of new risk exposures and service changes.	5.00	0.98	-4.02	Ongoing	
Post Audit Reviews	Follow up work to ensure audit recommendations have been implemented.	3.00	0.00	-3.00	Ongoing	
<b>TOTAL FOR FINANCE</b>		<b>91.30</b>	<b>88.79</b>	<b>-2.51</b>		

#### CROSSCUTTING

Contingency for GM Combined Authority - Devolution Assurance and Joint Working	Work programme to be determined by the Greater Manchester Combined Authority in relation to grant certification work.	15.00	15.41	0.41	Completed	
UK Mail Advice and Support	Advice in respect of the checks that need to be undertaken by Service Areas across the Council prior to them using UK Mail.	10.00	8.46	-1.54	Work in Progress	
<b>TOTAL FOR CROSS CUTTING</b>		<b>25.00</b>	<b>23.87</b>	<b>-1.13</b>		

#### GREATER MANCHESTER PENSION FUND

Northern Pool	A review will take place of the Governance arrangements for the newly formed Northern Pool.	0.00	0.00	0.00	Rescheduled to 2019/20	
GLIL Regulated vehicle	A review will take place of the systems and procedures within GLIL in respect of the investments that are currently active.	10.00	1.51	-8.49	Work in Progress	
Compliance Function	A review is planned of the Compliance function to ensure that appropriate Compliance procedures have been put in place.	0.00	0.00	0.00	Rescheduled to 2019/20	
First Bus Asset Transfers	A check will be made to ensure that the transfer of assets in relation to the First Bus pension liabilities has been carried out correctly.	5.00	0.00	-5.00	Rescheduled to 2019/20	
Transfer of Assets re Capital International	Checks will be carried out to ensure the accuracy and completeness of the asset transfers in relation to the previous Fund Manager.	10.00	11.22	1.22	Final Report Issued	High
Transfer of Assets to new Custodian	Checks will be carried out to ensure the accuracy and completeness of the asset transfers between the old and new custodian.	0.00	0.80	0.80	Rescheduled to 2019/20	
Pooled Private Equity Vehicle	A review will be carried out of the systems in place in relation to the Pooled Private Equity Vehicle.	10.00	2.10	-7.90	Work in Progress	

Activity Title	Purpose of Audit	Revised Plan	Actual Days	Variance	Status	Level of Assurance
iConnect	We will sign off this new module of Altair, prior to it going live, to ensure the system is fit for purpose and secure.	20.00	18.90	-1.10	Work in Progress	
Business Continuity and Disaster Recovery	To review the systems in place for Business Continuity and Disaster Recovery	10.00	1.39	-8.61	Work in Progress	
Altair - Administration to Payroll Upgrade	The Payroll module of Altair is being upgraded to Java and Internal Audit have been asked to perform some data checks prior to the new upgrade going live.	5.00	0.00	-5.00	Rescheduled to 2019/20	
Benchmarking/KPI's	A review will take place of the Pension Funds Benchmarking and Performance Indicators.	0.00	0.00	0.00	Rescheduled to 2019/20	
Segregation of Duties - New Structure	To ensure that segregation of duties is not compromised by the new staffing structure.	0.00	0.00	0.00	Rescheduled to 2019/20	
Move to Barclays Bank	A review will be carried out on the system/process followed for the Private Equity Investments.	0.00	0.00	0.00	Cancelled No Transfer Undertaken	
Member Self Service	We will sign off this new module of Altair, prior to it going live, to ensure the system is fit for purpose and secure.	10.00	6.67	-3.33	Work in Progress	
Move from Citrix re Altair	We will sign off this new module of Altair, prior to it going live, to ensure the system is fit for purpose and secure.	0.00	0.00	0.00	Rescheduled to 2019/20	
Contribution Income (including processing of Year End r	Contribution Income is reviewed annually, as it is the main income of the Pension Fund, paid over to the Fund by Employers. External Audit rely on our work on this area, to ensure that there are processes in place to monitor and review the contributions received.	15.00	15.46	0.46	Final Report Issued	High
Information Governance/Security Incidences	Investigation of Information Security Breaches under the Information Security Incident Reporting Procedure/Practice Note.	8.75	6.76	-1.99	Work in Progress	
Calculation and Payment of Benefits	Systems for the calculation of benefits will be examined, and followed through to the payment system.	16.00	16.30	0.30	Final Report Issued	High
GDPR/Information Governance	To review the systems in place in relation to compliance with GDPR and Data Protection Legislation	10.00	0.00	-10.00	Rescheduled to 2019/20	
Agresso Upgrade	System Sign Off prior to the upgraded system going live.	10.00	12.40	2.40	Completed.	
VAT	To provide assurance that VAT is being appropriately accounted for.	0.35	0.30	-0.05	Final Report Issued	Medium
Treasury Management -Pension Fund	To provide assurance that effective internal controls are in place in respect of the provision of the Treasury Management	0.50	1.40	0.90	Final Report Issued	Medium
Local Investments Impact Portfolio	A review of the processes in place in relation to the investments in the Impact Portfolio.	0.50	0.79	0.29	Final Report Issued	High
Guaranteed Minimum Pensions (GMP)	To provide assurance that effective internal controls are in place in respect of Guaranteed Minimum Pensions	0.00	0.00	0.00	Rescheduled to 2019/20	
ICT Device Management	To provide assurance that effective internal controls are in place in respect of device management	5.00	5.24	0.24	Final Report Issued	High
PAR - ICT Device Management	Follow up work to ensure audit recommendations have been implemented.	1.00	1.07	0.07	Work in Progress	
PAR - Review of the Management of Assets by La Salle Asset Management		2.50	3.63	1.13	Work in Progress	
PAR - Calculation and Payment of Benefits		1.50	1.47	-0.03	Completed	
PAR -Private Equity		0.80	0.80	0.00	Completed	
PAR - Debtors		0.80	1.30	0.50	Completed	
2nd PAR - Creditors		1.00	0.90	-0.10	Completed	
PAR - Pension Benefits Payable		1.00	0.90	-0.10	Completed	

Activity Title	Purpose of Audit	Revised Plan	Actual Days	Variance	Status	Level of Assurance
Altair	To provide assurance that effective internal controls are in place in respect of Altair	0.20	0.10	-0.10	Work in Progress	
PAR - Altair	Follow up work to ensure audit recommendations have been implemented.	0.35	0.40	0.05	Work in Progress	
PAR - Unitisation		1.50	1.81	0.31	Completed	
PAR Treasury Management - Pensions Investments		1.50	3.42	1.92	Completed	
PAR - GMPVF - First Street Development		1.50	1.20	-0.30	Work in Progress	
Visits to Contributing Bodies	An allocation of days is included annually for Internal Audit to carry out visits to a sample of Employers. The auditor reviews the data held on the Employer's payroll system to ensure that the correct contributions are being paid over to the Pension Fund.	0.70	1.20	0.50	Work in Progress	
Visit To Contributing Body - Manchester City Council		1.00	1.50	0.50	Final Report Issued	High
Visit To Contributing Body - Salford City Council		0.75	1.50	0.75	Final Report Issued	Medium
Visit To Contributing Body - Trafford MBC		1.50	2.11	0.61	Final Report Issued	Medium
Visits to Contributing Bodies - Trafford Housing Trust		8.00	8.10	0.10	Final Report Issued	Low
Visits to Contributing Bodies - Southway Housing Trust (Manchester) Limited		5.00	6.40	1.40	Final Report Issued	Low
Visit To Contributing Body - Bury Borough Council		6.00	11.80	5.80	Final Report Issued	High
Visit to Contributing Body - Salford University		5.00	5.80	0.80	Final Report Issued	High
Visit to Contributing Body - Manchester Metropolitan University		5.00	8.30	3.30	Final Report Issued	Medium
Visit To Contributing Body - Wigan Borough Council		6.00	10.24	4.24	Final Report Issued	High
Visits to Contributing Bodies - Oldham College		5.00	6.51	1.51	Final Report Issued	Low
Visits to Contributing Bodies - Bolton at Home		5.00	4.87	-0.13	Draft Report Issued	
Visit To Contributing Body - Oldham Metropolitan Borough Council		10.00	3.31	-6.69	Work in Progress	
NPS - Review of 2017-18 Year End Return		15.00	15.21	0.21	Completed	
Contributing Body Visit to NPS - Review of APP		15.00	16.21	1.21	Completed	
Contributing Body Visit to NPS - 2nd PAR	Follow up work to ensure audit recommendations have been implemented.	5.50	5.75	0.25	Completed	
PAR - Visit To Contributing Body - Rochdale Metropolitan Borough Council		0.80	0.80	0.00	Completed	
PAR Visit To Contributing Body - Tameside Metropolitan Borough Council		2.00	1.00	-1.00	Completed	
PAR - Visits to Contributing Bodies - Trafford Housing Trust		2.00	2.10	0.10	Completed	
PAR - Visit To Contributing Body - Salford City Council	2.00	2.73	0.73	Completed		
PAR - Visits to Contributing Bodies - Greater Manchester Police Authority	Follow up work to ensure audit recommendations have been implemented.	0.80	1.49	0.69	Completed	
PAR - Contributing Body Visit to NPS		1.00	4.04	3.04	Completed	
Control Report - Pension Overpayment	To address control weaknesses identified as a result of an irregularity investigation	3.00	2.98	-0.02	Draft Report Issued	
Service Charge - Chorlton Cross	To provide assurance that the income and expenditure charges is accordance and in line with supporting documentation	2.20	2.19	-0.01	Completed	
Advice and Support - New Altair Employer Codes	To provide assurance that changes to systems do not introduce unexpected risks and adversely effect the control environment	7.00	6.69	-0.31	Work in Progress	
Advice and Support - Secure FTP		0.00	0.49	0.49	Completed	
Advice and Support - My Pension		0.00	1.04	1.04	Completed	
Advice and Support - Postcode Data Privacy		0.00	1.04	1.04	Completed	



Activity Title	Purpose of Audit	Revised Plan	Actual Days	Variance	Status	Level of Assurance
Planning and Control	Provision of days for planning/controlling the plan including activity reporting, meetings with Senior Management and Executive Members to ensure that changes throughout the year are reflected in the plan where appropriate.	15.00	19.39	4.39	Ongoing	
Advice and Support	Provision of days to support management in the development and maintenance of effective controls in light of new risk exposures and service changes.	10.00	11.73	1.73	Ongoing	
Post Audit Reviews	Follow up work to ensure audit recommendations have been implemented.	0.00	0.00	0.00	Ongoing	
<b>TOTAL FOR GREATER MANCHESTER PENSION FUND</b>		<b>300.00</b>	<b>284.75</b>	<b>-15.25</b>		
<b>PLANNED WORK</b>		<b>1124.10</b>	<b>1127.26</b>	<b>3.16</b>		
<b>COUNTER FRAUD/IMVESTIGATIONS</b>		<b>530.00</b>	<b>542.00</b>	<b>12.00</b>		
<b>TOTAL AUDIT DAYS</b>		<b>1,654.10</b>	<b>1,669.26</b>	<b>15.16</b>		

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# Agenda Item 9.

<b>Report To:</b>	<b>AUDIT PANEL</b>
<b>Date:</b>	4 June 2019
<b>Reporting Officer:</b>	Kathy Roe – Director of Finance Wendy Poole – Head of Risk Management and Audit Services
<b>Subject:</b>	<b>ANNUAL GOVERNANCE REPORT 2018/19</b>
<b>Report Summary:</b>	<p>To present the Governance Report comprised of the three elements below approval:</p> <ol style="list-style-type: none"><li>1. The Draft Annual Review against the Code of Corporate Governance for 2018/19 (<b>Appendix 1</b>).</li><li>2. The Draft Annual Governance Statement for 2018/19 (<b>Appendix 2</b>).</li><li>3. The Draft Code of Corporate Governance for 2019/21 (<b>Appendix 3</b>).</li></ol>
<b>Recommendations:</b>	<p>That members approve the:</p> <ol style="list-style-type: none"><li>1. Draft Annual Review against the Code of Corporate Governance for 2018/19 (<b>Appendix 1</b>).</li><li>2. Draft Annual Governance Statement for 2018/19 (<b>Appendix 2</b>).</li><li>3. Draft Code of Corporate Governance for 2019/21 (<b>Appendix 3</b>).</li></ol>
<b>Corporate Plan:</b>	Demonstrates proper Corporate Governance.
<b>Policy Implications:</b>	Demonstrates proper compliance with the Accounts and Audit Regulations 2015.
<b>Financial Implications:</b> (Authorised by the statutory Section 151 Officer and Chief Finance Officer)	Sound corporate governance and proper systems of internal control are essential for the long-term financial health and reputation of the Council.
<b>Legal Implications:</b> (Authorised by the Borough Solicitor)	The production of the Annual Governance Statement meets the requirements of the Accounts and Audit Regulations 2015.
<b>Risk Management:</b>	The statement provides assurance that the Council has a sound system of corporate governance in place. It is considered to be an important public expression of how the Council directs and controls its functions and relates to its community.
<b>Access to Information:</b>	<p>The background papers can be obtained from the author of the report, Wendy Poole, Head of Risk Management and Audit Services by:</p> <p> Telephone: 0161 342 3846</p> <p> e-mail: <a href="mailto:wendy.poole@tameside.gov.uk">wendy.poole@tameside.gov.uk</a></p>

## **1 INTRODUCTION**

- 1.1 Corporate Governance is the system by which the Council directs and controls its functions and relates to its community. This is the means by which sound and ethical practice can be assured and unacceptable practice identified and eradicated. Historically there has been a general recognition that all local authorities should be seen to meet the highest standards and governance arrangements possible.
- 1.2 The issues faced by local authorities in recent years reflecting social, economic, and legislative change have led to new, diverse ways of working as opposed to traditional roles. The common theme that continues to run through Government initiatives is the need for local authorities to review the various systems and processes they have in place for managing both their internal affairs and their relationships with their expanding number of key stakeholders. Together these systems comprise corporate governance.

## **2 CORPORATE GOVERNANCE REQUIREMENTS**

- 2.1 The Framework Delivering Good Governance in Local Government, published by the Chartered Institute of Public Finance and Accountancy in association with Society of Local Authority Chief Executives in 2016, sets the standard for local authority governance in the UK. The Framework urges local authorities to review and report on the effectiveness of their governance arrangements.
- 2.2 The main principle underpinning the 2016 version of Delivering Good Governance in Local Government: Framework (2016) ('the Framework') continues to be that local government is developing and shaping its own approach to governance, taking account of the environment in which it now operates. The Framework is intended to assist authorities individually in reviewing and accounting for their own unique approach which allows for differing local circumstances. The overall aim is to ensure that resources are directed in accordance with agreed policy and according to priorities, that there is sound and inclusive decision making and that there is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities.
- 2.3 The core principles of the Framework are: -
  - Behaving with integrity, demonstrating strong commitment to ethical standards and respecting the rule of law;
  - Ensuring openness and comprehensive stakeholder engagement;
  - Defining outcomes in terms of sustainable economic, social and environmental benefits;
  - Determining the intervention necessary to optimise the achievement of the intended outcomes;
  - Developing the entity's capacity including the capability of its leadership and the individuals within it;
  - Managing risks and performance through robust internal control and strong public financial management; and
  - Implementing good practices in transparency, reporting and audit to deliver effective accountability.
- 2.4 The Framework positions the attainment of sustainable economic, societal, and environmental outcomes as a key focus of governance processes and structures. Outcomes give the role of local government its meaning and importance, and it is fitting that they have this central role in the sector's governance. Furthermore, the focus on sustainability and the

links between governance and public financial management are crucial – local authorities must recognise the need to focus on the long term. Local authorities have responsibilities to more than their current electors as they must take account of the impact of current decisions and actions on future generations.

2.5 The Framework defines the principles that should underpin the governance of each local government organisation. It provides a structure to help individual authorities with their approach to governance. Whatever form of arrangements are in place, authorities should therefore, test their governance structures and partnerships against the principles contained in the Framework by:

- reviewing existing governance arrangements;
- developing and maintaining an up-to-date local code of governance, including arrangements for ensuring ongoing effectiveness; and
- reporting publicly on compliance with their own code on an annual basis and on how they have monitored the effectiveness of their governance arrangements in the year and on planned changes.

### **3 ANNUAL REVIEW AGAINST THE CODE OF CORPORATE GOVERNANCE**

3.1 A review has been completed assessing the Council's position against the approved Code of Corporate Governance in order to demonstrate compliance, ongoing developments/improvement and to prepare for the compilation of this year's Annual Governance Statement which is required, by the Accounts and Audit Regulations 2015.

3.2 The document was presented to the Single Leadership Team on 14 May 2019 for review and the draft Annual Review against the Code of Corporate Governance for 2018/19 incorporating all comments received is detailed at **Appendix 1**.

### **4 ANNUAL GOVERNANCE STATEMENT**

4.1 The preparation and publication of an Annual Governance Statement is necessary to meet the requirements set out in Regulation 6 of the Accounts and Audit Regulations 2015. It requires authorities to "conduct a review at least once in a year of the effectiveness of its system of internal control" and "following the review, the body must approve an annual governance statement prepared in accordance with proper practices in relation to internal control".

4.2 The Draft Annual Governance Statement for 2018/19 which has been drawn up using the guidance contained within Delivering Good Governance in Local Government - Framework issued in 2016 is attached at **Appendix 2** for consultation and challenge.

4.3 The Annual Governance Statement is a corporate statement and covers both Tameside and the Greater Manchester Pension Fund.

4.4 The Annual Governance Statement is based on:-

- AGS Self-Assessment Checklists and signed Assurance Statements;
- Head of Risk Management and Audit's Annual Report;
- Medium Term Financial Plan/Budget Report;
- Review of System of Internal Audit;
- Annual Audit Letter;
- Role of the Chief Financial Officer;
- Role of the Head of Internal Audit;
- Corporate Plan; and

- Statutory Inspections.

4.5 This list is not exhaustive but it details the key elements of the assurance framework used to support the production of the Annual Governance Statement.

4.6 The Draft Annual Governance Statement 2018/19 has been presented to the Single Leadership Team and their comments have been incorporated into the document, together with those received from Policy, Performance and Communications.

## **5 CODE OF CORPORATE GOVERNANCE**

5.1 The Draft Code of Corporate Governance which complies with the Delivering Good Governance Framework of 2016 was last approved in May 2016 for a three year period and therefore it needs to be further approved for 2019 onwards and is attached at **Appendix 3**.

## **6 EXECUTIVE CABINET**

6.1 As in previous years this report will be circulated to the Executive Cabinet after the meeting by email for comments and any feedback will be incorporated into the documents.

## **7 EXTERNAL AUDIT**

7.1 The Draft Annual Governance Statement will be signed off by the Director of Finance by 31 May 2019 for submissions to Mazars (External Auditors) in line with the statutory deadline as it needs to accompany the Draft Statement of Accounts.

7.2 The final version incorporating any updates and comments from Mazars will be presented to the Audit Panel on 24 July 2019 for approval. It will then be signed by the Executive Leader and the Chief Executive and presented formally to Mazars. Until this date the Annual Governance Statement is a live document and needs to be updated for any issues that come to light affecting the governance arrangements in place.

## **8 RECOMMENDATIONS**

8.1 As set out on the front of the report.

**DRAFT REVIEW AGAINST THE**  
**CODE OF CORPORATE**  
**GOVERNANCE**  
**2018-19**

## Introduction

The main principle underpinning the development of the new Delivering Good Governance in Local Government: Framework (CIPFA/Solace, 2016) ('the Framework') continues to be that local government is developing and shaping its own approach to governance, taking account of the environment in which it now operates. The framework is intended to assist authorities individually in reviewing and accounting for their own unique approach. The overall aim is to ensure that resources are directed in accordance with agreed policy and according to priorities, that there is sound and inclusive decision making and that there is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities.

The Framework positions the attainment of sustainable economic, societal, and environmental outcomes as a key focus of governance processes and structures. Outcomes give the role of local government its meaning and importance, and it is fitting that they have this central role in the sector's governance. Furthermore, the focus on sustainability and the links between governance and public financial management are crucial – local authorities must recognise the need to focus on the long term. Local authorities have responsibilities to more than their current electors as they must take account of the impact of current decisions and actions on future generations.

The Framework defines the principles that should underpin the governance of each local government organisation. It provides a structure to help Individual authorities with their approach to governance. Whatever form of arrangements are in place, authorities should therefore test their governance structures and partnerships against the principles contained in the Framework by:

- reviewing existing governance arrangements
- developing and maintaining an up-to-date local code of governance, including arrangements for ensuring ongoing effectiveness
- reporting publicly on compliance with their own code on an annual basis and on how they have monitored the effectiveness of their governance arrangements in the year and on planned changes.

The term 'local code' essentially refers to the governance structure in place as there is an expectation that a formally set out local structure should exist, although in practice it may consist of a number of local codes or documents.

To achieve good governance, each local authority should be able to demonstrate that its governance structures comply with the core and sub-principles contained in this Framework. It should therefore develop and maintain a local code of governance/governance arrangements reflecting the principles set out.

It is also crucial that the Framework is applied in a way that demonstrates the spirit and ethos of good governance which cannot be achieved by rules and procedures alone. Shared values that are integrated into the culture of an organisation, and are reflected in behaviour and policy, are hallmarks of good governance.



**Principles of Good Governance**

**Principle A - Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.**

Local government organisations are accountable not only for how much they spend, but also for how they use the resources under their stewardship. This includes accountability for outputs, both positive and negative, and for the outcomes they have achieved. In addition, they have an overarching responsibility to serve the public interest in adhering to the requirements of legislation and government policies. It is essential that, as a whole, they can demonstrate the appropriateness of all their actions and have mechanisms in place to encourage and enforce adherence to ethical values and to respect the rule of law.

Supporting Principles	Behaviours and Actions that Demonstrate Good Governance in Practice	Key Evidence to Support Compliance	Additional Work Identified
<b>Behaving with integrity</b>	Ensuring members and officers behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated thereby protecting the reputation of the organisation.	<ul style="list-style-type: none"> <li>• Member Code of Conduct</li> <li>• Officer Code of Conduct/Conduct Rules</li> <li>• Standards Committee</li> <li>• Induction</li> <li>• Annual Development Reviews</li> <li>• Chief Executives Brief</li> <li>• The Wire</li> </ul>	
	Ensuring members take the lead in establishing specific standard operating principles or values for the organisation and its staff and that they are communicated and understood. These should build on the Seven Principles of Public Life (the Nolan Principles).	<ul style="list-style-type: none"> <li>• Corporate Plan</li> <li>• Executive Leader’s Annual Key Note Address</li> <li>• Constitution</li> <li>• Member Code of Conduct</li> </ul>	
	Leading by example and using these standard operating principles or values as a framework for decision making and other actions.	<ul style="list-style-type: none"> <li>• Council Constitution – Article 17 Decision Making</li> <li>• Declaration of Interests at meetings</li> <li>• Standards Committee</li> </ul>	

# APPENDIX 1

Supporting Principles	Behaviours and Actions that Demonstrate Good Governance in Practice	Key Evidence to Support Compliance	Additional Work Identified
	Demonstrating, communicating and embedding the standard operating principles or values through appropriate policies and processes which are reviewed on a regular basis to ensure that they are operating effectively.	<ul style="list-style-type: none"> <li>Whistleblowing Policy</li> <li>Anti-Fraud, Bribery and Corruption Strategy - Statement of Intent</li> <li>Register of Gifts and Hospitality</li> <li>Register of Interests</li> <li>Complaints Policy</li> <li>Codes of Conduct</li> <li>Agendas/Minutes for Meetings</li> </ul>	
<b>Demonstrating strong commitment to ethical values</b>	Seeking to establish, monitor and maintain the organisation's ethical standards and performance.	<ul style="list-style-type: none"> <li>Scrutiny function</li> <li>Standards Committee</li> <li>Constitution - Decision Making</li> </ul>	
	Underpinning personal behaviour with ethical values and ensuring they permeate all aspects of the organisation's culture and operation.	<ul style="list-style-type: none"> <li>Chief Executive's Brief</li> <li>The Wire</li> <li>Team Briefings</li> <li>Management Training – Strive Programme</li> <li>Workforce Development Plan</li> </ul>	
	Developing and maintaining robust policies and procedures which place emphasis on agreed ethical values.	<ul style="list-style-type: none"> <li>Annual Development Review Process</li> <li>Standards Committee</li> <li>Recruitment Policies</li> <li>Constitution</li> </ul>	
	Ensuring that external providers of services on behalf of the organisation are required to act with integrity and in compliance with high ethical standards expected by the organisation.	<ul style="list-style-type: none"> <li>Requirements built into contracts and agreements.</li> </ul>	
<b>Respecting the rule of law</b>	Ensuring members and staff demonstrate a strong commitment to the	<ul style="list-style-type: none"> <li>Constitution</li> <li>Statutory Guidance</li> </ul>	

## APPENDIX 1

Supporting Principles	Behaviours and Actions that Demonstrate Good Governance in Practice	Key Evidence to Support Compliance	Additional Work Identified
	rule of the law as well as adhering to relevant laws and regulations.	<ul style="list-style-type: none"> <li>• Qualified Officers in post</li> <li>• Circulation of Legal Updates</li> <li>• Legal implications included on all reports presented to Panels/Committees and Full Council</li> </ul>	
	Creating the conditions to ensure that the statutory officers, other key post holders and members are able to fulfil their responsibilities in accordance with legislative and regulatory requirements.	<ul style="list-style-type: none"> <li>• Statutory Officer roles</li> <li>• Job Descriptions/Person Specifications</li> <li>• Scheme of Delegation</li> <li>• Compliance with CIPFA’s Statement on the Role of the Chief Financial Officer in Local Government (CIPFA, 2016)</li> </ul>	
	Striving to optimise the use of the full powers available for the benefit of citizens, communities and other stakeholders.	<ul style="list-style-type: none"> <li>• Legal Implications are provided on all reports presented to Panels/Committees and Full Council.</li> </ul>	
	Dealing with breaches of legal and regulatory provisions effectively.	<ul style="list-style-type: none"> <li>• Monitoring Officer provisions</li> <li>• Legal Implications provided</li> <li>• Statutory provisions</li> <li>• External/Internal Audit and Statutory Inspections</li> </ul>	
	Ensuring corruption and misuse of power are dealt with effectively.	<ul style="list-style-type: none"> <li>• Anti-Fraud, Bribery and Corruption policies and procedures</li> <li>• Internal Audit Assurance</li> </ul>	

**Principle B - Ensuring openness and comprehensive stakeholder engagement.**

Local government is run for the public good; organisations therefore should ensure openness in their activities. Clear, trusted channels of communication and consultation should be used to engage effectively with all groups of stakeholders, such as individual citizens and service users, as well as institutional stakeholders.

Supporting Principles	Behaviours and Actions that Demonstrate Good Governance in Practice	Evidence to Support Compliance	Additional Work Identified
Openness	Ensuring an open culture through demonstrating, documenting and communicating the organisation's commitment to openness.	<ul style="list-style-type: none"> <li>• Council Website</li> <li>• Corporate Plan</li> <li>• Data Protection Webpage</li> <li>• Freedom of Information Act</li> <li>• Transparency Pages</li> <li>• Engagement Strategy</li> </ul>	
	Making decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes. The presumption is for openness. If that is not the case, a justification for the reasoning for keeping a decision confidential should be provided.	<ul style="list-style-type: none"> <li>• Constitution – Article 17 Decision Making</li> <li>• Agendas/Minutes for Meetings are published on the Council's Website</li> <li>• Full Council Meetings are streamed on Social Media.</li> </ul>	
	Providing clear reasoning and evidence for decisions in both public records and explanations to stakeholders and being explicit about the criteria, rationale and considerations used. In due course, ensuring that the impact and consequences of those decisions are clear.	<ul style="list-style-type: none"> <li>• Constitution – Article 17 Decision Making</li> <li>• Report Templates</li> <li>• Legal/Financial Implications provided on all reports provided to decision makers</li> <li>• Meeting date for Full Council, Panels and committees published on website</li> <li>• Constitution - Access To Information Procedure Rules</li> <li>• Agenda deadlines provided and adhered to</li> <li>• Safe and Sound Decision Making guidance</li> </ul>	

# APPENDIX 1

Supporting Principles	Behaviours and Actions that Demonstrate Good Governance in Practice	Evidence to Support Compliance	Additional Work Identified
	Using formal and informal consultation and engagement to determine the most appropriate and effective interventions/courses of action.	<ul style="list-style-type: none"> <li>• Corporate Plan</li> <li>• Consultation – Big Conversation</li> <li>• Partnership Engagement Network</li> <li>• Neighbourhood Forums</li> <li>• Safe and Sound Decision Making guidance</li> <li>• Engagement Strategy</li> <li>• Budget Consultation</li> </ul>	
<b>Engaging comprehensively with institutional stakeholders</b>	Effectively engaging with institutional stakeholders to ensure that the purpose, objectives and intended outcomes for each stakeholder relationship are clear so that outcomes are achieved successfully and sustainably.	<ul style="list-style-type: none"> <li>• Service Area Plans</li> <li>• Corporate Plan</li> <li>• Partnership Engagement Network</li> <li>• Safe and Sound Decision Making guidance</li> <li>• Engagement Strategy</li> </ul>	
	Developing formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively	<ul style="list-style-type: none"> <li>• Specific Partnership Agreements</li> <li>• Budget Report</li> <li>• Partnership Engagement Network</li> <li>• Life in Tameside and Glossop</li> </ul>	
	Ensuring that partnerships are based on: <ul style="list-style-type: none"> <li>• Trust</li> <li>• a shared commitment to change</li> <li>• a culture that promotes and accepts challenge among partners and that the added value of partnership working is explicit.</li> </ul>	<ul style="list-style-type: none"> <li>• Partnership Agreements</li> </ul>	

Supporting Principles	Behaviours and Actions that Demonstrate Good Governance in Practice	Evidence to Support Compliance	Additional Work Identified
<p><b>Engaging with individual citizens and service users Effectively.</b></p>	<p>Establishing a clear policy on the type of issues that the organisation will meaningfully consult with or involve individual citizens, service users and other stakeholders to ensure that service (or other) provision is contributing towards the achievement of intended outcomes.</p>	<ul style="list-style-type: none"> <li>• Consultation – Big Conversation</li> <li>• Town Councils</li> <li>• Specific Partnership Agreements</li> <li>• Partnership Engagement Network</li> <li>• Engagement Strategy</li> <li>• Budget Consultation</li> </ul>	
	<p>Ensuring that communication methods are effective and that members and officers are clear about their roles with regard to community engagement.</p>	<ul style="list-style-type: none"> <li>• Communications strategy</li> <li>• Engagement Strategy</li> </ul>	
	<p>Encouraging, collecting and evaluating the views and experiences of communities, citizens, service users and organisations of different backgrounds including reference to future needs.</p>	<ul style="list-style-type: none"> <li>• Communications Strategy</li> <li>• Life in Tameside and Glossop (Joint Strategic Needs Assessment)</li> <li>• Partnership Engagement Network</li> <li>•</li> </ul>	
	<p>Implementing effective feedback mechanisms in order to demonstrate how their views have been taken into account.</p>	<ul style="list-style-type: none"> <li>• Communication Strategy</li> <li>• Complaints Procedure</li> <li>• Citizen Magazine</li> <li>• Engagement Strategy</li> <li>• Strategic Neighbourhood Forums</li> </ul>	
	<p>Balancing feedback from more active stakeholder groups with other stakeholder groups to ensure inclusivity</p>	<ul style="list-style-type: none"> <li>• Consultation</li> <li>• AGMA Meetings</li> <li>• Council/Health Meetings</li> <li>• Strategic Neighbourhood Forums</li> </ul>	

# APPENDIX 1

Supporting Principles	Behaviours and Actions that Demonstrate Good Governance in Practice	Evidence to Support Compliance	Additional Work Identified
	Taking account of the interests of future generations of tax payers and service users.	<ul style="list-style-type: none"><li>• Corporate Plan</li><li>• Service Plans</li><li>• Life in Tameside and Glossop (Joint Strategic Needs Assessment)</li><li>• Budget Consultation</li></ul>	

**Principle C - Defining outcomes in terms of sustainable economic, social, and environmental benefits.**

The long-term nature and impact of many of local government’s responsibilities mean that it should define and plan outcomes and that these should be sustainable. Decisions should further the authority’s purpose, contribute to intended benefits and outcomes, and remain within the limits of authority and resources. Input from all groups of stakeholders, including citizens, service users, and institutional stakeholders, is vital to the success of this process and in balancing competing demands when determining priorities for the finite resources available.

Supporting Principles	Behaviours and Actions that Demonstrate Good Governance in Practice	Evidence to Support Compliance	Additional Work Identified
Defining outcomes	Having a clear vision which is an agreed formal statement of the organisation’s purpose and intended outcomes containing appropriate performance indicators, which provides the basis for the organisation’s overall strategy, planning and other decisions.	<ul style="list-style-type: none"> <li>• Corporate Plan</li> <li>• Executive Leader’s Annual Key Note Address</li> <li>• Green Summit</li> <li>• Neighbourhood Summit</li> </ul>	
	Specifying the intended impact on, or changes for, stakeholders including citizens and service users. It could be immediately or over the course of a year or longer.	<ul style="list-style-type: none"> <li>• Corporate Plan</li> <li>• Community Engagement</li> <li>• Service Plans</li> <li>• Strategic Neighbourhood Forums</li> </ul>	
	Delivering defined outcomes on a sustainable basis within the resources that will be available.	<ul style="list-style-type: none"> <li>• Medium Tern Financial Plan</li> <li>• Annual Budget Report</li> <li>• Monitoring Reports</li> </ul>	
	Identifying and managing risks to the achievement of outcomes.	<ul style="list-style-type: none"> <li>• Risk Management Policy and Strategy</li> <li>• Performance Reports</li> <li>• Risk Management Comments on all reports to decision makers</li> </ul>	
	Managing service users expectations effectively with regard to determining	<ul style="list-style-type: none"> <li>• Corporate Plan</li> <li>• Service Plans</li> </ul>	



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Supporting Principles	Behaviours and Actions that Demonstrate Good Governance in Practice	Evidence to Support Compliance	Additional Work Identified
	priorities and making the best use of the resources available.	<ul style="list-style-type: none"> <li>Executive Leaders Key Note Address</li> <li>Performance Indicators</li> <li>Budget Consultation</li> </ul>	
<b>Sustainable economic, social and environmental benefits</b>	Considering and balancing the combined economic, social and environmental impact of policies, plans and decisions when taking decisions about service provision.	<ul style="list-style-type: none"> <li>Legal/Financial Implications on all reports provided to decision makers</li> <li>Service Plans</li> <li>Medium Term Financial Plan</li> <li>Budget Report</li> <li>Social Value in Commissioning</li> </ul>	
	Taking a longer-term view with regard to decision making, taking account of risk and acting transparently where there are potential conflicts between the organisation's intended outcomes and short-term factors such as the political cycle or financial constraints.	<ul style="list-style-type: none"> <li>Joint working</li> <li>Medium Term Financial Plan</li> <li>Consultation</li> <li>Decision Making reports/minutes are published on Website</li> <li>Forward Plan</li> <li>Legal/Financial/Risk Management Implications on all reports provided to decision makers</li> </ul>	
	Determining the wider public interest associated with balancing conflicting interests between achieving the various economic, social and environmental benefits, through consultation where possible, in order to ensure appropriate trade-offs.	<ul style="list-style-type: none"> <li>Consultation</li> <li>Constitution Article 17 - Decision Making</li> </ul>	
	Ensuring fair access to services.	<ul style="list-style-type: none"> <li>Corporate Equality Scheme</li> <li>Equality Impact Assessments</li> </ul>	

**Principle D - Determining the interventions necessary to optimise the achievement of the intended outcomes.**

Local government achieves its intended outcomes by providing a mixture of legal, regulatory, and practical interventions. Determining the right mix of these courses of action is a critically important strategic choice that local government has to make to ensure intended outcomes are achieved. They need robust decision-making mechanisms to ensure that their defined outcomes can be achieved in a way that provides the best trade-off between the various types of resource inputs while still enabling effective and efficient operations. Decisions made need to be reviewed continually to ensure that achievement of outcomes is optimised.

Supporting Principles	Behaviours and Actions that Demonstrate Good Governance in Practice	Evidence to Support Compliance	Additional Work Identified
Determining interventions	Ensuring decision makers receive objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and including the risks associated with those options. Therefore ensuring best value is achieved, however, services are provided.	<ul style="list-style-type: none"> <li>• Constitution Article 17 – Decision Making</li> <li>• Forward Plan</li> <li>• All reports to decision makers have legal/financial and risk management comments</li> <li>• External Audit – Value for Money Conclusion</li> <li>• Safe and Sound Decision Making Guidance</li> </ul>	
	Considering feedback from citizens and service users when making decisions about service improvements or where services are no longer required in order to prioritise competing demands within limited resources available including people, skills, land and assets and bearing in mind future impacts.	<ul style="list-style-type: none"> <li>• Consultation Feedback</li> <li>• Medium Term Financial Plan</li> <li>• Complaints/Service Requests</li> <li>• Revenue/Capital Monitoring</li> <li>• Budget Consultation</li> </ul>	
Planning interventions	Establishing and implementing robust planning and control cycles that cover strategic and operational plans, priorities and targets.	<ul style="list-style-type: none"> <li>• Meeting dates published</li> <li>• Forward Plan</li> <li>• Service planning process</li> </ul>	
	Engaging with internal and external	<ul style="list-style-type: none"> <li>• Communication Strategy</li> </ul>	

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Supporting Principles	Behaviours and Actions that Demonstrate Good Governance in Practice	Evidence to Support Compliance	Additional Work Identified
	stakeholders in determining how services and other courses of action should be planned and delivered.	<ul style="list-style-type: none"> <li>• Partnership Engagement Network</li> <li>• Mental Health Collaboration</li> </ul>	
	Considering and monitoring risks facing each partner when working collaboratively including shared risks.	<ul style="list-style-type: none"> <li>• Specific Partnership Agreements</li> <li>• Risk Registers</li> </ul>	
	Ensuring arrangements are flexible and agile so that the mechanisms for delivering outputs can be adapted to changing circumstances.	<ul style="list-style-type: none"> <li>• Service Planning</li> </ul>	
	Establishing appropriate key performance indicators (KPIs) as part of the planning process in order to identify how the performance of services and projects is to be measured.	<ul style="list-style-type: none"> <li>• Service Planning</li> <li>• Performance Indicators</li> <li>• Annual Report</li> </ul>	
	Ensuring capacity exists to generate the information required to review service quality regularly.	<ul style="list-style-type: none"> <li>• Performance indicators are reported, benchmarking is undertaken and corrective action taken where necessary</li> </ul>	
	Preparing budgets in accordance with organisational objectives, strategies and the medium term financial plan.	<ul style="list-style-type: none"> <li>• Budget Consultation</li> <li>• Corporate Plan</li> <li>• Medium Term Financial Plan</li> <li>• Budget Report</li> <li>• Executive Member Consultation</li> <li>• Star Chambers</li> </ul>	
	Informing medium and long term resource planning by drawing up realistic estimates of revenue and	<ul style="list-style-type: none"> <li>• Corporate Plan</li> <li>• Medium Term Financial Plan</li> <li>• Budget Report</li> </ul>	

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Supporting Principles	Behaviours and Actions that Demonstrate Good Governance in Practice	Evidence to Support Compliance	Additional Work Identified
	capital expenditure aimed at developing a sustainable funding strategy.	<ul style="list-style-type: none"> <li>Star Chambers</li> </ul>	
<b>Optimising achievement of intended outcomes</b>	Ensuring the Medium Term Financial Plan integrates and balances service priorities, affordability and other resource constraints.	<ul style="list-style-type: none"> <li>Annual Budget Report</li> <li>External Auditor Letter/Report</li> <li>Star Chambers</li> </ul>	
	Ensuring the budgeting process is all-inclusive, taking into account the full cost of operations over the medium and longer term.	<ul style="list-style-type: none"> <li>Budget Guidance</li> <li>Officer/Executive Member Consultation</li> <li>Star Chambers</li> </ul>	
	Ensuring the Medium Term Financial Plan sets the context for ongoing decisions on significant delivery issues or responses to changes in the external environment that may arise during the budgetary period in order for outcomes to be achieved while optimising resource usage.	<ul style="list-style-type: none"> <li>Revenue/Capital Monitoring</li> <li>Review of Medium Term Financial Plan</li> </ul>	
	Ensuring the achievement of 'social value' through service planning and commissioning. The Public Services (Social Value) Act 2012 states that this is "the additional benefit to the community...over and above the direct purchasing of goods, services and outcomes".	<ul style="list-style-type: none"> <li>Budget Report</li> <li>Statement of Accounts</li> <li>Advice and Guidance from STAR Procurement</li> </ul>	

**Principle E - Developing the entity’s capacity, including the capability of its leadership and the individuals within it.**

Local government needs appropriate structures and leadership, as well as people with the right skills, appropriate qualifications and mindset, to operate efficiently and effectively and achieve their intended outcomes within the specified periods. A local government organisation must ensure that it has both the capacity to fulfil its own mandate and to make certain that there are policies in place to guarantee that its management has the operational capacity for the organisation as a whole. Because both individuals and the environment in which an authority operates will change over time, there will be a continuous need to develop its capacity as well as the skills and experience of the leadership of individual staff members. Leadership in local government entities is strengthened by the participation of people with many different types of backgrounds, reflecting the structure and diversity of communities.

Supporting Principles	Behaviours and Actions that Demonstrate Good Governance in Practice	Evidence to Support Compliance	Additional Work Identified
Developing the entity’s capacity	Reviewing operations, performance use of assets on a regular basis to ensure their continuing effectiveness.	<ul style="list-style-type: none"> <li>Revenue/Capital Monitoring</li> <li>Service Reviews</li> <li>Performance Reports</li> </ul>	
	Improving resource use through appropriate application of techniques such as benchmarking and other options in order to determine how the authority’s resources are allocated so that outcomes are achieved effectively and efficiently.	<ul style="list-style-type: none"> <li>Benchmarking undertaken where applicable.</li> </ul>	
	Recognising the benefits of partnerships and collaborative working where added value can be achieved.	<ul style="list-style-type: none"> <li>Health and Social Care Partnership Board</li> <li>Strategic Commissioning Board</li> <li>Mental Health Collaboration</li> <li>Maternity Voices Partnership</li> <li>Adults and Children’s Safeguarding Boards</li> </ul>	
	Developing and maintaining an effective workforce plan to enhance the strategic allocation of resources.	<ul style="list-style-type: none"> <li>Workforce Plan</li> <li>Service Plans</li> <li>Strive Leadership Programme</li> </ul>	

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Supporting Principles	Behaviours and Actions that Demonstrate Good Governance in Practice	Evidence to Support Compliance	Additional Work Identified
		<ul style="list-style-type: none"> <li>• Strive aspiring Leaders Programme</li> </ul>	
<b>Developing the capability of the entity's leadership and other individuals</b>	Developing protocols to ensure that elected and appointed leaders negotiate with each other regarding their respective roles early on in the relationship and that a shared understanding of roles and objectives is maintained.	<ul style="list-style-type: none"> <li>• Job Descriptions</li> <li>• Member Portfolios</li> <li>• Constitution Article 16 - Officers</li> <li>• Constitution - Appointment of Statutory and Proper Officers</li> </ul>	
	Publishing a statement that specifies the types of decisions that are delegated and those reserved for the collective decision making of the governing body.	<ul style="list-style-type: none"> <li>• Constitution – Article 17 Decision Making</li> <li>• Constitution - Terms of Reference and Scheme of Delegation</li> <li>• Financial Regulations</li> <li>• Procurement Standing Orders</li> </ul>	
	Ensuring the leader and the chief executive have clearly defined and distinctive leadership roles within a structure whereby the chief executive leads the authority in implementing strategy and managing the delivery of services and other outputs set by members and each provides a check and a balance for each other's authority.	<ul style="list-style-type: none"> <li>• Member Portfolios</li> <li>• Constitution Article 16 - Officers</li> <li>• Constitution - Appointment of Statutory and Proper Officers</li> </ul>	
	Developing the capabilities of members and senior management to achieve effective shared leadership and to enable the organisation to respond successfully to changing legal and policy demands as well as economic,	<ul style="list-style-type: none"> <li>• Annual Development Reviews</li> <li>• Member Development</li> <li>• Strive Leadership and Aspiring Leaders Programmes</li> <li>• Induction programme for Staff</li> <li>• Induction programme for Members</li> </ul>	

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Supporting Principles	Behaviours and Actions that Demonstrate Good Governance in Practice	Evidence to Support Compliance	Additional Work Identified
	<p>political and environmental changes and risks by:</p> <ul style="list-style-type: none"> <li>ensuring members and staff have access to appropriate induction tailored to their role and that ongoing training and development matching individual and organisational requirements is available and encouraged.</li> <li>ensuring members and officers have the appropriate skills, knowledge, resources and support to fulfil their roles and responsibilities and ensuring that they are able to update their knowledge on a continuing basis.</li> <li>ensuring personal, organisational and system wide development through shared learning, including lessons learnt from governance weaknesses both internal and external.</li> </ul>	<ul style="list-style-type: none"> <li>Member/Senior Officer Development Days</li> <li>Scrutiny Panels</li> </ul>	
	<p>Ensuring that there are structures in place to encourage public participation.</p>	<ul style="list-style-type: none"> <li>Strategic Neighbourhood Forums</li> <li>The Big Conversation</li> <li>Citizen Magazine</li> <li>Partnership Engagement Network</li> </ul>	
	<p>Taking steps to consider the leadership's own effectiveness and ensuring leaders are open to constructive feedback from peer review</p>	<ul style="list-style-type: none"> <li>Annual Development Reviews</li> <li>Supervision Meetings</li> <li>Executive Member Annual Reports</li> </ul>	

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Supporting Principles	Behaviours and Actions that Demonstrate Good Governance in Practice	Evidence to Support Compliance	Additional Work Identified
	and inspections.		
	Holding staff to account through regular performance reviews which take account of training or development needs.	<ul style="list-style-type: none"> <li>• Annual Development Reviews</li> <li>• Supervision Meetings</li> <li>• Strive Leadership and Aspiring Leaders Programmes</li> </ul>	
	Ensuring arrangements are in place to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical and mental wellbeing.	<ul style="list-style-type: none"> <li>• Health and Wellbeing pages on Staff Portal</li> <li>• Chief Executive's Brief</li> <li>• The Wire</li> <li>• Strive Leadership and Aspiring Leaders Programmes</li> </ul>	



**Principle F - Managing risks and performance through robust internal control and strong public financial management.**

Local government needs to ensure that the organisations and governance structures that it oversees have implemented, and can sustain, an effective performance management system that facilitates effective and efficient delivery of planned services. Risk management and internal control are important and integral parts of a performance management system and crucial to the achievement of outcomes. Risk should be considered and addressed as part of all decision making activities. A strong system of financial management is essential for the implementation of policies and the achievement of intended outcomes, as it will enforce financial discipline, strategic allocation of resources, efficient service delivery, and accountability. It is also essential that a culture and structure for scrutiny is in place as a key part of accountable decision making, policy making and review. A positive working culture that accepts, promotes and encourages constructive challenge is critical to successful scrutiny and successful delivery. Importantly, this culture does not happen automatically, it requires repeated public commitment from those in authority.

Supporting Principles	Behaviours and Actions that Demonstrate Good Governance in Practice	Evidence to Support Compliance	Additional work Identified
<b>Managing risk</b>	Recognising that risk management is an integral part of all activities and must be considered in all aspects of decision making.	<ul style="list-style-type: none"> <li>• Risk Management Policy and Strategy</li> <li>• All reports to Council, Panels and Committees have to include risk management comments.</li> </ul>	
	Implementing robust and integrated risk management arrangements and ensuring that they are working effectively.	<ul style="list-style-type: none"> <li>• Risk Management Policy and Strategy reviewed annually.</li> </ul>	
	Ensuring that responsibilities for managing individual risks are clearly allocated	<ul style="list-style-type: none"> <li>• Risk Management Policy and Strategy</li> </ul>	
<b>Managing performance</b>	Monitoring service delivery effectively including planning, specification, execution and independent post implementation review.	<ul style="list-style-type: none"> <li>• Service Plans</li> <li>• Performance indicators</li> <li>• Budget Monitoring</li> <li>• Benchmarking</li> </ul>	
	Making decisions based on relevant,	<ul style="list-style-type: none"> <li>• Publication of agendas and minutes of</li> </ul>	

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Supporting Principles	Behaviours and Actions that Demonstrate Good Governance in Practice	Evidence to Support Compliance	Additional work Identified
	clear objective analysis and advice pointing out the implications and risks inherent in the organisation's financial, social and environmental position and outlook	meetings <ul style="list-style-type: none"> <li>• All reports to Council, Panels and Committees have to include legal, financial and risk management comments.</li> <li>• Agenda Preparation Timetables in place.</li> </ul>	
	Ensuring an effective scrutiny or oversight function is in place which encourages constructive challenge and debate on policies and objectives before, during and after decisions are made thereby enhancing the organisation's performance and that of any organisation for which it is responsible (OR, for a committee system) Encouraging effective and constructive challenge and debate on policies and objectives to support balanced and effective decision making.	<ul style="list-style-type: none"> <li>• Scrutiny Function</li> <li>• Agendas and minutes of Scrutiny Panels</li> <li>• Scrutiny Panel Terms of Reference</li> <li>• Forward Plan</li> <li>• Scrutiny Annual Report</li> <li>• Constitution – Article 17 Decision Making</li> </ul>	
	Providing members and senior management with regular reports on service delivery plans and on progress towards outcome achievement.	<ul style="list-style-type: none"> <li>• Agenda Preparation Timetable</li> <li>• Constitution - Access To Information Procedure Rules</li> </ul>	
	Ensuring there is consistency between specification stages (such as budgets) and post implementation reporting (e.g. financial statements).	<ul style="list-style-type: none"> <li>• Financial Regulations</li> <li>• Procurement Standing Orders</li> <li>• Revenue/Capital Monitoring</li> <li>• Strategic Planning and Capital Monitoring Panel</li> </ul>	

Supporting Principles	Behaviours and Actions that Demonstrate Good Governance in Practice	Evidence to Support Compliance	Additional work Identified
<p><b>Robust internal control</b></p>	<p>Aligning the risk management strategy and policies on internal control with achieving the objectives.</p>	<ul style="list-style-type: none"> <li>• Risk Management Policy and Strategy</li> <li>• Audit Plan</li> <li>• Audit Reports</li> </ul>	
	<p>Evaluating and monitoring the authority's risk management and internal control on a regular basis.</p>	<ul style="list-style-type: none"> <li>• Audit Plan</li> <li>• Risk Management Policy and Strategy reviewed annually</li> <li>• Progress Reports presented to the Audit Panel</li> <li>• Annual Report from Head of Risk Management and Audit Services</li> </ul>	
	<p>Ensuring effective counter fraud and anti-corruption arrangements are in place.</p>	<ul style="list-style-type: none"> <li>• Fraud function compliant with the Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA 2014)</li> </ul>	
	<p>Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor.</p>	<ul style="list-style-type: none"> <li>• Annual Governance Statement</li> <li>• Public Sector Internal Audit Standards</li> <li>• Progress Reports presented to the Audit Panel</li> <li>• Annual Report from Head of Risk Management and Audit Services</li> </ul>	
	<p>Ensuring an audit committee or equivalent group or function which is independent of the executive and accountable to the governing body:</p> <ul style="list-style-type: none"> <li>• provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment</li> <li>• that its recommendations are listened to and acted upon.</li> </ul>	<ul style="list-style-type: none"> <li>• Audit Panel Terms of Reference</li> <li>• Agendas and Minutes published</li> </ul>	

Supporting Principles	Behaviours and Actions that Demonstrate Good Governance in Practice	Evidence to Support Compliance	Additional work Identified
<p><b>Managing data</b></p>	<p>Ensuring effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to safeguard personal data.</p>	<ul style="list-style-type: none"> <li>• Information Governance Framework</li> <li>• Information Governance Group</li> <li>• Data Protection Webpage</li> </ul>	
	<p>Ensuring effective arrangements are in place and operating effectively when sharing data with other bodies.</p>	<ul style="list-style-type: none"> <li>• Information Governance Framework</li> <li>• Data Protection Impact Assessments</li> <li>• Data Sharing Protocol</li> <li>• Advice from Legal and Risk Management provided</li> <li>• Project Groups established</li> </ul>	
	<p>Reviewing and auditing regularly the quality and accuracy of data used in decision making and performance monitoring.</p>	<ul style="list-style-type: none"> <li>• Internal Audit Plan</li> </ul>	
<p><b>Strong public financial management</b></p>	<p>Ensuring financial management supports both long term achievement of outcomes and short-term financial and operational performance.</p>	<ul style="list-style-type: none"> <li>• Medium Term Financial Plan</li> <li>• Budget Report</li> <li>• Star Chambers</li> <li>• Revenue/Capital Monitoring</li> <li>• All reports presented to Council, Panels and Committees require Financial Comments</li> </ul>	
	<p>Ensuring well-developed financial management is integrated at all levels of planning and control, including management of financial risks and controls.</p>	<ul style="list-style-type: none"> <li>• Qualified Managers in post.</li> <li>• Budget Report</li> <li>• Financial Business Partners work with Directorates</li> <li>• Revenue/Capital Monitoring</li> <li>• Internal Audit Reports</li> <li>• External Audit Letter/Report</li> </ul>	

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Supporting Principles	Behaviours and Actions that Demonstrate Good Governance in Practice	Evidence to Support Compliance	Additional work Identified
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**Principle G - Implementing good practices in transparency, reporting, and audit to deliver effective accountability.**

Accountability is about ensuring that those making decisions and delivering services are answerable for them. Effective accountability is concerned not only with reporting on actions completed, but also ensuring that stakeholders are able to understand and respond as the organisation plans and carries out its activities in a transparent manner. Both external and internal audit contribute to effective accountability.

Supporting Principles	Behaviours and Actions that Demonstrate Good Governance in Practice	Evidence to Support Compliance	Additional Work Identified
<b>Implementing good practice in transparency</b>	Writing and communicating reports for the public and other stakeholders in an understandable style appropriate to the intended audience and ensuring that they are easy to access and interrogate.	<ul style="list-style-type: none"> <li>• Council Website</li> <li>• Transparency Pages</li> <li>• Annual Reports</li> </ul>	
	Striking a balance between providing the right amount of information to satisfy transparency demands and enhance public scrutiny while not being too onerous to provide and for users to understand.	<ul style="list-style-type: none"> <li>• Statement of Accounts</li> <li>• Annual Report</li> <li>• Transparency Pages</li> </ul>	
<b>Implementing good practices in reporting</b>	Reporting at least annually on performance, value for money and the stewardship of its resources.	<ul style="list-style-type: none"> <li>• External Audit Letter/Report</li> <li>• Statement of Accounts</li> <li>• Annual Report</li> </ul>	
	Ensuring members and senior management own the results.	<ul style="list-style-type: none"> <li>• Minutes of Meetings</li> <li>• Job Descriptions</li> <li>• Member Portfolios</li> </ul>	

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Supporting Principles	Behaviours and Actions that Demonstrate Good Governance in Practice	Evidence to Support Compliance	Additional Work Identified
	Ensuring robust arrangements for assessing the extent to which the principles contained in the Framework have been applied and publishing the results on this assessment including an evidence to demonstrate good governance (annual governance statement).	<ul style="list-style-type: none"> <li>Annual Governance Statement</li> </ul>	
	Ensuring that the Framework is applied to jointly managed or shared service organisations as appropriate.	<ul style="list-style-type: none"> <li>Annual Governance Statement</li> </ul>	
	Ensuring the performance information that accompanies the financial statements is prepared on a consistent and timely basis and the statements allow for comparison with other similar organisations.	<ul style="list-style-type: none"> <li>Statement of Accounts</li> <li>External Audit Letter/Report</li> <li>Deadlines in place</li> <li>Qualified officers in post</li> </ul>	
<b>Assurance and effective accountability</b>	Ensuring that recommendations for corrective action made by external audit are acted upon.	<ul style="list-style-type: none"> <li>Minutes from Executive Cabinet/Audit Panel Meeting</li> <li>Internal Audit Plan</li> </ul>	
	Ensuring an effective internal audit service with direct access to members is in place which provides assurance with regard to governance arrangements and recommendations are acted upon.	<ul style="list-style-type: none"> <li>Internal Audit - Post Audit Reviews</li> <li>Progress Reports presented to the Audit Panel</li> <li>Annual Report from Head of Risk Management and Audit presented to Audit Panel</li> </ul>	
	Welcoming peer challenge, reviews and inspections from regulatory bodies and	<ul style="list-style-type: none"> <li>Action plans are formulated to ensure recommendations are implemented, e.g.</li> </ul>	

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Supporting Principles	Behaviours and Actions that Demonstrate Good Governance in Practice	Evidence to Support Compliance	Additional Work Identified
	implementing recommendations.	Ofsted Inspection of Childrens Services.	
	Gaining assurance on risks associated with delivering services through third parties and that this is evidenced in the annual governance statement.	<ul style="list-style-type: none"> <li>• Annual Governance Statement</li> </ul>	
	Ensuring that when working in partnership, arrangements for accountability are clear and that the need for wider public accountability has been recognised and met.	<ul style="list-style-type: none"> <li>• Specific Partnership Agreements</li> <li>• Partnership Boards</li> <li>• Mental Health Collaboration</li> <li>• Maternity Voices Partnership</li> </ul>	

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**Draft**  
**Annual Governance Statement**  
**2018/2019**

This is a signed statement by the Executive Leader and Chief Executive certifying that governance arrangements are adequate and operating effectively within the Council.

## **1. Scope of Responsibility**

Tameside MBC (the Council) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is also responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk. These arrangements are intended to make sure that we do the right things, in the right way, for the right people, in good time, and in a fair, open, honest and accountable way. The Council has approved and introduced a Code of Corporate Governance.

This Annual Governance Statement explains how we have followed the above Code and the requirements of the Accounts and Audit (England) Regulations 2015.

The Council, in accordance with the Local Government Pension Scheme (LGPS) Regulations, which are written by the Department for Communities and Local Government (DCLG) and passed by Parliament, administers the Greater Manchester Pension Fund (GMPF).

The Council delegates the function in relation to maintaining the GMPF to the following:-

- Pension Fund Management Panel
- Pension Fund Advisory Panel
- Pension Fund Working Groups
- The Executive Director of Pensions
- The Local Board

The Executive Leader of the Council chairs the Management Panel and all Panels and Working Groups have elected members from the other nine Greater Manchester Authorities, as the fund is accountable to its member Authorities. The Local Board has an equal number of scheme employer and scheme member representatives. Whilst the GMPF has different governance arrangements to other Council Services (which are all detailed on its website), all officers are employees of the Council and therefore comply with the Council's Code of Corporate Governance and Constitution. Specific reference will not be made to GMPF throughout the Annual Governance Statement, unless appropriate to do so, as it is considered to be part of the Council.

## **2. The Purpose of the Governance Framework**

The Governance Framework comprises the systems and processes, and culture and values by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective, services.

The system of internal control is a significant part of the framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of

those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The Governance Framework has been in place at the Council for the year ending 31 March 2019, and up to the date when the annual accounts are approved.

### **3. The Governance Framework**

***Developing codes of conduct which define standards of behaviours for members and staff and policies dealing with whistleblowing and conflicts of interest and that these codes and policies are communicated effectively.***

Members and Officers are governed by Codes of Conduct, Cabinet Portfolios, contracts of employment, employment rules and procedures, Professional Codes of Conduct and bound by the Constitution and Code of Corporate Governance. Conflicts of interest are recorded in the minutes of all meetings, where applicable, and a register is maintained for both members and officers by the Monitoring Officer.

The Council is committed to leading on and maintaining the highest standards of behaviour and in support of this hosts and chairs the National Anti-Fraud Network (NAFN). In addition to those mentioned above, documentation to eliminate corruption includes Procurement Standing Orders, Financial Regulations, Anti-Fraud, Bribery and Corruption: Statement of Intent, Terms of Reference, Protocols for Gifts and Hospitality and Standards of Conduct and Ethics.

The Council has a published Whistleblowing Policy on its public website and awareness and updates are provided in its internal communications magazine, the Wire. Allegations received are investigated by either the Monitoring Officer or Internal Audit.

Such guidance is accompanied by training and communications. The work of the Monitoring Officer, Standards Committee and the Standards Panel are fundamental in defining, achieving and monitoring high standards.

***Ensuring compliance with relevant law and regulations, internal policies and procedures, and that expenditure is lawful.***

All reports to Senior Managers, Board, Panels, Working Groups, Council and for Key/Executive Decisions are subject to review by the Executive Director of Governance and Pension, as the Monitoring Officer and the Director of Finance, as the Section 151 Officer. Internal Audit assesses compliance with internal policies and procedures on an ongoing basis and annually all members of the Single Leadership Team sign an Assurance Statement and complete a self-assessment checklist, which includes questions on the above issues.

Standing Orders, Financial Regulations and the Scheme of Delegation are all reviewed and updated regularly and presented to the Council for approval. All decisions of the Council are minuted and available on the website. Supporting procedure notes/manuals to manage risks and ensure consistency of approach are updated regularly and checked as part of the internal audit process. All managers receive regular legal updates from the Director of Governance and Pensions via a Lawyers in Local Government Bulletin.

The Medium Term Financial Plan, the Budget Report and a detailed monitoring regime for both revenue and capital expenditure, together with the Section 151 Officer and Monitoring Officer, ensures that expenditure is lawful. Officers of the Council are well trained, competent in their areas of expertise and governed by rules and procedures. Officers have regular supervision meetings to ensure that performance is satisfactory and the attendance at training seminars/courses ensures that officers are up to date with developments in their areas of expertise.

### ***Documenting a commitment to openness and acting in the public interest.***

The Council's Constitution - Access to Information Procedure Rules outlines access to Council meetings, agendas and minutes, so that members of the public can be involved in the governance arrangements of the Council.

In response to the government's desire for increased transparency, the Local Government Transparency Code was published in October 2014 and the Council now produces open data, examples of which are; Expenditure over £500, procurement information, payment of undisputed invoices within 30 days, members allowances, salaries and wages information and fraud data. The Council also respond to Freedom of Information requests and has a central monitoring system in place to ensure deadlines are achieved.

Tameside also has a number of Neighbourhood Forums in place which allow members of the public to participate in the decision making process and the Big Conversation which provides residents and service users the opportunity to express their views and opinions about the services they use and how they can be delivered.

### ***Developing and communicating a vision which specifies intended outcomes for citizens and service users and is used as a basis for planning.***

The Council needs to set out a clear vision that members, employees, service users and the public can identify with and this is detailed in the updated Corporate Plan which can be found [here](#).

Our People – Our Place – Our Plan is for everyone every day and is based on five themes:-

- Starting Well;
- Living Well;
- Ageing Well;
- Great Place; and
- Vibrant Economy

The plan also has eight key Priorities:-

- Very Best Start – in life where children are ready to learn and encouraged to thrive and develop;
- Aspiration and Hope – through learning and moving with confidence from childhood to adulthood;
- Resilient Families and supportive Networks – to protect and grow our young people;
- Work Skills and Enterprise – Opportunities for people to fulfil their potential through work, skills and enterprise;
- Infrastructure and Environment – Modern infrastructure and a sustainable environment that works for all generations and future generations;
- Nurturing and Communities – Having pride in our people, our place and our shared heritage
- Longer and Healthier Lives – Good mental health through better choices and reducing inequalities; and
- Independence and Dignity in Older Age – Independence and activity in older age, and dignity and choice at end of life.

The corporate plan is based on a new relationship between public services and citizens, communities and businesses that enables shared decision making, democratic accountability and voice, genuine co-production and joint delivery of services. Do with, not to.

No one organisation can achieve the change aimed for on its own. The Council and its partners are committed to working together along with the people of Tameside to achieve lasting change for the borough as we continue on our journey towards an integrated place based approach. It is using the Public service Reform principles as a basis for the development of this approach.

The landscape the Council operates in has changed significantly over the last 5 years and this has impacted significantly on how the Council delivers against its objectives. In 2016 the Government offered any council that wished to take it up, a four year funding settlement to 2019/20, making a commitment to provide minimum funding allocations for each year of the Spending Review period. This offer was subject to the Council choosing to accept the offer and publishing an efficiency plan by October 2016, which the Council accepted. The four year funding settlement provides the Council with greater certainty over its funding allocations to the end of 2019/20 which enables service planning to take place with more certainty. However, the position beyond March 2020 falls outside of this four year settlement and no indicative information is yet available for future periods. This complicated by the Government's commitment to review the way that local government is funded through its Fair Funding review, and creates further uncertainty that the Council needs to be aware of, and factor into its financial assumptions. The Council has introduced a more robust budget setting process that aligns with the corporate plan and started the process for setting a balanced budget in 2020/21 in March 2019.

The Localism Act and the Care Act continue to have implications for the work of the Council.

The development of the Council's strategic approach through the Corporate Plan has been informed by a number of factors not least the following (although this list is not exhaustive):-

- Ongoing engagement between the Council and local people;
- Budget Consultation ;
- Big Conversation – service specific consultations to inform service redesign;
- Public Service Reform;
- Greater Manchester Devolution Agreement;
- Greater Manchester Health and Social Care Devolution;
- Care Together (health and social care integration);
- Medium Term Financial Plan;
- Vision Tameside; and
- Greater Manchester Strategy.

***Translating the vision into courses of action for the Council, its partnerships and collaborations.***

The Tameside Corporate Plan is the Borough's plan to maximise the wellbeing and health of the people within the Borough. Working with partners across public services, industry, commerce, the community and voluntary sectors the vision is translated into objectives which are detailed in service plans, team plans, and individual development plans.

The creation of an integrated system of health and social care brings together Tameside and Glossop Clinical Commissioning Group, Tameside Metropolitan Borough Council and Tameside and Glossop Integrated Care NHS Foundation Trust to reform health and social care services to improve the health outcomes of our residents and reduce health inequalities.

Vision Tameside is an example of a major project that the Council has, and is continuing to deliver, with partners that demonstrates that it has translated its vision into objectives. Tameside One opened in March 2019, showcasing a new library, an integrated customer service centre, office accommodation and Tameside College. However, the project has many phases and work will continue to create a public realm in Ashton and projects across Tameside.

Starting well is a priority for Tameside as it is a key driver for future prosperity. Educational attainment levels form a measurement of this success and in Tameside in 2018 62% of KS4 pupils achieved the standard in English and Maths, with 40% of pupils achieving a strong pass. Progress is in line with the previous year, but a rise in numbers achieving the EBACC. At KS2 there was a rise of 3% to 63% achieving the expected standard in reading, writing and maths. Prioritising, reading, attendance and Special Education Needs (SEN) support across Tameside can deliver improvement and the recently launched Tameside Loves Reading campaign to help boost children's literacy skills is a proactive step to delivering the Council's objective of Very Best Start in life where children are ready to learn and encouraged to thrive and develop.

The GMPF helps to support the Council's vision and its objectives are detailed in service plans which are presented to Working Groups and the Pension Fund's Management/Advisory Panel. GMPF has established the Northern LGPS investment pool in conjunction with West Yorkshire Pension Fund and Merseyside Pension Fund. It creates an asset pool of around £45bn, which will help to reduce investments costs and provide greater scope to allow the funds to invest in major regional and national infrastructure projects.

The Executive Leader of the Council attended the second Greater Manchester Green Summit in March 2019, it was hosted by the Mayor of Greater Manchester and the sessions discussed the urgent action needed on climate change. A number of Tameside schools were present showcasing the work they have undertaken one school has produced a video and another mounted patrols outside school to discourage parents from parking inconsiderately.

***Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation.***

Significant improvements in the quality of life for our residents will only be achieved through effective partnership working. This involves working together through a shared vision for the future of the borough, to create a place based approach that redefines services and places individuals, families, communities at the heart.

The Corporate Plan is the key document that communicates the vision for Tameside, and the delivery of the vision is supported by outcome specific networks, joint teams and partnerships.

In addition to the website, the Council has embraced social media (Facebook, Twitter and Instagram) as modern communication channels to endeavour to reach all sections of the community. Council meetings are webcast and the Executive Leader and Executive Members publish Blogs on the Council's website.

The Tameside Engagement Strategy sets out the way the Council will involve local people in shaping delivery of high quality services across the borough. It aims to help ensure that a co-ordinated and strategic approach to consultation and engagement is undertaken.

Consultation has continued using the Big Conversation which provides residents and service users the opportunity to express their views and opinions about the services they use and how they can be delivered in the future, in light of the financial challenges faced by Tameside.

The Council's approach to consultation and engagement is detailed in the comprehensive Partnership Engagement Network which brings together stakeholders from a range of organisations and groups to inform and influence policy development and decision making.

Accountability is demonstrated by the publication of the Statement of Accounts, the Annual Report in the Citizen Newspaper, the Annual Governance Statement and the review of service plans.

***Reviewing the effectiveness of the decision-making framework, including delegation arrangements, decision-making in partnerships, information provided to decision makers and robustness of data quality.***

The Council has a well-defined decision-making process and Scheme of Delegation, which are documented in the Constitution. It publishes a Forward Plan and all agendas and minutes of meetings can be found on the Council's public website. The Safe and Sound Decision Making Framework in place ensures that good processes are in place for making and implementing decisions, which are informed by good information and data, stakeholder views and an open and honest debate, which reflects the interests of the community.

The robustness of data quality is the responsibility of managers and is reviewed as part of the Internal Audit and External Audit functions. Performance indicators, which are collated centrally, are regularly reported to the Single Leadership Team.

***Measuring the performance of services and related projects and ensuring that they are delivered in accordance with defined outcomes and that they represent the best use of resources and value for money.***

Effective challenge is an integral part of how the Council and its partners manage Tameside. It ensures that the partnership and constituent organisations remain focused on improvement and achievement. Challenge helps to identify areas for benchmarking and the development of best practice. Similarly, it supports individuals and teams further develop their own skills and capacity, which in turn helps to deliver better outcomes for local people.

The Council's approach includes:-

- Peer assessment and challenge;
- Performance Management;
- Big Conversation and Service Redesign;
- Scrutiny, and
- Risk Management.

Continual improvement has always been at the heart of the organisation and the results can be seen through our sustained record of achievement. The External Auditor is responsible for providing a Value for Money conclusion for the Council annually and this is reported in their Audit Findings Report dated July 2018 and their Audit Letter dated August 2018.

The Report stated that:-

- "Responses to the Ofsted monitoring visits have shown that the Council has supported children's services both financially and with improved oversight by both senior leadership and members. In our view from the work we have undertaken, the Council cannot yet demonstrate sufficient improvement in the delivery of Children's Services to negate the "inadequate" Ofsted rating awarded in December 2016.
- The Council has put in place proper arrangements for securing economy, efficiency and effectiveness.

While planning for the future we remain focused on the present. The need to balance the budget focuses us on service redesign. We ensure service users are engaged and involved, and services they rely on are safeguarded wherever possible. Our Customer Service Excellence award is testament. Tameside gained 100% compliance against all criteria, and eight areas of compliance plus – a discretionary award for 'exceptional best practice'. The report stated "... continued to improve and focus on the development and delivery of customer-focussed services, despite the continuing financial challenges..."

GMPF is the biggest local Government scheme in the country and invests in a diverse range of assets. The latest investment, in one of Manchester's largest new residential developments, has reached a key milestone in construction. The Leader Councillor Brenda Warrington, who is Chair of GMPF, joined dignitaries for the Topping Out ceremony of Manchester New Square, a 351 apartment development on the corner of Whitworth Street and Princess Street, which also includes restaurants and shops in March 2019. Manchester New Square will provide new residential and commercial facilities to create an exciting new city centre neighbourhood. The investment achieves GMPF's twin aims of significant investment returns for members' pensions, whilst delivering homes, infrastructure and jobs for Greater Manchester.

***Defining and documenting the roles and responsibilities of members and management with clear protocols for effective communication in respect of the Council and partnership arrangements.***

The Council Constitution sets out the roles and responsibilities of each Executive Member, and the responsibilities delegated to the Chief Executive, members of the Single Leadership Team and senior managers of the Council. It includes the post and responsibilities of the Statutory and Proper Officers.

The Chief Executive for the Council is the Accountable Officer for the Tameside and Glossop Clinical Commissioning Group and joint management arrangements have continued to develop during 2018/19 to foster closer working. Some service areas like Executive Support and Policy, Performance and Communications are delivering services directly to the Tameside and Glossop Clinical Commissioning Group.

Protocols for effective communication are in place. Meetings have agendas and minutes published on the Council's Website and a Forward Plan is published. The Executive Leader's Annual Key Note Address, the Corporate Plan, the Citizen Magazine, Scrutiny, Consultation via the Big Conversation and, increasingly, the use of Social Media (Facebook, Twitter and Instagram) are examples of how the Council communicates with partners and residents of the Borough.

The constitution is reviewed and updated regularly and changes are disseminated across the Council and Tameside and Glossop Clinical Commissioning Group via the Steven's Weekly Brief, The Wire and team briefings.

The Tameside Health and Wellbeing Board is a statutory partnership with health commissioners, providers and other interested parties. It is chaired by the Executive Leader of the Council and has developed the Tameside Health and Wellbeing Strategy that identifies priorities to address local health inequalities.

***Ensuring that financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Finance Officer in Local Government (2015) and where they do not, explain why and how they deliver the same impact.***

The financial management arrangements in place conform with the CIPFA statement and the service was managed by the Director of Finance which is shared role with the Tameside and Glossop Clinical Commissioning Group, acting as the Council's Section 151 Officer, from April 2018 up to 31 March 2019. The role is supported by Assistant Director of Finance on the Council side and a Deputy Chief Finance Officer supporting the Clinical Commissioning Group.

***Ensuring effective arrangements are in place for the discharge of the monitoring officer function.***

The Executive Director of Governance and Pensions is the Monitoring Officer for the Council and the function is detailed in the Constitution. A Monitoring Officer Protocol is in place and detailed on the website.

***Ensuring effective arrangements are in place for the discharge of the head of paid service function.***

The Chief Executive is the head of paid service and the role and function are detailed in the Constitution.

***Providing induction and identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training.***

Induction guidelines are available for managers including a checklist to ensure consistency across all services. Member induction is delivered by the Monitoring Officer and the Executive Support Team.



Training needs are assessed using Annual Development Reviews for officers. The process takes into account the needs of the service and then identifies any gaps in the skills and knowledge of the workforce to enable it to meet its objectives. All training requirements are reviewed by management and then compiled into service training plans, which are submitted to People and Workforce Development to inform and direct the provision of future training and development opportunities.

Training for members is assessed on an annual basis and a programme of events is scheduled to ensure both local and national subjects are covered.

***Reviewing the effectiveness of the framework for identifying and managing risks and for performance and demonstrating clear accountability.***

The Council empowers its employees to be innovative and to find solutions to problems, but recognises that there are potential risks for the Council. As part of the Service Planning process, individual services develop their own risk registers and monitor controls. Significant and cross cutting service risks are amalgamated into the Corporate Risk Register. Every report presented to Senior Managers, Council, Committees, Board, Panels, Working Groups and for Key/Executive Decisions is risk assessed. The risk management process embraces best practice.

The Information Governance Framework which was introduced in November 2013 and refreshed during 2018 continued to be a key priority for the Council ensuring that the guidance contained in the supporting documents was relevant, disseminated and embedded across all service areas in light of the introduction of the General Data Protection Regulations (GDPR) and the new Data Protection Act in May 2018. The Information Governance Group, which was chaired by the Director of Governance and Pensions, ensured that available resources were directed towards compliance with the new legislation and in line with the requirements of the Information Commissioners Office, the regulatory body for enforcing the requirements of Data Protection legislation. Information Governance, Risk Management and Data Protection training is delivered via a range of media, including briefing notes, the Chief Executive's Brief, the Wire, workshops and E-Tutorials.

***Ensuring effective counter fraud and anti-corruption arrangements are developed and maintained in accordance with the Code of Practice on Managing the Risks of Fraud and Corruption (CIPFA 2014).***

The Council has an Anti-Fraud, Bribery and Corruption Strategy: Statement of Intent as part of the Constitution and all investigations are undertaken by Internal Audit. All investigations are conducted in line with the Fraud Response Plan and operational guidance notes. The Standards Panel receives regular reports on investigations underway to monitor progress and provide direction, where appropriate. The Council continues to participate in the National Fraud Initiative, which is coordinated by Internal Audit.

A Whistleblowing Policy is maintained and available on the Council's website.

***Ensuring an effective scrutiny function is in place.***

This role is performed both by the Scrutiny function and by Tameside Members who sit on Outside Bodies' Committees. The Scrutiny function conducts reviews across Tameside which may call into account other public service providers like the NHS. Reviews conducted are reported to the Scrutiny Panels and the Overview (Audit) Panel and the programme of reviews and reports are available on the scrutiny website together with an Annual Report. Members who represent the Council on outside bodies are ensuring that service delivery is effective, providing a challenge function and that the needs of Tameside are taken into account.

***Ensuring that assurance arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2019) and, where they do not, explain why and how they deliver the same impact.***

The Council's assurance arrangements conform with the governance requirements of the CIPFA Statement. The Head of Risk Management and Audit Services reports directly to the Director of Finance as the Section 151 Officer and reported quarterly to the Audit Panel and the Greater Manchester Pension Fund Local Board. The Risk Management and Audit Services was also judged to conform to the Public Sector Internal Audit Standards in March 2018 and work has continued during the year to ensure improvements highlighted have been implemented.

***Undertaking the core functions of an Audit Committee, as identified in CIPFA Position Statement on Audit Committees in Local Authorities and Police (CIPFA 2018).***

The Audit Panel has been reviewed to ensure that it meets the revised CIPFA Position Statement on Audit Committees issued in 2018. Meetings are regularly attended by our External Auditor. Training is assessed for members of the panel based on their existing skills and knowledge to determine a training plan which will be delivered by officers of the Council, External Audit and service specific experts where required .

***Ensuring that the Council provides timely support, information and responses to external auditors and properly considers audit findings and recommendations.***

Information, support and responses are provided to External Audit in a timely manner. Audit findings and recommendations are considered by the Director and Assistant Director of Finance, the Director of Governance and Pensions and the Assistant Director (Pensions Local Investments and Property) and presented to the Audit Panel, Overview (Audit) Panel, Executive Cabinet and the Pension Fund Management Advisory Panel.

In their Annual Letter of August 2018, Grant Thornton commented that:

“The Council presented us with draft in accordance with the national deadline, and provided a good set of working papers to support them. The Finance Team responded promptly and efficiently to our queries during the course of the audit.”

***Incorporating good governance arrangements in respect of partnerships and other joint working and ensuring that they are reflected across the Council's overall governance structures.***

Good governance arrangements in respect of partnership working were established many years ago when the Tameside Strategic Partnership was created and those standards are still adopted today.

The continued successful delivery of outcomes by the various networks, joint teams and partnerships operating across Tameside to maximise the wellbeing and health of the people of the Borough demonstrates that the arrangements in place are sound. Tameside has always promoted working with partners and it is through our strong and long-standing partnerships, along with new ones that may develop in the future, that help us to produce solutions and real improvements for Tameside. Joint working with the Tameside and Glossop Clinical Commissioning Group, the joint appointments of the Chief Executive as the Accountable Officers and a shared Director of Finance, a shared Single Leadership Team are testament to this approach. Joint meetings/arrangements are also in place with the Integrated Care Foundation Hospital Trust to ensure that integration across the health and social care realises the benefits to the people of Tameside and Glossop.

#### **4. Review of Effectiveness**

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its Governance Framework including the system of internal control. This review of effectiveness is

informed by the work of the Directors/Assistant Directors within the Council who have responsibility for the development and maintenance of the governance environment, the Head of Risk Management and Audit Service's Annual Report, and by comments made by the External Auditor and other review agencies and inspectorates.

The process that has been applied in maintaining and reviewing the effectiveness of the Governance Framework includes the following measures and actions:-

- The Council has adopted a Planning and Performance Framework and carries out a programme of monitoring which runs throughout its annual cycle. This includes quarterly monitoring of all budgets and regular monitoring of Service Delivery Plans.
- The Corporate Plan is refreshed regularly to take into account changes in circumstances and need. These reviews are influenced from the outcomes of the Business Days held between the Executive Cabinet and the Single Leadership Team. A full refresh was undertaken during 2018/19 and published in early 2019.
- The Capital Programme is regularly monitored and reported to the Strategic Planning and Capital Monitoring Panel, Overview (Audit) Panel and the Executive Cabinet.
- The Executive Cabinet carries out its functions in accordance with responsibilities outlined in Cabinet Portfolios, which are detailed in the Council's Constitution. Several Non-Executive Members are appointed to specific roles to assist Executive Members in the delivery of their particular areas of responsibility. All roles are assigned at the annual meeting of the Council.
- There is a well established Overview and Scrutiny function, which has been revised and updated in the light of experience. Scrutiny Panels review the work of the Council throughout the year; make a series of recommendations to Executive Cabinet, which then require a formal response and action, as appropriate. There is a public website where the public can access completed review reports and Annual Plans and Annual Reports.
- To support delivery of the Medium Term Financial Plan and be in a positive position to respond to the financial challenges facing the Council, a structured programme of service reviews/redesigns has continued during the year. The continuation of this work is necessary to ensure that we are in a strong position to manage and use our resources effectively to maintain good outcomes and achieve the level of savings required. Service areas are looking for new and innovative ways of doing things as well as working more closely with our partners. Given the magnitude of the tasks the Council faces, consultation via the Big Conversation has continued so that residents' views on any changes can be taken into consideration. The Director and Assistant Director of Finance have worked with the Executive Members/Single Leadership Team, through a Star Chamber process during the budget preparation period to ensure that a robust set of savings plans are in place and a clear delivery plan has been drawn up.
- The Directors have each reviewed the operation of key controls throughout the Council, from the perspective of their own directorates, using a detailed assurance self- assessment checklist. They have provided a signed assurance letter and identified any areas for improvement, which will form the basis of an action plan to this Governance Statement.
- The Code of Corporate Governance has been reviewed and the evidence documented to demonstrate compliance with the principles of good governance. The Review was reported to senior management in May 2019 and the Audit Panel in June 2019.
- The Director of Governance and Pensions as the Monitoring Officer, carried out a continuous review of all legal and ethical matters, receiving copies of all agendas, minutes,

reports and associated papers, and commented on all reports that go to members and when necessary taking appropriate action, should it be required.

- The Director of Finance as the Section 151 Officer, carried out a continuous review of all financial matters, receiving copies of all agendas, minutes, reports and associated papers, and commented on all reports that go to members and when necessary taking appropriate action, should it be required.
- The Standards Committee is responsible for standards and probity, and receives regular reports from the Director of Governance and Pensions, the Monitoring Officer.
- The role held by the Director of Finance conformed to the requirements of the five principles of the CIPFA Statement on the Role of the Chief Financial Officer (CFO) in Local Government.
- The report published by Ofsted in December 2016 on the Inspection of Children's Services in Tameside, which judged the service inadequate, highlighted a number of issues in relation to service delivery, leadership, management and governance and a detailed Improvement Plan was created. Six Ofsted monitoring visits have taken place since the initial inspection and the most recent one in November 2018 acknowledged that we have made improvements, but there are still areas where significantly more progress is required. The report speaks positively about the application of thresholds, the way we manage referrals, the thoroughness and timeliness of our child protection enquiries, our audit activity, our use of strategic multi-agency work to safeguard children, and much of our consent and recording processes. Challenges though remain in the quality and consistency of assessments and analysis, planning and chronologies. Recruitment and retention continues to pose challenges, and while noting our proactive work to address this it will take some time before Ofsted can see the positive impact. Ofsted acknowledged that we have an accurate understanding of ourselves, so we have a sound basis on which to address areas of continuing challenge and put in place the necessary improvement actions.
- The Audit Panel carries out an overview of the activities of the Council's Risk Management, Internal Audit and External Audit functions. Members are provided with a summary of reports issued and their associated audit opinion. They approve the Annual Plans for each, and receive regular progress reports throughout the year. The Head of Risk Management and Audit Services presents an Annual Report and opinion, and the External Auditor submits an Annual Audit Letter along with other reports during the year. The Corporate Risk Register and the Risk Management Policy and Strategy were presented to the Audit Panel during the year. Work in relation to the risk management system including risk registers is ongoing as we continue to develop systems compatible across the Strategic Commission.
- The Internal Audit Service provides a continuous review in accordance with the Council's obligations under the Local Government Act 1972, and the Accounts and Audit Regulations 2015. It operates under the Public Sector Internal Audit Standards and the External Peer Review conducted in March 2018 confirmed that the service was fully compliant with all the standards, and the assessment was reported to the Audit Panel in May 2018. During 2018/19 the improvements highlighted by the review have been implemented.
- The Information Governance Group has continued to monitor the Information Governance Action Plan, Freedom of Information and Subject Access Requests throughout the year to ensure that robust processes are in place and the all services are compliant with data protection legislation.
- The Council's External Auditors review the activities of the Council and issue an annual opinion on the Annual Accounts and a Value for Money conclusion. Conclusions and significant issues arising are detailed in their report to those charged with governance.

- Progress on the development areas identified in Section 6, are regularly reported to the Audit Panel throughout the year by the Head of Risk Management and Audit Services.

## 5. Level of Assurance

The governance arrangements in place comply with the Principles outlined in the Council’s Code of Corporate Governance and can be regarded as fit for purpose. A few areas for development have been identified in the Action Plan attached at **Appendix A**, and addressing these will further enhance the Governance Framework.

The Internal Audit opinion for 2018/19 as reported to the Audit Panel is that members and senior management can take reasonable assurance that arrangements to secure governance, risk management and internal control, within those areas reviewed, are suitably designed and applied effectively. It has to be accepted that the gross risk for the Council has increased in recent years (as we have reduced capacity whilst still having to deliver a significant change programme to meet our financial challenges). The finding of Internal Audit’s work is that controls are in place to mitigate these risks and where improvements have been highlighted, managers have agreed to implement the suggested recommendations. This will aid the management of risks and support the overall control environment.

Improvements arising from /External Audit Reports and Inspection Reports during the year have already been built into Service Area Action Plans and are monitored as part of the Performance Management Framework. Internal Audit work with senior managers throughout the year using the Post Audit Review process to ensure identified improvements are implemented.

## 6. Conclusion and Signatures

The Annual Governance Statement has been reviewed by Senior Management, presented, and approved by the Audit Panel. We have been advised on the implications of the review of the effectiveness of the Governance Framework in place, and the action plan compiled to address the further developments identified to ensure the continual improvement of the system in place.

We are satisfied that these steps will address the improvements that have been identified and their implementation will be monitored by the Audit Panel throughout the year and as part of our next Annual Review.

Signed:

Signed:

.....  
Councillor Brenda Warrington  
Executive Leader of Tameside MBC

.....  
Steven Pleasant MBE  
Chief Executive of Tameside MBC

Dated: xx July 2019

Dated: xx July 2019

Ref	Area of Review	Improvement Identified 2018/19	Progress as at March 2019	Improvement Identified 2019/20	Improvement Owner and Completion Date
1	<p>2018/19 Carillion/Vision Tameside (Carry Forward)</p> <p>2019/20 Vision Tameside (Carry Forward)</p>	<p>This is a multi-million pound project in partnership with Tameside College, and needs to be delivered in accordance with agreed milestones. It is essential that the risks to service delivery during the interim period are kept under review to minimise disruption to the people and businesses of Tameside so that, together, the mutual benefits of the project will be recognised and celebrated.</p> <p>It is also important to ensure that the benefits of the new building are realised in terms of different ways of working and reducing future running costs.</p>	<p>Tameside One opened on 14 March 2019 with the Library and Customer Service Centre being the first occupants. The building is now fully occupied and the College building opened to students in April 2019.</p>	<p>Work in relation to the public realm in Ashton continues as do the remaining accommodation moves and an internal group chaired by the Director of Operations and Neighbourhoods and recent coordinators allocated by each service is monitoring progress.</p> <p>Initial approval has been given for the Capital Project for Ashton Town Hall; however, a business case needs to be developed to detailing how resources will be used and a usage plan for the building.</p>	<p>Director of Operations and Neighbourhoods Summer 2019</p> <p>Director of Growth March 2020</p>
2	<p>Children's Services (Carry Forward)</p>	<p>Improvements in response to the Ofsted Inspection published in December 2016, which have been detailed in the Tameside Children's Services Improvement Plan, need to be implemented and an Improvement Board is in place to monitor progress.</p>	<p>Permanent leadership now largely appointed. Between Sept 2018 – Feb 2019 Director of Children's Services (DCS), Assistant Director, Head of Service and three Service Unit Managers took up post. Revised Improvement Plan in place. Significant effort has been made over the past 16</p>	<p>Work is continuing on the improvement journey.</p> <p>A full Ofsted Inspection of Children's Services commenced 13 May 2019.</p> <p>Issues identified will populate an updated Improvement Plan.</p>	<p>Director of Children's March 2020</p>

Ref	Area of Review	Improvement Identified 2018/19	Progress as at March 2019	Improvement Identified 2019/20	Improvement Owner and Completion Date
			<p>months to address the improvements required and there is clear evidence of positive impact. Ofsted monitoring visit in November 2018 identified both areas of progress and those requiring further development, again confirming that the Council understands itself, the challenges faced and what we need to do to improve.</p>		
3	<p>Pension Fund Pooling of Investments (Carry Forward)</p>	<p>Greater Manchester Pension Fund is working with two other large metropolitan LGPS funds to create a £45+ billion asset pool. Pooling of assets will provide greater scope to allow the funds to invest in major regional and national infrastructure projects such as airport expansion, major new road and rail schemes, housing developments and energy production growth, all driving economic growth and prosperity.</p> <p>Strong governance arrangements will need to be in place, underpinned by robust and resilient systems and procedures, to ensure the desired outcomes are</p>	<p>The three funds have established investment vehicles, which make collective direct infrastructure investments and collective private equity investments.</p> <p>A procurement exercise was undertaken to appoint a pool custodian and custody arrangements will shortly transfer to the new provider.</p>	<p>A formal joint committee governance structure will be established in the next few months with authority provided by Tameside in May 2018.</p> <p>Representatives of the Fund will continue to work closely and seek professional advice, as required, in order to finalise all aspects of the Pool.</p> <p>New draft pooling guidance has been issued for consultation, which the Northern pool has responded to. The outcome of the consultation is expected shortly.</p>	<p>Director of Governance and Pensions March 2020</p>

Ref	Area of Review	Improvement Identified 2018/19	Progress as at March 2019	Improvement Identified 2019/20	Improvement Owner and Completion Date
		realised.			
4	Health and Safety (Carry Forward)	To Review process and procedures in place to ensure consistency of approach and embrace electronic recording where appropriate.	Directorate Health and Safety Meetings now established to ensure consistency of approach across the organisation. Health and Safety Manager now in post. A full audit of all aspects of the Council to be commissioned and then a new service established with electronic accident reporting.	New appointments will be made to the Health and Safety Service following an update to ECG in April 2019. Significantly increased the resource dedicated to Health and Safety and this will be embedded during 2019/20	Director of Operations and Neighbourhoods March 2020
5	Management of CCTV (Carry Forward)	To review the processes and procedures in place across the Council to ensure consistency of approach and compliance with all relevant legislative requirements.	An Action Plan has been produced with deadlines to March 2019. A number of actions have been completed and others are in progress.	A business plan is being developed to look at the investment and updating of the CCTV system to ensure compliance and service delivery.	Director of Operations and Neighbourhoods March 2020
6	Creditors (Carry Forward)	Improvements to the creditor payments system have been highlighted as part of an internal audit review.	An Action plan has been agreed and work is in progress to improve the system in place. A steering group has been meeting to consider the performance and improvements needed during 2018/19. Performance has improved.	Monthly monitoring will continue and the results of the Post Audit Review currently underway will be incorporated to the AGS once completed	Director of Governance and Pensions Summer 2019
7	Estates Management (Carry forward)	Improvements to the Estates Management system have been highlighted as part of an internal audit and review.	An independent review of the LEP and review of the Council's Estate Service has been undertaken and this will	New Director of Growth is developing a new structure, which will be implemented during the	Director of Growth March 2020



Ref	Area of Review	Improvement Identified 2018/19	Progress as at March 2019	Improvement Identified 2019/20	Improvement Owner and Completion Date
			help inform options for the delivery of an integrated estates and property service.	summer of 2019. The operation of all systems involved will be considered as part of this implementation.  A Strategic Asset Management Plan is also being developed.	
8	ICT Disaster Recovery and Business Continuity Planning (Carry Forward)	Enhancements are needed to the systems in place so that they meet with the requirements of the Council and best practice, to ensure continuity of service in the event of an incident, which causes disruption, or denial of service.	Business Continuity Plans have been updated across all services areas during 2018/19 using a revised template and contingencies have been included to enable service delivery to continue  The Corporate Business Continuity Plan is now being progressed and options to test the plans will be reviewed presented over the summer for presentation to the Single Leadership Team.	The ICT Disaster Recovery Plan is being considered as part of the Vision Tameside Project and the creation of the new Data Centre.  A Digital Strategy is in development to help maximise the benefits of digital initiatives across the organisation.	Director of Finance  December 2019
9	Information Governance (Carry Forward)	To ensure that information governance processes across the Council are consistently applied and compliant with the EU General Data Protection Regulations and the new Data Protection Act 2018.	Work has been undertaken to ensure that Policies and procedures have been updated. The public Data Protection webpage has been refreshed detailing Privacy Notices and advice on Individual Rights. Information Asset Audits have been completed and a Register of Processing Activities is in	Work will continue during 2019/20 on our journey to compliance with GDPR and the Data Protection Act 2018.  Changes to policies and procedures will be required when the UK leaves the EU, as the Data Protection Act 2018 will be	Director of Governance and Pensions  Director of Finance  March 2020

Ref	Area of Review	Improvement Identified 2018/19	Progress as at March 2019	Improvement Identified 2019/20	Improvement Owner and Completion Date
			progress.	updated.	
10	Implementation of a Strategic Commissioning Function			The Single Leadership Team need to continue to review and identify the appropriate risks across both organisations, on a regular basis including identifying mitigating actions and report on these through the appropriate governance routes in each statutory organisation.	Single Leadership Team March 2020

**CODE**  
**OF**  
**CORPORATE**  
**GOVERNANCE**  
**2019-2021**

## Introduction

The main principle underpinning the development of the new Delivering Good Governance in Local Government: Framework (CIPFA/Solace, 2016) ('the Framework') continues to be that local government is developing and shaping its own approach to governance, taking account of the environment in which it now operates. The framework is intended to assist authorities individually in reviewing and accounting for their own unique approach. The overall aim is to ensure that resources are directed in accordance with agreed policy and according to priorities, that there is sound and inclusive decision making and that there is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities.

The Framework positions the attainment of sustainable economic, societal, and environmental outcomes as a key focus of governance processes and structures. Outcomes give the role of local government its meaning and importance, and it is fitting that they have this central role in the sector's governance. Furthermore, the focus on sustainability and the links between governance and public financial management are crucial – local authorities must recognise the need to focus on the long term. Local authorities have responsibilities to more than their current electors as they must take account of the impact of current decisions and actions on future generations.

The Framework defines the principles that should underpin the governance of each local government organisation. It provides a structure to help Individual authorities with their approach to governance. Whatever form of arrangements are in place, authorities should therefore test their governance structures and partnerships against the principles contained in the Framework by:

- reviewing existing governance arrangements
- developing and maintaining an up-to-date local code of governance, including arrangements for ensuring ongoing effectiveness
- reporting publicly on compliance with their own code on an annual basis and on how they have monitored the effectiveness of their governance arrangements in the year and on planned changes.

The term 'local code' essentially refers to the governance structure in place as there is an expectation that a formally set out local structure should exist, although in practice it may consist of a number of local codes or documents.

To achieve good governance, each local authority should be able to demonstrate that its governance structures comply with the core and sub-principles contained in this Framework. It should therefore develop and maintain a local code of governance/governance arrangements reflecting the principles set out.

It is also crucial that the Framework is applied in a way that demonstrates the spirit and ethos of good governance which cannot be achieved by rules and procedures alone. Shared values that are integrated into the culture of an organisation, and are reflected in behaviour and policy, are hallmarks of good governance.

The Framework applies to annual governance statement prepared for the financial year 2016/17 onwards.

**Principles of Good Governance**

**Principle A - Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.**

Local government organisations are accountable not only for how much they spend, but also for how they use the resources under their stewardship. This includes accountability for outputs, both positive and negative, and for the outcomes they have achieved. In addition, they have an overarching responsibility to serve the public interest in adhering to the requirements of legislation and government policies. It is essential that, as a whole, they can demonstrate the appropriateness of all their actions and have mechanisms in place to encourage and enforce adherence to ethical values and to respect the rule of law

<b>Sub-Principles</b>	<b>Behaviours and Actions that Demonstrate Good Governance in Practice</b>
<b>Behaving with integrity</b>	Ensuring members and officers behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated thereby protecting the reputation of the organisation.
	Ensuring members and officers behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated thereby protecting the reputation of the organisation.
	Leading by example and using these standard operating principles or values as a framework for decision making and other actions.
	Demonstrating, communicating and embedding the standard operating principles or values through appropriate policies and processes which are reviewed on a regular basis to ensure that they are operating effectively.
<b>Demonstrating strong commitment to ethical values</b>	Seeking to establish, monitor and maintain the organisation's ethical standards and performance.
	Underpinning personal behaviour with ethical values and ensuring they permeate all aspects of the organisation's culture and operation.
	Developing and maintaining robust policies and procedures which place emphasis on agreed ethical values.
	Ensuring that external providers of services on behalf of the organisation are required to act with integrity and in compliance with high ethical standards expected by the organisation.
<b>Respecting the rule of law</b>	Ensuring members and staff demonstrate a strong commitment to the rule of the law as well as adhering to relevant laws and regulations.

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	Creating the conditions to ensure that the statutory officers, other key post holders and members are able to fulfil their responsibilities in accordance with legislative and regulatory requirements.
	Striving to optimise the use of the full powers available for the benefit of citizens, communities and other stakeholders.
	Dealing with breaches of legal and regulatory provisions effectively.
	Ensuring corruption and misuse of power are dealt with effectively.

**Principle B - Ensuring openness and comprehensive stakeholder engagement.**

Local government is run for the public good; organisations therefore should ensure openness in their activities. Clear, trusted channels of communication and consultation should be used to engage effectively with all groups of stakeholders, such as individual citizens and service users, as well as institutional stakeholders.

Sub-Principles	Behaviours and Actions that Demonstrate Good Governance in Practice
<p><b>Openness</b></p>	<p>Ensuring an open culture through demonstrating, documenting and communicating the organisation’s commitment to openness.</p>
	<p>Making decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes. The presumption is for openness. If that is not the case, a justification for the reasoning for keeping a decision confidential should be provided.</p>
	<p>Providing clear reasoning and evidence for decisions in both public records and explanations to stakeholders and being explicit about the criteria, rationale and considerations used. In due course, ensuring that the impact and consequences of those decisions are clear.</p>
	<p>Using formal and informal consultation and engagement to determine the most appropriate and effective interventions/courses of action.</p>
<p><b>Engaging comprehensively with institutional stakeholders</b></p>	<p>Effectively engaging with institutional stakeholders to ensure that the purpose, objectives and intended outcomes for each stakeholder relationship are clear so that outcomes are achieved successfully and sustainably.</p>
	<p>Developing formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively</p>
	<p>Ensuring that partnerships are based on:</p> <ul style="list-style-type: none"> <li>• Trust</li> <li>• a shared commitment to change</li> <li>• a culture that promotes and accepts challenge among partners</li> </ul> <p>and that the added value of partnership working is explicit.</p>
<p><b>Engaging stakeholders effectively, including individual</b></p>	<p>Establishing a clear policy on the type of issues that the organisation will meaningfully consult with or involve individual citizens, service users and other stakeholders to ensure that service (or other) provision is</p>

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<b>citizens and service users</b>	contributing towards the achievement of intended outcomes.
	Ensuring that communication methods are effective and that members and officers are clear about their roles with regard to community engagement.
	Encouraging, collecting and evaluating the views and experiences of communities, citizens, service users and organisations of different backgrounds including reference to future needs.
	Implementing effective feedback mechanisms in order to demonstrate how their views have been taken into account.
	Balancing feedback from more active stakeholder groups with other stakeholder groups to ensure inclusivity
	Taking account of the interests of future generations of tax payers and service users.



**Principle C - Defining outcomes in terms of sustainable economic, social, and environmental benefits.**

The long-term nature and impact of many of local government’s responsibilities mean that it should define and plan outcomes and that these should be sustainable. Decisions should further the authority’s purpose, contribute to intended benefits and outcomes, and remain within the limits of authority and resources. Input from all groups of stakeholders, including citizens, service users, and institutional stakeholders, is vital to the success of this process and in balancing competing demands when determining priorities for the finite resources available.

<b>Sub-Principles</b>	<b>Behaviours and Actions that Demonstrate Good Governance in Practice</b>
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<b>Defining outcomes</b>	Having a clear vision which is an agreed formal statement of the organisation’s purpose and intended outcomes containing appropriate performance indicators, which provides the basis for the organisation’s overall strategy, planning and other decisions.
	Specifying the intended impact on, or changes for, stakeholders including citizens and service users. It could be immediately or over the course of a year or longer.
	Delivering defined outcomes on a sustainable basis within the resources that will be available.
	Identifying and managing risks to the achievement of outcomes.
	Managing service users expectations effectively with regard to determining priorities and making the best use of the resources available.

<b>Sustainable economic, social and environmental benefits</b>	Considering and balancing the combined economic, social and environmental impact of policies, plans and decisions when taking decisions about service provision.
	Taking a longer-term view with regard to decision making, taking account of risk and acting transparently where there are potential conflicts between the organisation’s intended outcomes and short-term factors such as the political cycle or financial constraints.
	Determining the wider public interest associated with balancing conflicting interests between achieving the various economic, social and environmental benefits, through consultation where possible, in order to ensure appropriate trade-offs.
	Ensuring fair access to services.

**Principle D - Determining the interventions necessary to optimise the achievement of the intended outcomes.**

Local government achieves its intended outcomes by providing a mixture of legal, regulatory, and practical interventions. Determining the right mix of these courses of action is a critically important strategic choice that local government has to make to ensure intended outcomes are achieved. They need robust decision-making mechanisms to ensure that their defined outcomes can be achieved in a way that provides the best trade-off between the various types of resource inputs while still enabling effective and efficient operations. Decisions made need to be reviewed continually to ensure that achievement of outcomes is optimised.

<b>Sub-Principles</b>	<b>Behaviours and Actions that Demonstrate Good Governance in Practice</b>
<b>Determining interventions</b>	Ensuring decision makers receive objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and including the risks associated with those options. Therefore ensuring best value is achieved however services are provided.
	Considering feedback from citizens and service users when making decisions about service improvements or where services are no longer required in order to prioritise competing demands within limited resources available including people, skills, land and assets and bearing in mind future impacts.
<b>Planning interventions</b>	Establishing and implementing robust planning and control cycles that cover strategic and operational plans, priorities and targets.
	Engaging with internal and external stakeholders in determining how services and other courses of action should be planned and delivered.
	Considering and monitoring risks facing each partner when working collaboratively including shared risks.
	Ensuring arrangements are flexible and agile so that the mechanisms for delivering outputs can be adapted to changing circumstances.
	Establishing appropriate key performance indicators (KPIs) as part of the planning process in order to identify how the performance of services and projects is to be measured.
	Ensuring capacity exists to generate the information required to review service quality regularly.
	Preparing budgets in accordance with organisational objectives, strategies and the medium term financial plan.
	Informing medium and long term resource planning by drawing up realistic estimates of revenue and capital

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	expenditure aimed at developing a sustainable funding strategy.
<b>Optimising achievement of intended outcomes</b>	Ensuring the medium term financial strategy integrates and balances service priorities, affordability and other resource constraints.
	Ensuring the budgeting process is all-inclusive, taking into account the full cost of operations over the medium and longer term.
	Ensuring the medium term financial strategy sets the context for ongoing decisions on significant delivery issues or responses to changes in the external environment that may arise during the budgetary period in order for outcomes to be achieved while optimising resource usage.
	Ensuring the achievement of 'social value' through service planning and commissioning. The Public Services (Social Value) Act 2012 states that this is "the additional benefit to the community...over and above the direct purchasing of goods, services and outcomes".

**Principle E - Developing the entity’s capacity, including the capability of its leadership and the individuals within it.**

Local government needs appropriate structures and leadership, as well as people with the right skills, appropriate qualifications and mindset, to operate efficiently and effectively and achieve their intended outcomes within the specified periods. A local government organisation must ensure that it has both the capacity to fulfil its own mandate and to make certain that there are policies in place to guarantee that its management has the operational capacity for the organisation as a whole. Because both individuals and the environment in which an authority operates will change over time, there will be a continuous need to develop its capacity as well as the skills and experience of the leadership of individual staff members. Leadership in local government entities is strengthened by the participation of people with many different types of backgrounds, reflecting the structure and diversity of communities.

<b>Sub-Principles</b>	<b>Behaviours and Actions that Demonstrate Good Governance in Practice</b>
<b>Developing the entity’s capacity</b>	Reviewing operations, performance use of assets on a regular basis to ensure their continuing effectiveness.
	Improving resource use through appropriate application of techniques such as benchmarking and other options in order to determine how the authority’s resources are allocated so that outcomes are achieved effectively and efficiently.
	Recognising the benefits of partnerships and collaborative working where added value can be achieved.
	Developing and maintaining an effective workforce plan to enhance the strategic allocation of resources.
<b>Developing the capability of the entity’s leadership and other individuals</b>	Developing protocols to ensure that elected and appointed leaders negotiate with each other regarding their respective roles early on in the relationship and that a shared understanding of roles and objectives is maintained.
	Publishing a statement that specifies the types of decisions that are delegated and those reserved for the collective decision making of the governing body.
	Ensuring the leader and the chief executive have clearly defined and distinctive leadership roles within a structure whereby the chief executive leads the authority in implementing strategy and managing the delivery of services and other outputs set by members and each provides a check and a balance for each other’s authority.
	Developing the capabilities of members and senior management to achieve effective shared leadership and to enable the organisation to respond successfully to changing legal and policy demands as well as economic, political and environmental changes and risks by:

	<ul style="list-style-type: none"> <li>• ensuring members and staff have access to appropriate induction tailored to their role and that ongoing training and development matching individual and organisational requirements is available and encouraged</li> <li>• ensuring members and officers have the appropriate skills, knowledge, resources and support to fulfil their roles and responsibilities and ensuring that they are able to update their knowledge on a continuing basis</li> <li>• ensuring personal, organisational and system wide development through shared learning, including lessons learnt from governance weaknesses both internal and external.</li> </ul>
	<p>Ensuring that there are structures in place to encourage public participation.</p>
	<p>Taking steps to consider the leadership’s own effectiveness and ensuring leaders are open to constructive feedback from peer review and inspections.</p>
	<p>Holding staff to account through regular performance reviews which take account of training or development needs.</p>
	<p>Ensuring arrangements are in place to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical and mental wellbeing.</p>

**Principle F - Managing risks and performance through robust internal control and strong public financial management.**

Local government needs to ensure that the organisations and governance structures that it oversees have implemented, and can sustain, an effective performance management system that facilitates effective and efficient delivery of planned services. Risk management and internal control are important and integral parts of a performance management system and crucial to the achievement of outcomes. Risk should be considered and addressed as part of all decision making activities. A strong system of financial management is essential for the implementation of policies and the achievement of intended outcomes, as it will enforce financial discipline, strategic allocation of resources, efficient service delivery, and accountability. It is also essential that a culture and structure for scrutiny is in place as a key part of accountable decision making, policy making and review. A positive working culture that accepts, promotes and encourages constructive challenge is critical to successful scrutiny and successful delivery. Importantly, this culture does not happen automatically, it requires repeated public commitment from those in authority.

<b>Sub-Principles</b>	<b>Behaviours and Actions that Demonstrate Good Governance in Practice</b>
<b>Managing risk</b>	Recognising that risk management is an integral part of all activities and must be considered in all aspects of decision making.
	Implementing robust and integrated risk management arrangements and ensuring that they are working effectively.
	Ensuring that responsibilities for managing individual risks are clearly allocated
<b>Managing performance</b>	Monitoring service delivery effectively including planning, specification, execution and independent post implementation review.
	Making decisions based on relevant, clear objective analysis and advice pointing out the implications and risks inherent in the organisation’s financial, social and environmental position and outlook
	Ensuring an effective scrutiny or oversight function is in place which encourages constructive challenge and debate on policies and objectives before, during and after decisions are made thereby enhancing the organisation’s performance and that of any organisation for which it is responsible (OR, for a committee system) Encouraging effective and constructive challenge and debate on policies and objectives to support balanced and effective decision making.
	Providing members and senior management with regular reports on service delivery plans and on progress towards outcome achievement.

	Ensuring there is consistency between specification stages (such as budgets) and post implementation reporting (e.g. financial statements).
<b>Robust internal control</b>	Aligning the risk management strategy and policies on internal control with achieving the objectives.
	Evaluating and monitoring the authority’s risk management and internal control on a regular basis.
	Ensuring effective counter fraud and anti-corruption arrangements are in place.
	Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor.
	Ensuring an audit committee or equivalent group or function which is independent of the executive and accountable to the governing body: <ul style="list-style-type: none"> <li>• provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment</li> <li>• that its recommendations are listened to and acted upon.</li> </ul>
<b>Managing data</b>	Ensuring effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to safeguard personal data.
	Ensuring effective arrangements are in place and operating effectively when sharing data with other bodies.
	Reviewing and auditing regularly the quality and accuracy of data used in decision making and performance monitoring.
<b>Strong public financial management</b>	Ensuring financial management supports both long term achievement of outcomes and short-term financial and operational performance.
	Ensuring well-developed financial management is integrated at all levels of planning and control, including management of financial risks and controls.

**Principle G - Implementing good practices in transparency, reporting, and audit to deliver effective accountability.**

Accountability is about ensuring that those making decisions and delivering services are answerable for them. Effective accountability is concerned not only with reporting on actions completed, but also ensuring that stakeholders are able to understand and respond as the organisation plans and carries out its activities in a transparent manner. Both external and internal audit contribute to effective accountability.

<b>Sub-Principles</b>	<b>Behaviours and Actions that Demonstrate Good Governance in Practice</b>
<b>Implementing good practice in transparency</b>	Writing and communicating reports for the public and other stakeholders in an understandable style appropriate to the intended audience and ensuring that they are easy to access and interrogate.
	Striking a balance between providing the right amount of information to satisfy transparency demands and enhance public scrutiny while not being too onerous to provide and for users to understand.
<b>Implementing good practices in reporting</b>	Reporting at least annually on performance, value for money and the stewardship of its resources.
	Ensuring members and senior management own the results.
	Ensuring robust arrangements for assessing the extent to which the principles contained in the Framework have been applied and publishing the results on this assessment including an evidence to demonstrate good governance (annual governance statement).
	Ensuring that the Framework is applied to jointly managed or shared service organisations as appropriate.
	Ensuring the performance information that accompanies the financial statements is prepared on a consistent and timely basis and the statements allow for comparison with other similar organisations.
<b>Assurance and effective accountability</b>	Ensuring that recommendations for corrective action made by external audit are acted upon.
	Ensuring an effective internal audit service with direct access to members is in place which provides assurance with regard to governance arrangements and recommendations are acted upon.
	Welcoming peer challenge, reviews and inspections from regulatory bodies and implementing recommendations
	Gaining assurance on risks associated with delivering services through third parties and that this is evidenced in the annual governance statement.



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	Ensuring that when working in partnership, arrangements for accountability are clear and that the need for wider public accountability has been recognised and met.
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<b>Report to:</b>	<b>AUDIT PANEL</b>
<b>Date:</b>	4 June 2019
<b>Reporting Officer:</b>	Kathy Roe – Director of Finance Tom Wilkinson – Assistant Director of Finance
<b>Subject:</b>	<b>ACCOUNTING POLICIES 2018/19</b>
<b>Report Summary:</b>	<p>In March 2019, Audit Panel received a report setting out:</p> <ul style="list-style-type: none"><li>• the proposed accounting policies;</li><li>• the critical judgements made in applying the accounting policies;</li><li>• assumptions made about the future and other major sources of estimated uncertainty within the accounts.</li></ul> <p>This report provides the Audit Panel with details of changes made to the accounting policies in respect of the adoption of the new International Financial Reporting Standards (IFRS), specifically IFRS9 (Financial Instruments) and IFRS15 (revenue from contracts with customers) .</p>
<b>Recommendations:</b>	<p>The Panel is asked to:</p> <ul style="list-style-type: none"><li>• approve the amendments to section 4 of the accounting policies detailed at <b>Appendix 1</b> to this report (Amendments highlighted in <i>italic text</i>).</li></ul>
<b>Corporate Plan:</b>	The Corporate Plan helps determine the priorities for Council spending, which will be reported using the policies referred to in this report
<b>Policy Implications:</b>	There are no wider policy implications arising from this report.
<b>Financial Implications:</b> (Authorised by the statutory Section 151 Officer & Chief Finance Officer)	<p>There are no direct financial implications arising from this report.</p> <p>The accounting policies determine how the income and expenditure, and assets and liabilities of the Council are reported and represented in the Council's financial statements.</p>
<b>Legal Implications:</b> (Authorised by the Borough Solicitor)	The Council has a statutory duty to provide annual accounts – this report sets out requirements that the Council needs to comply with together with an explanation as to how certain matters are to be treated in the accounts.
<b>Risk Management:</b>	The accounting policies will help to reduce the risk of error or misstatement within the Council's accounts by ensuring a clear framework for financial reporting, consistent with guidance.
<b>Background Information:</b>	The background papers relating to this report and any further information can be obtained from the report writer, Heather Green, Finance Business Partner



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## **1 INTRODUCTION**

- 1.1 The Accounting Policies adopted by the Council determine the accounting treatment that is applied to transactions during the financial year and in the preparation of the Statement of Accounts at the year end. They determine the specific principles, bases, conventions, rules and practices that will be applied by the Council in preparing and presenting its financial statements. The accounting policies themselves are published within the Statement of Accounts in accordance with International Financial Reporting Standards (IFRS), as adopted by the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Local Authority Accounting ('the Code').
- 1.2 The approval of the accounting policies to be applied by the Council demonstrates that due consideration is being given to which policies to adopt and apply and that those charged with corporate governance are fully informed of the policies that are being adopted, prior to the commencement of the preparation of the Statement of Accounts.
- 1.3 The accounts of the Greater Manchester Pension Fund are included within the Council's Statement of Accounts document each year. However, it should be noted that this report is in relation to the Council only and that the accounting policies and estimates of the Greater Manchester Pension Fund are approved elsewhere.
- 1.4 As per the practice adopted in previous years, the Panel are requested to endorse the use of the policies underpinning the financial statements within the Statement of Accounts.

## **2 UPDATES TO THE 2018/19 CODE OF PRACTICE ON LOCAL AUTHORITY ACCOUNTING**

- 2.1 Officers have assessed the accounting policies that are deemed necessary to explain clearly and underpin the accounting treatment of transactions within the Council's Statement of Accounts for 2018/19. In undertaking this assessment a review of all accounting policies previously agreed has been undertaken to check their relevance, clarity, legislative compliance and that they are in accordance with the latest version of 'the Code' and IFRS requirements. The draft accounting policies for 2018/19 were presented to the Audit Panel in March 2019.
- 2.2 There are two main changes to the 2018/19 Code of Practice on Local Authority Accounting to reflect the adoption of IFRS9 (Financial Instruments) and IFRS15 (Revenue from contracts with customers). The report to Audit Panel in March 2019 informed members that the review of accounting policies in respect of these two standards was in progress, and would be concluded as part of the preparation of the statement of accounts.
- 2.3 As part of the preparation of the 2018/19 Statement of Accounts officers have considered the impact of IFRS9 and IFRS15, and assessed their impact as follows:
  - Officers have reviewed all financial assets categorised as Financial Instruments against the requirements of IFRS9. Changes are required to the classification of financial assets and the accounting policies as a result of this change to the Code. Further details are set out below.
  - A review of all revenue streams has been undertaken and it has been determined that the adoption of IFRS15 does not have any material impact on the recognition of revenue in the Council's accounts. No changes to the accounting policies are required as a result.

### **3 FINANCIAL INSTRUMENTS (IFRS9)**

3.1 The revised accounting standard IFRS9 relates to the treatment of financial assets that are classed as financial instruments. These include cash, debtors (both long and short term), investments and shareholdings. Excluded from the definition are debtors that relate to taxation (e.g. VAT, business rates and council tax).

3.2 This accounting standard requires the Council to review its financial assets and map them against new categories. Based on the assets the Council currently holds there is no impact on the Council's bottom line. In making decisions on the classification of these assets the holding of investments for strategic reasons and not primarily to trade has been the key consideration. Assets have been reviewed and consideration given as to whether there is any impairment (i.e. reduction in value) where there is a risk the loan will not be repaid.

#### **Impact on Financial Assets classification**

3.3 In previous financial years, financial assets were classified as loans and receivables, available for sale or unquoted equity investments at cost less impairment.

3.4 Loans and receivables assets were initially shown at fair value and then shown at amortised cost (where the interest is spread evenly over the life of the loan). That meant that the value on the balance sheet was the principal outstanding on the loan plus accrued interest to 31 March and as per the loan agreement.

3.5 Available for sale assets were shown and measured at fair value (the value they would be exchanged between a willing buyer and seller). For quoted shareholdings fair value was the market value and for unquoted shareholdings an estimate of the value was made based on the Council's share of the entity's total reserves. Changes in values in these assets were held in an unusable reserve – the Available for Sale Reserve.

3.6 Where a quoted market price was not available for a shareholding and could not be obtained at a reasonable cost the asset was held at cost less any impairment.

3.7 Under IFRS9 there are three categories of financial assets – amortised cost, fair value through other comprehensive income (FVOCI) and fair value through other profit and loss (FVPL). All financial assets classed as financial instruments have to be mapped to the new categories from 1 April 2018.

3.8 Assets classed as amortised cost are investments and debtors where the amounts received relating to them are solely principal and interest and they are held to generate cash returns. Assets that were previously classed as loans and receivables including the majority of the Council's treasury management investments and loans to third parties will now be classed as amortised cost. This classification will result in no change to the accounting treatments.

3.9 Assets classed as FVOCI are assets where the amounts received are solely principal and interest but the assets are held to collect cash and sell the assets (e.g. property funds). The Council does not currently have any of these assets.

3.10 Assets classed as FVPL are assets where the amounts received are not principal and interest. The Council's equity investments would fall within this category as income received would be in the form of dividends. The Council currently holds three equity investments; Inspiredspaces Tameside (Holding Company 1) and Inspiredspaces Tameside (Holding Company 2), both PFI holding companies, and Manchester Airport Group.

3.11 Where these equity investments are not held to trade but are held for strategic reasons the Council can choose to designate these investments as FVOCI rather than FVPL. The Council has taken the option to designate all three equity investments as strategic, on the

grounds that these holdings are not held to trade but for strategic service or economic reasons.

- 3.12 Where assets are classed as FVOCI or FVPL their value is assessed at each year end. For FVOCI assets any change in value is charged to an unusable reserve – the Financial Instruments Revaluation Reserve.
- 3.13 Changes in value for FVPL assets are charged / credited to the income and expenditure each year end and charged to general reserves. This is a change from the current arrangements.
- 3.14 As at 1 April 2018 the Council has mapped the existing asset classifications to the revised classifications and transferred the existing Available for Sale reserve to the Financial Instrument Revaluation Reserve.
- 3.15 Assets classed as amortised cost or FVOCI (unless designated as such) have to be reviewed at each year end for impairment or credit loss. This mainly effects the long term loans to third party organisation, treated as capital expenditure. Impairment losses are initially charged to the Comprehensive Income and Expenditure Account. Any impairment on loans that were treated as capital expenditure would be reversed out of the income and expenditure account and charged to the Capital Adjustment Account. No impairment losses have been charged in 2018/19.
- 3.16 The changes identified above do not have any impact on the usable reserves of the Council.

#### **4 RECOMMENDATIONS**

- 4.1 As set out on the front of the report.

# **APPENDIX 1:**

## **STATEMENT OF ACCOUNTING POLICIES FOR 2018/19**

### **STATEMENT OF ACCOUNTING POLICIES FROM 1 APRIL 2018**

The Statement of Accounts summarises the Council's income, expenditure, assets and liabilities held and incurred during the 2018/19 financial year, and its position at 31 March 2019.

The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2014 (as amended), which require accounts to be prepared in accordance with proper accounting practices.

Proper accounting practice for Local government comprises the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the 'Code'), which is based on International Financial Reporting Standards and statutory guidance.

The accounting convention adopted in the Statement of Accounts is principally historic cost, modified by the revaluation of certain categories of non-current assets and financial instruments. The Accounting Policies of the Council as far as possible have been developed to ensure that the accounts of the Council are understandable, relevant, free from material error or misstatement, reliable and comparable.

#### **1. ACCOUNTING PRINCIPLES**

##### **a) Going Concern**

The Council prepares its accounts on the basis that it remains a going concern; that is that there is the assumption that the functions of the Council will continue in operational existence. In the case of a pending local government reorganisation, where assets and liabilities are due to be redistributed, the Council would still account on the basis of going concern as the provision of services would continue in another Council.

##### **b) Accruals Concept**

The Council accounts for income and expenditure in the period to which the service has taken place, rather than when cash payments are received or made.

Where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Equally, where cash has been received or paid which is not yet recognised as income or expenditure, a creditor (income in advance) or debtor (payment in advance) is recorded in the Balance Sheet.

##### **c) Cost of Services**

The cost of services analysis within the Comprehensive Income and Expenditure Statement (CIES) is shown by Council Directorates in line with the revenue monitoring reports to Executive Cabinet and internal reporting. The CIES reports income and expenditure in accordance with generally accepted accounting practice. The Expenditure and Funding Analysis is then intended to demonstrate how the funding available to the Council (ie government grants, rents, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices.

d) **Value Added Tax (VAT)**

Income and expenditure transactions exclude any amounts relating to VAT as currently all VAT collected is payable to HM Revenue and Customs and all VAT paid is recoverable from them.

e) **Changes in Accounting Policy**

Where there is a known future change in accounting policy required by the CIPFA Code, the Council will disclose the following in the notes to the accounts:

- The nature of the change in accounting policy;
- The reasons why applying the new accounting policy provides reliable and more relevant information;
- For both the current reporting period, and the previous year comparatives reported, the extent to which the change in accounting policy would have impacted on the financial statements if it had been adopted in that year;
- The amount of adjustment relating to years previous to those reported in the set of financial statements, had the proposed policy been adopted retrospectively;
- If retrospective application is impracticable for a particular period, the circumstances that led to the existence of that condition and a description of how and from when the change in accounting policy has been applied.

The Council will also disclose information relating to an accounting standard which has been issued but not yet adopted.

f) **Previous Year Adjustments**

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the Council's financial position or financial performance.

Where a change is made it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by way of a prior period adjustment and an appropriate disclosure in the notes to the accounts.

A change to the accounting policy may also require that the basis of estimates is changed. This will be disclosed in accordance with the policy on changes to accounting estimates.

g) **Events after the Balance Sheet Date**

Events after the Balance Sheet date are reflected up to the date when the Statement of Accounts is authorised for issue. This date and who gave that authorisation is disclosed in the notes to the accounts, including confirmation that this is the date up to which events after the Balance Sheet date have been considered.

Where a material event is identified after the Balance Sheet date, whether favourable or unfavourable, for which it can be shown that the conditions already existed at the Balance Sheet date, it is an adjusting event and the amounts in the accounts would be adjusted accordingly.

However, where a material event is identified which occurred after the Balance Sheet date but it cannot be shown that the conditions existed before the Balance Sheet date, then it is a non-adjusting event and the accounts would not be adjusted (although a disclosure would be made in the notes to the accounts).



## h) **Exceptional and Extraordinary Items**

When items of income and expenditure are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

## i) **Contingent Assets and Liabilities**

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

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

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

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

## 2. **CAPITAL ACCOUNTING**

### a) **Recognition**

All expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis. Expenditure on the acquisition of an asset, or expenditure which adds to, and not merely maintains, the value of an existing asset, should be capitalised, provided that it yields benefits to the Council and the services it provides for a period of more than one year.

Capital expenditure includes:

- the acquisition, reclamation, enhancement or laying out of land;
- acquisition, construction, preparation, enhancement or replacement of roads, buildings and other structures;
- acquisition, installation or replacement of movable or immovable plant, machinery, apparatus, vehicles and vessels.

In this context, enhancement means works which are intended to:

- Lengthen substantially the useful life of the asset, or
- Increase substantially the market value of the asset, or
- Increase substantially the extent to which the asset can or will be used for the purposes of or in conjunction with the functions of the Council.

Under this definition, improvement works and structural repairs should be capitalised, whereas expenditure to ensure that the non-current asset maintains its previously assessed standard of performance should be recognised in the revenue account as it is incurred.

A de-minimis level of £10,000 has been adopted by the Council in relation to capital expenditure.

## b) **Measurement**

Initially the assets are measured at cost, comprising the purchase price, plus any costs associated with bringing the asset into use. The measurement of an operational asset acquired other than through purchase is deemed to be its current value. The Code requires that non-operational property, plant and equipment classified as surplus assets are measured at fair value.

In accordance with 'the Code', Property, Plant and Equipment is further classified as:

- Other Land and Buildings \*
- Infrastructure assets
- Vehicles, Plant and Equipment
- Community Assets
- Assets under Construction
- Surplus Assets

Each of these asset classifications are valued on the base recommended by CIPFA and in accordance with the Statements of Asset Valuation Principles and Guidance Notes issued by The Royal Institution of Chartered Surveyors (RICS), as follows:

- Infrastructure, Community Assets and Assets Under Construction – depreciated historical cost (DRC)
- Other assets (excluding non-operational property) – current value, determined as the amount that would be paid for the asset in its existing use (EUUV)
- Surplus assets (non-operational property, plant and equipment) – fair value

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

\*These asset categories are revalued on a five year rolling cycle. The programme of revaluations is continuing on this cyclical basis although values of those assets falling between scheduled valuation dates are reviewed annually to ensure that any material changes to asset valuations is adjusted in the interim period, as they occur. For assets where expenditure of £750,000 or above has been incurred, these are added to the preceding year's revaluation list

## c) **Revaluation**

Revaluation of property is undertaken on at least a five year "rolling programme". A desk top valuation exercise can take place more frequently, however, if the valuer believes that market changes within the year are more significant, an interim valuation will be undertaken. Investment Properties are revalued annually to determine any material change in the carrying value.

A Revaluation Reserve for non-current assets (other than Investment Properties) is held in the Balance Sheet made up of unrealised revaluation gains relating to individual non-current assets, with movements in valuations being managed at an individual non-current asset level.

Movement in the valuation of Investment Properties are charged or credited to the Comprehensive Income Expenditure Statement. Gains arising from the revaluation of Investment Properties are not held within a revaluation reserve.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of the reserves formal implementation. Gains arising before that date were

subsequently consolidated into the Capital Adjustment Account. Movements in the valuations of non-current assets do not impact on General Fund Balances and are not a charge or credit to council tax levies.

d) **Disposals**

Receipts from the disposal of non-current assets are accounted for on an accruals basis. When an asset is disposed of, the value of the asset in the Balance Sheet is written out to the Comprehensive Income and Expenditure Statement, as is the disposal receipt. These amounts are not a charge or receipt to council tax as the cost of non-current assets is fully provided for under separate arrangements for capital financing. The asset value written out is appropriated to the Capital Adjustment Account, the capital receipt is appropriated to the Capital Receipts Unapplied Account, via the Movement in Reserve Statement. Any revaluation gains that have accumulated in the Revaluation Reserve are transferred to the Capital Adjustment Account.

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement element of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the CIES (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council to finance the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties that have yet to be consumed by the Council. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before April 2007, the date that the Revaluation Reserve was created to hold such gains.

Usable Capital Receipts have been used to finance capital expenditure based on the policy of the Council.

Academy Schools are written out of the Council's Balance Sheet at the time that they legally transfer to Academy status. The net book value of the school at the time of the transfer is charged to Other Operating Income and Expenditure within the Comprehensive Income and Expenditure Statement as a loss on disposal/derecognition.

e) **Heritage Assets**

Heritage Assets are held for their cultural, environmental or historical associations. With the exception of "Statues and Other Monuments", which by their nature are located across the Borough, they are mainly held in the Council's art galleries and museums.

This collection of Heritage Assets has been secured over many years from a variety of sources, being mainly bequeaths, donations and long term loans. Assets acquired from these sources may have conditions attached which govern how the assets may be managed in the future. Any assets with conditions attached are recognised in Donated Assets as a long term liability in the Balance Sheet until any outstanding conditions cease.

Any acquisitions of Heritage Assets are initially recognised at cost and donations are recognised at valuation with valuations provided by external valuers. The Council's collections of Heritage Assets are accounted for as follows:

- Art Collection;
- Militaria;
- Civic Regalia and Silver; and

- Statues and Other Monuments.

f) **Investment Properties**

Investment Property is held solely to earn rental income or for capital appreciation or both. Investment Property is initially recognised at cost, but is subject to valuation at fair value at the end of each accounting period. Losses or gains are recognised in the Comprehensive Income and Expenditure Statement.

g) **Intangible Assets**

Intangible Assets represent non-current assets that do not have physical substance, but are identifiable and are controlled by the Council through custodial or legal rights. All purchased Intangible Assets are capitalised at historical cost in line with 'the Code'.

In line with other non-current assets, their useful economic life is determined based on the length of time that the benefit will accrue to the Council. Based on the best estimate of the useful economic life, the Intangible Asset is charged to the Comprehensive Income and Expenditure Statement over this period.

h) **Depreciation / Amortisation Methodology**

Depreciation is provided for on all non-current assets with a finite useful life (this can be determined at the time of acquisition or revaluation) according to the following policy:

- In accordance with the Service Reporting Code of Practice, all buildings (but not their land) are depreciated over their remaining useful lives. A land and building split has been determined by the Council's external valuers. Estimates of the useful life are determined for each property and where material for components of those properties as part of the valuation process. These estimates of economic life may vary considerably from property to property.
- Investment Properties are not depreciated, rather an annual review is undertaken of the fair carrying value. Any changes to these values are charged to the Provision of Services within the Comprehensive Income and Expenditure Statement in the period that they occur.
- Infrastructure is depreciated over a 40 year period.
- Vehicles, Plant, and Equipment is depreciated over 10 years or less depending on the nature of the asset.

Depreciation is calculated on a straight-line basis. Depreciation is not charged in the year of asset acquisition. Depreciation is charged to the Comprehensive Income and Expenditure Statement but does not impact on council tax and is written out to the Capital Adjustment Account via the Movement in Reserves Statement. Where non-current assets have been re-valued the current value depreciation will be higher than the historic cost depreciation, this increased depreciation charge is written out against the Revaluation Reserve with an offsetting entry to the Capital Adjustment Account.

i) **Charges to revenue for non-current assets**

Service revenue accounts, support services and trading accounts are charged with the following amounts to record the real cost of holding non-current assets throughout the year:

- Depreciation attributable to the assets used by the relevant service

- Impairment losses attributable to non-current assets used by the service in excess of the balances held in the Revaluation Reserve
- Amortisation of Intangible Assets attributable to the service

The Council does not raise council tax to cover depreciation, impairment loss or amortisations. The Council does, however, make an annual provision from revenue to reduce its borrowing requirement, (see section m). Depreciation, impairment losses, amortisation and gains or losses on the disposal of non-current assets are therefore written out in the Movement in Reserves Statement, by way of an adjusting transaction within the Capital Adjustment Account.

**j) Revenue Expenditure Funded from Capital under Statute**

Revenue Expenditure Funded from Capital under Statute represents expenditure which may be properly capitalised, but which does not result in the creation of any non-current asset to the Council. In line with the guidance contained in 'the Code', this expenditure is written off to the Comprehensive Income and Expenditure Statement in the year the expenditure is incurred, because the Council does not control the economic benefits arising from this expenditure.

**k) Impairment of Non-current Assets**

Assets have been reviewed for any impairment loss in respect of the consumption of economic benefit (e.g. physical damage). Where an impairment loss occurs this would be charged to the service revenue account, with a corresponding entry made to reduce the value of the asset in the Balance Sheet.

To remove the impact of the impairment loss on the budget, a credit entry is made in the Movement in Reserves Statement as a charge to the Capital Adjustment Account.

Impairments reflecting a general fall in prices would be recognised in the Revaluation Reserve, up to the value of revaluation for the individual asset, and any further impairment would be treated as a consumption of economic benefit and charged to the service revenue account.

**l) Capital Receipts**

Capital receipts (in excess of £10,000) arising from the sale of non-current assets are credited to Capital Receipts Unapplied Account.

Any capital receipts relating to the repayment of former Housing Revenue Account (HRA) mortgages (principal amounts) are subject to provisions included within the Local Government Act 2003. The Council is required to pay a specified amount from these receipts to the national pool. All other capital receipts are usable.

Usable capital receipts are shown separately in the Balance Sheet and can be used either to finance new capital investment, to repay grant received in relation to the asset disposed of, to finance the premium sum arising from the rescheduling of debt, or set aside to reduce the Council's underlying need to borrow.

**m) Redemption of Debt (Minimum Revenue Provision)**

Where capital expenditure has been financed by borrowing there is a provision for the repayment of debt to be made in accordance with the Minimum Revenue Provision requirements of the Local Authorities ('MRP' - as set out in Capital Financing and Accounting (Amendment) Regulations 2009).

Since 2015/16 the Council has adopted the following policy in relation to calculating the Minimum Revenue Provision

i) Borrowing taken up prior to 01/04/2015 will be provided for using a straight-line method of calculating 'MRP'. A total of £185,215,128 will be provided for in equal instalments over 50 years which will result in an annual charge of £3.704m. The debt will be extinguished in full by 31 March 2065. If the Council elects to make additional voluntary MRP then the annual charge will be adjusted accordingly.

ii) The following will be required in relation to borrowing taken up on or after 01/04/2015.

- For borrowing taken up on or after 1 April 2015, MRP is to be provided for based upon the average expected useful life of the assets funded by borrowing in the previous year. The debt will be repaid on a straight-line basis over the average useful life calculated, meaning the debt will be fully extinguished at the end of period. If the Council elects to make additional voluntary MRP then the annual charge will be adjusted accordingly.
- For certain investment projects it may be deemed more prudent to use the asset life annuity method in order to calculate MRP. In this case the Council will use the annuity method, with the MRP based on the prevailing PWLB interest rate for a loan with a term equal to the estimated life of the project. If the Council uses capital receipts to repay borrowing for the year then the value of MRP which would have otherwise been set aside to repay borrowing will be reduced by this amount. The level of capital receipts to be applied to redeem borrowing will be determined annually by the Section 151 Officer, taking into account forecasts for future expenditure and the generation of further receipts.
- For any finance leases and any on-balance sheet Public Finance Initiative (PFI) schemes, the MRP charge will be equal to the principle repayment during the year, calculated in accordance with proper practices.
- There will be no MRP charge for any cash backed Local Authority Mortgage Scheme (LAMS) that the Council operates. As for this type of scheme, any future debt liability would be met from the capital receipt arising from the deposit maturing after a five year period. Any repossession losses for this type of scheme would be charged to a LAMS reserve.
- The Council has considered the Statutory Guidance, which recommends a 25 year repayment charge for loans to third parties, and concluded that this provision is not necessary where there is a realistic expectation that the loan will be repaid. The Council considers an MRP charge is not necessary in respect of any loans made to third parties as the debt liability is covered by the existence of a debtor; typically long term depending on the life of the loan. The only expenditure consequence of a loan for an authority is the interest on its cash shortfall whilst the loan is outstanding, so provision for the principal amount would be over-prudent until such time as the assumption has to be made that the loan will not be repaid.

n) **Capital Grants and Contributions**

The Council recognises capital grants and contributions as being related to capital assets and uses them to fund capital expenditure on those assets. Grants, contributions and donations are recognised as income at the date that the Council has satisfied the conditions of entitlement, and there is reasonable assurance that the monies will be received.

Any grant received before these recognition criteria were satisfied would be held as a

creditor. Any grant which had met the recognition criteria but had not been received would be shown as a debtor. This is in line with the Accruals Concept Policy.

Once the recognition criteria above have been satisfied, capital grants are recognised as income in the Comprehensive Income and Expenditure Statement.

In order to not impact on the level of Council Tax, the Council removes the credit from the General Reserves through the Movement in Reserves Statement, and makes a credit to the Capital Grants Unapplied Reserve.

Once expenditure has been incurred on the related asset, the credit is removed from the Capital Grants Unapplied Reserve and credited to the Capital Adjustment Account.

**o) Capital Reserves**

The Council holds Capital Reserves for the purpose of financing capital expenditure. Reserves will be disclosed as either usable (available to fund capital expenditure) or unusable (reserves held as a result of timing differences associated with recognition of capital expenditure and related financing).

Movements in capital reserves are accounted through the Movement in Reserves Statement.

**p) Leases**

In line with IFRIC 4, the Council recognises a lease to be any agreement which transfers the right to use an asset for an agreed period in exchange for payment, or a series of payments.

This includes; leases, hire purchase, rental, contracts of service, service level agreements and any other arrangement where the ability to use an asset is conveyed.

**q) Defining a Finance Lease**

A finance lease is where substantially all of the risks and rewards relating to ownership transfer to the lessee.

Tests to give an indication of the transfer of risk and reward are:

- If the lessee will gain ownership of the asset at the end of the lease term (e.g. hire purchase)
- If the lessee has an option to purchase the asset at a sufficiently favourable price that it is reasonably certain, at the inception of the lease, that it will be exercised
- If the lease term is for the major part of the economic life of the asset even if the title is not transferred. Measures to identify this include:
  - The economic life of the asset is deemed to be that which is consistent with the class of asset in the depreciation policy.
  - The Council recognises 'major part' to be 75% of the life of the asset, unless on an individual case basis this would not give a true representation of the substance of the transaction.
- At the inception of the lease, the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset. Measures to identify this include:
  - Fair value of the leased asset is assessed by a RICS qualified valuer.
  - The present value of the minimum lease payments is calculated by discounting at the rate inherent in the lease.
  - If this rate cannot be determined the incremental borrowing rate applicable for that year is used.

- The Council recognises 'substantially all' to be 75% of the value of the asset, unless on an individual case basis this would not give a true representation of the substance of the transaction.
- The leased assets are of such a specialised nature that only the lessee can use them without major modifications.
- If the lessee cancels the lease, the losses of the lessor, associated with the cancellation are borne by the lessee.
- Gains or losses from the fluctuation in the fair value of the residual accrue to the lessee (e.g. in the form of a rent rebate equalling most of the sales proceeds at the end of the lease).
- The lessee has the ability to continue the lease for a secondary period at a rent that is substantially lower than market rent.

A suitably experienced accountant, with assistance from qualified valuers, will make a judgement based on the level of risk and reward held by the Council as to whether an asset is operating or finance.

r) **Defining an Operating Lease**

The Council recognises an operating lease to be a lease which is not a finance lease. Where the Council is the lessor for an operating lease, normally the asset is classified as an Investment Property. Any rental income is credited to the relevant service income.

s) **Lessee Accounting for a Finance Lease**

Where the Council is tenant in a property, or is, by definition of IFRIC 4, leasing an asset which is deemed under IAS 17 to be a finance lease the Council will recognise that asset within the asset register, and account for that asset as though it were an owned asset.

The initial recognition of the asset is at the fair value of the property, or if lower, the present value of the minimum lease payments. A liability is also recognised at this value, which is reduced as lease payments are made.

t) **Lessor Accounting for a Finance Lease**

Where the Council is the lessor for a finance lease, the asset is not recognised in the asset register; however a long term debtor at the present value of minimum lease payments is recognised. Income received is split between capital – credited against the debtor, and finance income – credited to the Comprehensive Income and Expenditure Statement as interest receivable.

u) **Lessor Accounting for an Operating Lease**

Where the Council is the lessor for an operating lease, normally the asset is classified as an Investment Property. Any rental income is credited to the relevant service income.

v) **Service Concession Agreements (Private Finance Initiative (PFI) and other similar contracts)**

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. PFI and similar contracts are assessed against criteria within IFRIC 12 Service Concession Arrangements to determine whether the risks and rewards incidental to ownership lie with the Council or the contractor.

Those which lie with the contractor – payments made during the life of the contract are chargeable to revenue as incurred.



Those which lie with the Council – are recognised as an asset in the Balance Sheet for the construction costs of the asset. Once recognised this asset is treated in line with all capital assets. A corresponding long term liability is also recognised at the construction value. Payments made during the life of the contract are split into finance costs, capital costs and service costs. Determining the split of payments is calculated at the inception of the contract and is based on the inherent interest rate within the original agreement. Finance costs are chargeable to the Comprehensive Income and Expenditure Statement as interest payable. Capital costs reduce the level of liability in the Balance Sheet. Service costs are chargeable to the relevant revenue service expenditure. Pre-payments reduce the level of liability at the start of the contract.

PFI credits are treated as general revenue government grants.

### **3. REVENUE ACCOUNTING**

#### **a) Recognition of Revenue Expenditure**

The Council recognises revenue expenditure as expenditure which is not capital.

#### **b) Employee Costs**

In accordance with IAS 19, the Council accounts for the total benefit earned by employees during the financial year.

Employee Costs are split into 3 categories; short term benefits, termination benefits and pensions costs.

##### Short Term Employee Benefits

- Salaries and Wages – The total salary and wages earned by employees during the financial year are charged to the Comprehensive Income and Expenditure Statement. Where the amount accrued exceeds the amount paid at the 31 March, a creditor will be reflected in the accounts.
- Leave Owed, Accumulating Absences – The Council allows employees to earn time off in one period with the resulting cost to the Council in a later period when that time is either taken off or paid to the employee. Examples of this accumulating leave are annual leave, flexi-time and time off in lieu.

If an employee were to leave the Council, cash payment would be made for entitlements such as annual leave; this leave is termed vesting. Where no cash payment would be due, the leave is termed non-vesting.

In order to correctly reflect the cost of time owed to staff, a charge has been made to the Comprehensive Income and Expenditure Statement and a creditor accrual has been reflected in the Balance Sheet. This charge is reflective of the estimated time cost value of all accumulating leave owed to employees. Vesting leave will be charged in full; however non-vesting leave has been adjusted to reflect the turnover of staff.

- Non-accumulating Absences – are periods of leave that cannot be carried forward for use in future periods. Examples include Maternity Leave, Special Leave, Sick Leave and Jury Service. The Council does not recognise non-accumulating compensated absences until the time that the absence occurs.
- Non-monetary Benefits – Where employees have non-monetary benefits (e.g. retirement benefits or life insurance), the associated cost of providing that benefit has

been charged to the Comprehensive Income and Expenditure Statement.

#### Termination benefits

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

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

#### Pensions Costs

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

- Teachers Pension Scheme is a defined benefit scheme administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE).

The assets and liabilities of the Teachers Pension Scheme are not attributable to the Council, therefore the Council accounts for the scheme as if it were a defined contribution scheme. This means that the Children and Education Services line in the Comprehensive Income and Expenditure Statement will only include the Council's contributions payable to the scheme.

- NHS Pension Scheme is a defined benefit scheme administered by EA Finance NHS Pensions.

The assets and liabilities of the NHS Pension Scheme are not attributable to the Council, therefore the Council accounts for the scheme as if it were a defined contribution scheme. This means that the Public Health Services line in the Comprehensive Income and Expenditure Statement will only include the Council's contributions payable to the scheme.

- The Greater Manchester Local Government Pension Scheme, administered by the Council, is accounted for as a defined benefit scheme. The liabilities of the scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method - i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, and projections of future earnings for current employees.

Pension liabilities are measured using the projected unit method, discounted using the rate on high quality corporate bonds of equivalent term to the liabilities. The discount rate is the weighted average of "spot yields" on AA rated corporate bonds.

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

Service cost comprising:

1. 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.

2. Past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years will be debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
3. Net interest on the net defined benefit liability i.e. net interest expense for the Council - the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period, taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.

Re-measurement comprising:

4. The return on plan assets – excluding amounts included in net interest on the net defined benefit liability – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
5. 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.

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. Adjustments are therefore made in the Movement in Reserves Statement.

#### 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 debit balance on the Pensions Reserve therefore shows a shortfall in the benefits earned by past and current employees and the resources the Council 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.

#### Early Retirement, Discretionary Payments

The Council has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies, which are applied to the Local Government Pension Scheme.

#### c) **Lessee Accounting for an Operating Lease**

Costs associated with operating leased assets where the Council is the lessee are charged immediately to the Comprehensive Income and Expenditure Statement within the Net Cost of Services on an accruals basis.

#### d) **Revenue Grants and Contributions**

Grants, contributions and donations (referred to as grants for the purposes of this policy) are recognised as income at the date that the Council has satisfied the conditions of entitlement, and there is reasonable assurance that the monies will be received. Any grant received before these recognition criteria were satisfied would be held as a creditor (income in advance). Any grant which had met the recognition criteria but had not been received would be shown as a debtor.

Revenue grants will either be received to be used only for a specific purpose, or can be used for general purpose. Those for a specific purpose are recognised in the Comprehensive Income and Expenditure Statement within the Net Cost of Services. Those which are for general purpose are shown within Other Operating (Income) and Expenditure in the Comprehensive Expenditure and Income Statement.

The Council recognises capital grants and contributions as being related to capital assets and uses them to fund capital expenditure on those assets. Grants, contributions and donations are recognised as income at the date that the Council has satisfied the conditions of entitlement, and there is reasonable assurance that the monies will be received.

Any grant received before these recognition criteria were satisfied would be held as a creditor. Any grant which had met the recognition criteria but had not been received would be shown as a debtor. This is in line with the Accruals Concept.

Once the recognition criteria above have been satisfied, capital grants are recognised as income in the Comprehensive Income and Expenditure Statement.

In order to not impact on the level of Council Tax, the Council removes the credit from the General Reserves through the Movement in Reserves Statement, and makes a credit to the Capital Grants Unapplied Reserve.

Once expenditure has been incurred on the related asset, the credit is removed from the Capital Grants Unapplied Reserve and credited to the Capital Adjustment Account.

e) **Provisions**

Provision has been made in the Comprehensive Income and Expenditure Statement for liabilities that have been incurred by the Council, but where the amounts or dates on which they will arise are uncertain.

Provisions are required to be recognised when the Council has a present obligation, as a result of a past event, where it is probable that an outflow of resources embodying economic benefit or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation, (IAS 37 – Provisions, Contingent Liabilities and Contingent Assets).

When expenditure is incurred to which the provision relates, it is charged directly against the provision in the Balance Sheet and not against the Comprehensive Income and Expenditure Statement.

The Council has made a provision for the costs of settling claims for back pay arising from discriminatory payments incurred before the Council implemented its equal pay strategy. However, statutory arrangements allow settlements to be financed from General Fund Balances in the year that payments actually take place, not when the provision is established. The provision is therefore balanced by an entry within the Capital Adjustment Account (CAA) created from amounts credited to the General Fund Balance in the year the provision was made or modified. The balance within the CAA will be debited back to the General Fund Balance in the Movement in Reserves Statement in future financial years as payments are made.

f) **Revenue Reserves**

The Council holds usable revenue reserves for the purpose of funding future expenditure. The General Fund Balance represents the balance of reserves to meet short term, unforeseeable expenditure and to enable significant changes in resources or expenditure to be properly managed over the period of the Medium Term Financial Strategy. Earmarked Reserves represent balances where approval has been received to use the reserve for a specific purpose.

Unusable revenue reserves represent timing differences such as those associated with the recognition of retirement benefits, Council tax income and financial instruments.

Movement in reserves are accounted through the Movement in Reserves Statement.

g) **Council Tax and Business Rates Recognition**

Council Tax and Business Rates income included in the Comprehensive Income and Expenditure Statement includes the Council's share of accrued income recognised by billing authorities in the production of the Collection Fund Statements.

The difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Reserve is taken to the Collection Fund Adjustment Account and reported in the Movement in Reserves Statement.

Billing authorities act as agents, collecting council tax and business rates on behalf of the major preceptors and, as principals, collecting council tax and business rates for themselves. Billing authorities are required by statute to maintain a separate fund (the Collection Fund) for the collection and distribution of amounts due in respect of council tax and business rates. Under the legislative framework for the Collection Fund, billing authorities and major preceptors share proportionately the risks and rewards that the amount of council tax and business rates collected could be less or more than predicted.

The council tax and business rates income included in the Comprehensive Income and Expenditure Statement is the Council's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the Council's General Fund. Therefore The difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Reserve is taken to the Collection Fund Adjustment Account and reported in the Movement in Reserves Statement.

The Balance Sheet includes the Council's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

h) **Inventories and Work in Progress**

Work in progress is valued at the lower of cost (including all related overheads) or net realisable value.

No amounts are included for such items as small stores at Community Services residential homes, or stocks at special schools and outdoor education centres as these are not regarded as having material value due to their size. It is considered that this difference in treatment (together with the exclusion of certain types of stock) does not have a material effect on the values stated.

i) **Provisions for bad and doubtful debts**

The Council maintains a bad debt provision for any potential non-payment of debtors at each Balance Sheet date. Assessment is made based on the risk of debtors' ability to pay future cash flows due under the contractual terms. This risk is estimated where possible based on historical loss experience, credit rating for a debtor and other impacting factors.

Provisions for bad debts are offset against the debtor amount shown as an asset, the movement in the provision is charged against the relevant service line in the Comprehensive Income and Expenditure Statement.

4. **TREASURY MANAGEMENT**

a) **Financial Instruments**

**Financial Assets**

Financial Assets e.g. investments and debtors are classified into three types – amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVPL).

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

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

**Amortised Cost**

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

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

**Fair Value through Other Comprehensive Income (FVOCI)**

These assets relate to financial instruments where the amounts received relating to them are solely principal and interest but they are held to collect cash and sell the assets (e.g. money market funds).

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

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

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

**Fair Value through Profit and Loss (FVPL)**

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

Dividends received are accounted for at the point they are declared.

Charges in fair value are charged to the surplus / deficit on the net provision of services as they occur.

Under capital accounting regulations where these assets were treated as capital expenditure the gain or loss is reversed through the Movement in Reserves Statement and charged to an unusable reserve - the Capital Adjustment Account. . An equity instrument that has been classed as FVPL can be designated as FVOCI if it is not held for trading (e.g. a strategic investment). Once this designation has been made it cannot be reversed. This designation would mean that any gains and losses would be held in the Financial Instruments Revaluation Reserve.

### **Credit loss**

The Council will recognise a loss allowance for expected credit losses, if applicable, on assets where cash flows are solely principal and interest (i.e. financial instruments measured at amortised cost or FVOCI unless they have been designated as such). This does not apply where the counterparty is central government or another local authority.

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

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

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

### **Financial Liabilities**

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

Charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability multiplied by the effective rate of interest for the instrument. (The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised).

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

For Lender Option Borrower Option (LOBO) loans the effective interest rate has been calculated over the life of the loan. This is an average and differs from the amounts actually paid in the year. The difference between the calculated interest charge and interest paid has been adjusted in the carrying amount of the loan on the balance sheet. The amount

charged in the Comprehensive Income and Expenditure Statement is the effective interest rate for the life of the loan rather than the amount payable per the loan agreement.

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

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

Where premiums and discounts (amounts paid or received on the rescheduling of a loan) have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact of premiums on the General Fund balance to be spread over the longer of the outstanding period of the replaced loan or the period of the replacement loan or any other shorter period that the Council wishes to choose. Discounts are required to be credited to revenue over a maximum period equal to the outstanding term of the replaced loan or ten years (if shorter). The difference between the amount charged to the Comprehensive Income and Expenditure Statement and the net charge against the General Fund balance is transferred to or from the Financial Instruments Adjustment Account in the Movement of Reserves Statement.



**b) Cash and cash equivalents**

Cash equivalents are short term investments that are of a highly liquid nature. The Council has deemed that deposits held within money market funds are categorised as cash equivalents.

**c) Interests in Companies and Other Entities**

Where the Council has material interests in companies and other entities that have the nature of subsidiaries, associates and joint arrangements, it is required to prepare group accounts. In the Council's own single-entity accounts, the interests in companies and other entities are recorded as investments, i.e. at cost, less any provision for losses. The Council has identified Inspired Spaces Tameside as an associate but group accounts have not been prepared on the grounds of materiality. Information on financial transactions between the Council and this associate are disclosed as related party transactions.



<b>Report To:</b>	<b>AUDIT PANEL</b>
<b>Date:</b>	4 June 2019
<b>Reporting Officer:</b>	Wendy Poole – Head of Risk Management and Audit Services
<b>Subject:</b>	<b>RISK MANAGEMENT AND AUDIT SERVICES PLANNED WORK 2019/20</b>
<b>Report Summary:</b>	The report presents the planned work for the Risk Management and Audit Service for 2019/20.
<b>Recommendations:</b>	<ol style="list-style-type: none"><li>1. Members approve the Draft Internal Audit Plan for 2019/20 shown at <b>Appendix 1</b> and note the planned work for the Risk Management and Insurance Team and the National Anti-Fraud Network.</li><li>2. Members approve the Audit Strategy for 2019/20 shown at <b>Appendix 2.</b></li><li>3. Members approve the Audit Charter for 2019/20 shown at <b>Appendix 3.</b></li><li>4. Members approve the Quality Assurance and Improvement Programme for 2019/20 shown at <b>Appendix 4.</b></li></ol>
<b>Corporate Plan:</b>	Internal Audit supports the individual operations, which deliver the objectives within the Community Strategy.
<b>Policy Implications:</b>	Effective Internal Audit and Risk Management supports the achievement of Council objectives and demonstrates a commitment to high standards of corporate governance.
<b>Financial Implications:</b> (Authorised by the statutory Section 151 Officer and Chief Finance Officer)	Effective Internal Audit assists in safeguarding assets, ensuring the best use of resources and reducing losses due to poor risk management. It also helps to keep insurance premiums to a minimum and provides assurance that a sound control environment is in place.
<b>Legal Implications:</b> (Authorised by the Borough Solicitor)	Demonstrates compliance with the Accounts and Audit Regulations 2015.
<b>Risk Management:</b>	By assisting in the effective management of risks, Internal Audit helps to reduce costs and improve service delivery.
<b>Access to Information:</b>	The background papers can be obtained from the author of the report, Wendy Poole, Head of Risk Management and Audit Services by:  Telephone: 0161 342 3846  e-mail: <a href="mailto:wendy.poole@tameside.gov.uk">wendy.poole@tameside.gov.uk</a>

## 1. INTRODUCTION

- 1.1 The report presents the planned work for the Risk Management and Audit Service for 2019/20. It sets out in detail the work of Internal Audit and presents the Annual Audit Plan for 2019/20 for approval. It highlights the planned work in relation to Counter Fraud/Investigation Work, the Risk Management and Insurance Team and the National Anti-Fraud Network (NAFN) – Data and Intelligence Services.

## 2. INTERNAL AUDIT PLANNING PROCESS

- 2.1 The Internal Audit Service plans its work with a view to achieving the following key objectives:
- Supporting the Council's Vision;
  - Providing optimum coverage across all services to ensure the best use of resources;
  - Targeting resources towards priority (high-risk) areas;
  - Satisfying legislative requirements;
  - Providing assurances to Members and Senior Managers as to the effectiveness of the Council's internal controls;
  - Responding to the needs of service managers; and
  - Maintaining a regular level of audit presence in all areas.
- 2.2 The plan is reviewed and revised each year to take into account service and legislative changes, which can result in large shifts in priorities and culminates in the production of the Annual Audit Plan.
- 2.3 The audit management system used ("Galileo") holds the entire list of all audits to be undertaken "the Audit Universe" and this is used as part of the consultation process.
- 2.4 Audits are prioritised based on an assessment of risk and allocated a numerical risk score which equates to either High, Medium/High, Medium, Low/Medium or Low and the following factors are taken into account:-
- Susceptibility to Error/Fraud;
  - Control Environment;
  - Sensitivity and Reputation of the Council;
  - Complexity;
  - Volume and Value of Transactions;
  - Management Concerns;
  - Management Changes;
  - Specific Business Risks/Business Importance;
  - Quality, Integrity and Security of Information; and
  - Years since Previous Audit.
- 2.5 Consultation involves Executive Members, Directors, Assistant Directors, Heads of Service and in some cases Service Unit Managers and was carried out during March. These meetings help to inform the risk assessments undertaken on audit activities and provide members and officers with the opportunity to discuss areas of concern or provide further details of up and coming changes to structures, key personnel, systems, procedures and/or legislation. In addition to agreeing priority audits, the discussions also include a report on previous audit work undertaken and the level and quality of the service provided. Risks identified in the Corporate Risk Register and other sources of assurance across the Council are also taken into account during the planning process.
- 2.6 Allegations of fraud investigated during the year together with intelligence gained from external sources (e.g. Chartered Institute of Public Finance and Accountancy Fraud Centre,

National Anti-Fraud Network and networking events) are used to identify potential risks and new fraud areas which are then taken into account either directly as an audit or used to inform the audit work scheduled in a particular area.

- 2.7 Taking all the above information into account, the draft plan is produced. This plan is then balanced to resources and priorities and amended accordingly, as requested audits usually exceed resources available. This stage of the process is conducted by the Head of Risk Management and Audit Services supported by the Principal Auditors who manage the plans on a day-to-day basis and is based on professional judgement and the potential risk exposure posed to the Council. Audits that cannot be covered in the current plan year are highlighted as priorities for next year's audit plan and held in contingency in case difficulties arise in achieving any of the audits included in the annual plan.
- 2.8 The Director of Finance (Section 151 Officer) and the Assistant Director of Finance have been consulted to ensure that the levels of coverage will provide the necessary information and assurance to support the Section 151 Officer Role and the preparation of the Annual Governance Statement.
- 2.9 Whilst the work of Internal Audit, External Audit and Scrutiny are different, consultation takes place during the year to ensure our respective work programmes are complementary and that areas are not "over audited/inspected".
- 2.10 Liaison is also ongoing with the Tameside And Glossop Clinical Commissioning Group's Internal Auditors (Merseyside Internal Audit Agency) to ensure that internal audit resources are maximised and used efficiently.

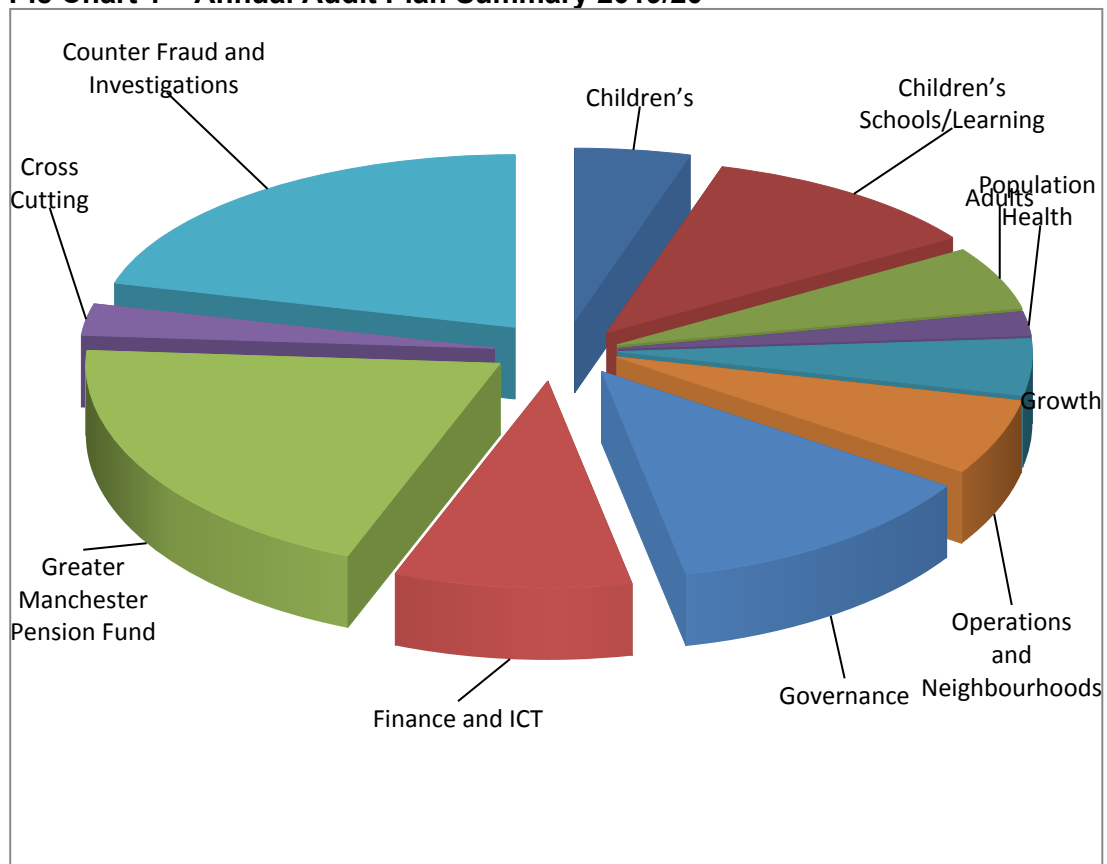
### 3. INTERNAL AUDIT ANNUAL AUDIT PLAN 2019/20

- 3.1 The Annual Audit Plan is detailed at **Appendix 1** and summarised in Table 1 and Pie Chart 1 below and totals 1,515. Compared to the Annual Audit Plan for 2018/19 which totalled 1,757 days, the available days have decreased by 242 days due to a vacancy, increased training and a maternity leave starting in July 2019.

**Table 1 – Annual Audit Plan Summary 2019/20**

Service Area / Directorate	Planned Days	%
Children's	80	5
Children's Schools/Learning	175	12
Adults	77	5
Population Health	28	2
Growth	66	4
Operations and Neighbourhoods	74	5
Governance	186	12
Finance and ICT	154	10
Greater Manchester Pension Fund	311	21
Cross Cutting	40	3
Counter Fraud Work and Investigations	324	21
<b>Total Planned Days for 2019/20</b>	<b>1,515</b>	<b>100</b>

**Pie Chart 1 – Annual Audit Plan Summary 2019/20**



3.2 The full Annual Audit Plan for 2019/20 is included at **Appendix 1** and details the following:-

- Links to the Corporate Plan;
- Links to the Corporate Risk Register;
- Auditable Area;
- Purpose of the Audit;
- Priority;
- Audit Category; and
- Planned Days for 2019/20.

3.3 Each audit in the plan has been linked to one of the themes within the Corporate Plan as shown below:-

**Table 2 – Corporate Plan Themes**

Starting Well
Living Well
Ageing Well
Great Place/ Vibrant Economy
Corporate Support and Enabling Services

- 3.4 Where appropriate each audit has been linked to a risk in the Corporate Risk Register to ensure that the plan is providing audit coverage in the areas deemed to be of significant risk to the Council.
- 3.5 Each audit in the Annual Audit Plan has been allocated to an Audit Category which are explained in Table 4 below. Table 5 and Pie Chart 2 present the Annual Audit Plan analysed by those Categories.

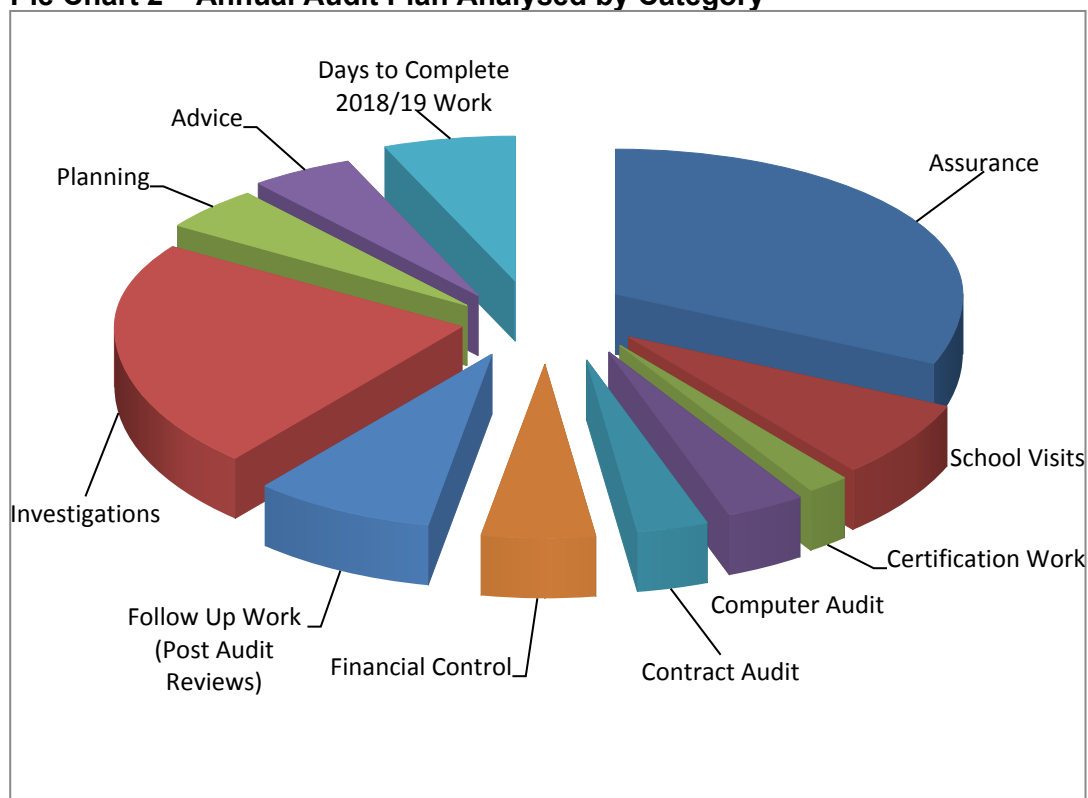
**Table 4 – Audit Categories**

Category	Description
Assurance	To provide assurance to management that the key risks are being managed and that processes in place are robust and fit for purpose.
Financial Control	A programme of financial system reviews considered high risk to provide assurance that the risks are being managed and the systems in place are robust and fit for purpose.
Advice	Ongoing advice provided at the request of management and stakeholders.
Follow Up	Work undertaken to ensure recommendations documented in Final Reports have been implemented.
School Visits	A programme of school visits identified as highest risk taking into account any key changes in personnel, systems and finances.
Investigation	Ad hoc investigations into suspected fraud, irregularities and information incidents.
Computer Audit	Commissioned audit reviews of a technical nature from Salford Computer Audit Services, combined with reviews to be delivered in-house.
Contract Audit	Reviews on specific procurement activities and contracts considered high risk.
Certification Work	Independent verification work required by grant funding bodies, legislation and Final Accounts certification.

3.6 **Table 5 – Annual Audit Plan 2019/20 Analysed by Category**

Category	Planned Days 2019/20
Assurance	478
School Visits	110
Certification Work	29
Computer Audit	55
Contract Audit	50
Financial Control	80
Follow Up Work (Post Audit Reviews)	127
Investigations	329
Planning	70
Advice	78
Days to Complete 2018/19 Work	109
<b>Total Planned Days 2019/20</b>	<b>1,515</b>

3.7 **Pie Chart 2 – Annual Audit Plan Analysed by Category**



3.8 The Annual Audit Plan of 1,515 days detailed above has been balanced to resources available. However, productive days are estimated and any changes to these assumptions will be reflected during the year and reported to the Audit Panel/Greater Manchester Pension Fund Local Board.

3.9 As in previous years the demand for audit work has exceeded the days available and therefore the Annual Audit Plan for 2019/20 presented for approval includes only Mandatory and High Risk Audits as defined below:-

- Mandatory – Audits/Audit Processes that need to be included e.g. grant certification work.
- High/Medium/Low – Each audit in the ‘Audit Universe’ is risk assessed within the Audit Management System ‘Galileo’ and allocated a numerical score. Those with the highest scores are included in the plan until all available resources have been accounted for.

3.10 The plan will be kept under constant review and regular meetings will be held with Executive Members and the Senior Management Team to ensure that it reflects the keys risks for the Council going forward as it continues to change both in shape and size to meet the financial challenges placed upon it.

**4. INTERNAL AUDIT STAFFING**

4.1 The structure of the team is shown in Table 5 below.

**Table 5 – Internal Audit Staffing Structure**

Post	Qualification	Audit Experience
Head of Risk Management and Audit Services	CIPFA/PGCM	Over 20 Years
Principal Auditor	CIPFA/PGCM	Over 20 Years
Principal Auditor	ACCA/IIA	Over 20 Years

Post	Qualification	Audit Experience
Senior Auditor	CIPFA	Over 20 Years
Senior Auditor	-	Over 20 Years
Senior Auditor	-	Over 20 Years
Counter Fraud/Investigator	CIPFA ACFTech	Over 10 Years
Counter Fraud/Investigator	CIPFA ACFTech	Less than 5 Years
Auditor	Degree	Less than 5 Years
Auditor		Vacant

- 4.2 The Service Unit does not employ a specialist Computer Auditor for the provision of technical computer audit support and this is procured from Salford MBC Computer Audit Services using the AGMA Collaboration Computer Audit Agreement to help deliver the ICT – Computer Audit Plan.
- 4.3 The Internal Audit Team has complete organisational independence and is not responsible for any non-audit work. Staff are very aware of the need to remain independent and ensure that requests for advice and support do not compromise this position.
- 4.4 The Head of Risk Management and Audit Services is responsible for the Risk Management and Insurance functions and is the Council's Senior Information Risk Owner (SIRO), which does challenge her independence. Any reviews conducted in these areas would be reported in the name of an independent manager, namely the Assistant Director of Finance (Deputy Section 151 Officer), to ensure that independence is not compromised or the review would be completed by another Internal Audit Team.
- 4.5 All members of the Internal Audit Team sign an annual declaration form, and this includes confirming that they have read and agreed to adhere to the Tameside Code of Conduct for Employees and the Public Sector Internal Audit Standards - Code of Ethics.

## 5. INTERNAL AUDIT REPORTING PROCESS

- 5.1 At the completion of an audit review a draft report is produced which is issued to the appropriate auditees and managers within the area (this will vary depending on the review, but usually includes members of the senior management team) for them to check the factual accuracy of the report and to provide their management responses to the recommendations identified. Closure meetings are held with all parties to expedite the process.
- 5.2 A quality control and review process is in place within the team that ensures all audits are conducted to a high standard and that working papers, conclusions and recommendations are sound and justified.
- 5.3 A final audit report is then produced incorporating the management responses and circulated to: -
- Executive Member – responsible for area under review;
  - Chief Executive;
  - Director of Governance and Pensions (Monitoring Officer);
  - Director of Finance (Section 151 Officer);
  - Assistant Director of Finance (Deputy Section 151 Officer);
  - Director;
  - Appropriate Service Area Managers;
  - Financial Management Business Partner; and
  - External Audit.

- 5.4 Six months after completion, a Post Audit Review is undertaken to establish whether the agreed recommendations have been implemented, however where a low level of assurance is issued the area is re-visited within 3 months. This report is circulated to those members and officers who received the final report so that they can check that progress has been made. Areas of concern are escalated to the Head of Risk Management and Audit Services and/or the Director/Assistant Director of Finance for discussion with the relevant service managers to ensure that progress is made. Post Audit Reviews with significant outstanding items will, in turn, be reported to the Audit Panel.
- 5.5 All reports issued are reviewed and quality checked within the team by the Principal Auditors before they are released. The Head of Risk Management and Audit Services also reviews all Final Reports and Post Audit Reviews. Low level assurance audits are discussed with Assistant Directors to gain assurance that resources will be targeted to resolve issues identified.
- 5.6 In addition, progress reports are produced for the Audit Panel, which summarise the audits issued by level of assurance, issues highlighted from completed audits and any concerns resulting from Post Audit Reviews.
- 5.7 At the end of the financial year, an annual report is produced summarising the work undertaken during the year and providing an opinion on the overall control environment. In broad terms, the opinion is based on the audit opinions issued during the year, the nature of the audits and the type and severity of recommendations made.
- 5.8 The Internal Audit service conforms with the Public Sector Internal Audit Standards, and this was confirmed by the External Peer Review Assessment in March 2018 and the self-assessment completed for 2018/19, which was reported in an earlier item on the agenda. This informs the Review of the Effectiveness of the System of Internal Control required by the Accounts and Audit Regulations 2015 Section 6.
- 5.9 A self-assessment against the Chartered Institute of Public Finance and Accountancy Statement for the Head of Internal Audit 2019 has also been completed as part of the Review of the Effectiveness of the System of Internal Control and as part of the assurance work for the preparation of the Annual Governance Statement. The Head of Risk Management and Audit Services is compliant with all the requirements.

## **6. ANNUAL GOVERNANCE STATEMENT**

- 6.1 The Accounts and Audit Regulations 2015 require audited bodies to conduct a review, at least once a year, of the effectiveness of its systems of internal control. The findings of the review shall be considered by a committee of the relevant body, or by members of the relevant body meeting as a whole, and following consideration, shall approve a governance statement, prepared in accordance with proper practices in relation to internal control.
- 6.2 The work of Internal Audit is fundamental to the production of this statement as the work conducted provides evidence and ongoing assurance that the systems of internal control have been reviewed and that risks are being effectively managed. The annual report referred to in 5.7 is a key source of assurance.

## **7. INTERNAL AUDIT STRATEGY AND CHARTER**

- 7.1 In order to comply with the Public Sector Internal Audit Standards it is necessary for the Audit Panel to approve the Internal Audit Strategy (attached at **Appendix 2**) and the Internal Audit Charter (attached at **Appendix 3**) annually.



7.2 The Strategy provides an overview of Internal Audit and covers:-

- Introduction;
- Main Drivers in setting the Direction;
- What this means we need to do; and
- How will we do this?

7.3 The Internal Audit Charter is more operational and includes:-

- Background;
- Missions and Definition of Internal Audit;
- Standards;
- Responsibility and Objectives of Internal Audit;
- Responsibility of the Council;
- Independence of Internal Audit;
- Head of Risk Management and Audit (Chief Audit Executive/Head of Audit)
- Relationships;
- Opinion and Non-Opinion Work;
- Fraud;
- Reporting;
- Internal Audit Access Rights; and
- Internal Audit Resources.

## **8. QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME**

8.1 Standard 1300 of the Public Sector Internal Audit Standards require:

“That the Chief Internal Auditor must develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity”.

8.2 The Quality Assurance and Improvement Programme (attached at **Appendix 4**) includes:-

- Introduction;
- Internal Assessments;
- External Assessments;
- Service Development; and
- Review of the Quality Assurance and Improvement Programme.

## **9. PROACTIVE FRAUD WORK/IRREGULARITY INVESTIGATIONS**

9.1 Whilst unplanned in their nature, time is required each year for the investigation of frauds and irregularities that are notified to Internal Audit. There is a dedicated resource within the service unit, which provides support to management to ensure that such problems are dealt with as effectively as possible. A control report is provided in response to investigations/advice and support work to ensure that the control environment is improved to try to minimise any future re-occurrence. Learning points are noted for wider dissemination where appropriate and any recommendations are followed up at a later date by a Post Audit Review to ensure the required improvements have been implemented.

9.2 The Standards Panel is notified of all cases reported and kept informed of progress on a regular basis and direction/guidance from the Panel is provided where appropriate.

9.3 Update reports will be provided as part of the quarterly progress reports provided by the Head of Risk Management and Audit Services.

9.4 Intelligence from all corporate fraud/irregularities notified to Internal Audit is used to:-

- Evaluate our response plan;
- Inform the audit planning process to ensure fraud risks are taken into account; and

- Inform the risk assessment tool within Galileo (audit management system) to ensure all auditable activities are correctly assessed.

## **10. RISK MANAGEMENT AND INSURANCE**

10.1 The Risk Management and Insurance Team provide services to the whole Council including schools. The key priorities for the team during 2019/20 are:-

- To work with the Single Leadership Team to review the Corporate Risk Register and link it to the updated Corporate Plan Themes and Priorities.
- To facilitate the continued implementation of the Information Governance Framework, ensuring that the Council is compliant with all Data Protection legislation.
- Following the review of Business Continuity Plans across services, work will be concentrated on producing the Corporate Business Continuity Plan and determining how to introduce a testing regime for both service plans and the corporate plan in response to a major incident.
- To work with our Insurance Brokers to compile all the information needed for the Insurance Tender so that the contract can be awarded by 1 April 2020.
- To review the insurance database used to ensure it is fit for purpose and that the reporting functionality is efficient and effective.
- To continue to support managers to assess their risks as services are redesigned to ensure that changes to systems and procedures remain robust and resilient offering cost effective mitigation and that claims for compensation can be successfully repudiated and defended should litigation occur.
- To attend management team meetings quarterly to provide updates on insurance, information governance, risk management and business continuity.

## **11. NATIONAL ANTI-FRAUD NETWORK - DATA AND INTELLIGENCE SERVICES**

11.1 The National Anti-Fraud Network will continue to work with key stakeholders and partners to further develop the services offered to members to ensure that emerging business needs are met in response to changing legislation. The Head of Risk Management and Audit who continues to Chair the NAFN Executive Board will work with the NAFN Team at Tameside to ensure the key priorities below are delivered:-

- To continue to maintain and where necessary improve operational controls in pursuit of operational excellence to meet Government standards on data and intelligence.
- To work with the Investigatory Powers Commissioner's Office (IPCO) to maintain high standards of integrity and legitimate use for communications data and ensure compliance with the Investigatory Powers Act once enacted.
- To develop the website, taking on board customer feedback and providing a more intuitive efficient customer experience.
- To enhance the current national sanctions database include data from service areas such as tenancy, blue badge and employee fraud.
- To continue to engage with existing data providers including Callcredit, Equifax, GB Group and Lexis Nexis to further expand Type B online services.
- To continue to work with the LGA and Licensing Teams to embed the guidance provided by the LGA and the requirements of data protection legislation into local policies and procedures to provide assurance that access to the database is legally compliant.

- To introduce the new Automatic Number Plate Recognition (ANPR) service which has been approved by the NAFN Executive Board and work with the Home Office to obtain security clearance for staff to access the system when it becomes available.
- To pursue the updated strategy approved by the Executive Board in May 2019 to provide an intelligence analyst service, by seeking stakeholder and member support and scoping out the revised service offering.

## 12. PERFORMANCE MONITORING

- 12.1 In accordance with Tameside methodology, the performance of the service is monitored against targets and performance indicators. Individually auditors are monitored against performance targets and appraisal sheets are completed for audits highlighting issues and potential training needs. Customer questionnaires are also used at the conclusion of each audit to test customer reaction to the audit and to help identify any training needs or service improvements.
- 12.2 The Audit Plan will be continually monitored via monthly progress meetings between the Audit Management Team and regular update meetings with Executive Members, Senior Managers and External Audit and quarterly reports to the Audit Panel and the Greater Manchester Pension Fund Local Board.
- 12.3 The performance indicators monitored and measured are detailed in Table 6 below.

**Table 6 – Performance Indicators**

	<b>Indicator</b>	<b>Target</b>
1	Compliance with Public Sector Internal Audit Standards	100%
2	% of Plan Completed	90%
3	Customer Satisfaction (per questionnaires)	90% of customers “satisfied ≥ 65%”
4	% Recommendations Implemented	90%
5	No. of Irregularities Reported/Investigated	Downward Trend

- 12.4 The target for achievement is 90% of the agreed plan. However, high priority requests that arise during the year, changes in available audit resources and problem areas highlighted may affect the achievement of this target and result in the need for revisions to the agreed plan. All significant changes are agreed with relevant managers and Executive Members where appropriate and will be brought to the Panel for approval.
- 12.5 The Public Sector Internal Audit Standards are the benchmark against which the performance and effectiveness of the internal audit service will be measured.

## 13. MEMBER TRAINING

- 13.1 During the year, general training on Audit, Risk Management, Information Security, Corporate Governance and Business Continuity will be considered in accordance with member needs with targeted training being provided for members of the Audit Panel and the Greater Manchester Pension Fund Local Board as and when requested.

## 14. RECOMMENDATIONS

- 14.1 As set out on the front of the report.

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## INTERNAL AUDIT PLAN 2019/20

## APPENDIX 1

CORPORATE PLAN THEME	LINK TO RISK REGISTER	AUDITABLE AREA		PRIORITY	AUDIT CATEGORY	PLANNED DAYS 2019/20
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CHILDRENS						
Starting Well	5	Troubled Families	Providing assurance to GMCA that the data provided supports the outcomes reported.	Mandatory	Assurance	10
	1	Budgetary Control and Financial Management	To review the processes for monitoring the budget within Children's Services.	High	Financial Control	15
	5	Procurement of Placements for Children	To provide assurance that internal controls are in place to ensure that effective procurement is in place for the placement of children	High	Assurance	15
	6	Children's Services - Post OFSTED work	To provide assistance as required to support post Ofsted Work	High	Assurance	10
Audit Management and Support		Planning and Control	Provision of days for planning/controlling the plan including activity reporting, meetings with Senior Management and Executive Members to ensure that changes throughout the year are reflected in the plan where appropriate.	Mandatory	Planning	6
		Advice and Support	Provision of days to support management in the development and maintenance of effective controls in light of new risk exposures and service changes.	Mandatory	Advice	2
		Post Audit Reviews	Follow up work to ensure that audit recommendations have been implemented.	Mandatory	Follow Up	18
		Days required to complete 2018/19 Work		High	-	4
<b>TOTAL PLANNED DAYS FOR CHILDRENS</b>						<b>80</b>

CHILDRENS - SCHOOLS/LEARNING						
Starting Well	5 & 17	Primary Schools (15)	To review the Financial Management/ICT Procedures/Information Governance Procedures of the school to ensure robust processes and procedures are in place in accordance with best practice to deliver a strong control environment.	High	School Visits	90
	5 & 17	High School		High	School Visits	10
	5 & 17	Pupil Referral Unit		High	School Visits	10
Audit Management and Support		Planning and Control	Provision of days for planning/controlling the plan including activity reporting, meetings with Senior Management and Executive Members to ensure that changes throughout the year are reflected in the plan where appropriate.	Mandatory	Planning	10
		Advice and Support	Provision of days to support management in the development and maintenance of effective controls in light of new risk exposures and service changes.	Mandatory	Advice	12
		Post Audit Reviews	Follow up work to ensure that audit recommendations have been implemented.	Mandatory	Follow Up	30
		Days required to complete 2018/19 Work		High	-	13
<b>TOTAL PLANNED DAYS FOR SCHOOLS/LEARNING</b>						<b>175</b>

ADULTS						
Ageing Well	9	Home Care	To provide assurance that effective internal controls are in place in respect of Home Care.	High	Assurance	15
	9	Homemaker Service	To provide assurance that effective internal controls are in place in respect of the Homemaker Service.	High	Assurance	15

## INTERNAL AUDIT PLAN 2019/20

## APPENDIX 1

CORPORATE PLAN THEME	LINK TO RISK REGISTER	AUDITABLE AREA		PRIORITY	AUDIT CATEGORY	PLANNED DAYS 2019/20
	3	Nursing and Residential Home Contractual Arrangements/Payments	To provide assurance that effective internal controls are in operation in respect of the placement of clients into residential/nursing homes and that the payments made are correct.	High	Assurance	15
Audit Management and Support		Planning and Control	Provision of days for planning/controlling the plan including activity reporting, meetings with Senior Management and Executive Members to ensure that changes throughout the year are reflected in the plan where appropriate.	Mandatory	Planning	5
		Advice and Support	Provision of days to support management in the development and maintenance of effective controls in light of new risk exposures and service changes.	Mandatory	Advice	10
		Post Audit Reviews	Follow up work to ensure that audit recommendations have been implemented.	Mandatory	Follow Up	12
		Days required to complete 2018/19 Work		High	-	5
<b>TOTAL PLANNED DAYS FOR ADULTS</b>						<b>77</b>
<b>POPULATION HEALTH</b>						
Living Well	9	Disabled Facilities Grant	Certification to confirm that expenditure has been incurred in accordance with the grant conditions.	Mandatory	Certification Work	2
	8	Active Tameside	To provide assurance that effective controls are in place to monitor the contract to ensure the agreed outcomes are delivered.	High	Contract	15
Audit Management and Support		Planning and Control	Provision of days for planning/controlling the plan including activity reporting, meetings with Senior Management and Executive Members to ensure that changes throughout the year are reflected in the plan where appropriate.	Mandatory	Planning	3
		Advice and Support	Provision of days to support management in the development and maintenance of effective controls in light of new risk exposures and service changes.	Mandatory	Advice	1
		Post Audit Reviews	Follow up work to ensure that audit recommendations have been implemented.	Mandatory	Follow Up	2
		Days required to complete 2018/19 Work		High		5
<b>TOTAL PLANNED DAYS FOR POPULATION HEALTH</b>						<b>28</b>
<b>GROWTH</b>						
Great Place/ Vibrant Economy	1	Capital Projects	To examine the project management process in respect of a number of major capital schemes to provide assurance that it is operating effectively and achieving the required outcomes.	High	Assurance	15
Starting Well	12	Inspired Spaces - Monitoring Of The Catering Contract	To provide assurance that effective controls are in place to monitor the contract to ensure the agreed outcomes are delivered.	High	Contract	15
Living Well	1	Hattersley Collaboration Agreement	To undertake an audit of the Final Accounts.	Mandatory	Certification Work	6
Audit Management and Support		Planning and Control	Provision of days for planning/controlling the plan including activity reporting, meetings with Senior Management and Executive Members to ensure that changes throughout the year are reflected in the plan where appropriate.	Mandatory	Planning	5
		Advice and Support	Provision of days to support management in the development and maintenance of effective controls in light of new risk exposures and service changes.	Mandatory	Advice	3

## INTERNAL AUDIT PLAN 2019/20

## APPENDIX 1

CORPORATE PLAN THEME	LINK TO RISK REGISTER	AUDITABLE AREA		PRIORITY	AUDIT CATEGORY	PLANNED DAYS 2019/20
		Post Audit Reviews	Follow up work to ensure that audit recommendations have been implemented.	Mandatory	Follow Up	8
		Days required to complete 2018/19 Work		High		14
<b>TOTAL PLANNED DAYS FOR GROWTH</b>						<b>66</b>

OPERATIONS AND NEIGHBOURHOODS						
Living Well	8	Homelessness and Advice	To provide assurance that effective controls are in place in respect of the Homelessness Service.	High	Assurance	15
Living Well	8	Local Authority Bus Subsidy Grant	Certification to confirm that expenditure has been incurred in accordance with the grant conditions.	Mandatory	Certification Work	2
Great Place/ Vibrant Economy	1	Audit of Final Accounts	To provide assurance that the figures contained within the final accounts are correct.	Mandatory	Contract	10
Audit Management and Support		Planning and Control	Provision of days for planning/controlling the plan including activity reporting, meetings with Senior Management and Executive Members to ensure that changes throughout the year are reflected in the plan where appropriate.	Mandatory	Planning	6
		Advice and Support	Provision of days to support management in the development and maintenance of effective controls in light of new risk exposures and service changes.	Mandatory	Advice	8
		Post Audit Reviews	Follow up work to ensure that audit recommendations have been implemented.	Mandatory	Follow Up	15
		Days required to complete 2018/19 Work		High	-	18
<b>TOTAL PLANNED DAYS FOR OPERATIONS AND NEIGHBOURHOODS</b>						<b>74</b>

GOVERNANCE						
Starting Well	5	Softbox	A review is planned to look at the whole system from Children's Services through to the payment on Softbox, to ensure that the controls to prevent overpayments are operating effectively.	High	Financial Control	15
Ageing Well	9	Deferred Payment Scheme	To provide assurance that effective controls are operating effectively in relation to the Deferred Payment Scheme.	High	Assurance	10
Living Well	1	Review of Financial Systems - Housing Benefits	To provide assurance that effect controls are operating effectively in relation to the administration of Housing Benefits.	High	Financial Control	15
Ageing Well	9	Clients Financial Affairs - Deputyships and Appointeeships	To provide assurance that effective internal controls are in place in respect of Deputyships and Appointeeships.	High	Assurance	10
Starting Well	5	Health Assessments LAC	To review the systems and processes to ensure that the data being reported is complete and accurate.	High	Assurance	15
	5	ICS Data Checks	To undertake assurance checks on the integrity, completeness and accuracy of the data.	High	Assurance	15
	1	ITRENT Self Service	To ensure that appropriate procedures have been followed prior to implementation and that the system is fit for purpose and secure.	Mandatory	Assurance	10
	1	GMPF Annual Return - Compliance Checks	To undertake checks on the compliance checklist submitted with the GMPF Annual Return, to enable it to be signed off by the Head of Risk Management and Audit Services.	Mandatory	Certification Work	4

## INTERNAL AUDIT PLAN 2019/20

## APPENDIX 1

CORPORATE PLAN THEME	LINK TO RISK REGISTER	AUDITABLE AREA		PRIORITY	AUDIT CATEGORY	PLANNED DAYS 2019/20
Corporate Support and Enabling Services	1	External Audit Checks - Payroll	To undertake checks on a sample of transactions to ensure that they are appropriate and have been appropriately authorised and correctly accounted for.	Mandatory	Financial Control	10
	1	Registrars Financial Audit	An allocation is included in the Plan each year to review the records and income in respect of individual Registrars, on cyclical basis.	Mandatory	Assurance	5
	1	Members Allowances - Publication	To provide data assurance in relation to the publication of members allowances.	Mandatory	Assurance	3
	1	Car Allowances Annual Review	To provide data assurance in relation to Car Allowances	Mandatory	Assurance	2
Audit Management and Support		Planning and Control	Provision of days for planning/controlling the plan including activity reporting, meetings with Senior Management and Executive Members to ensure that changes throughout the year are reflected in the plan where appropriate.	Mandatory	Planning	10
		Advice and Support	Provision of days to support management in the development and maintenance of effective controls in light of new risk exposures and service changes.	Mandatory	Advice	15
		Post Audit Reviews	Follow up work to ensure that audit recommendations have been implemented.	Mandatory	Follow Up	16
		Days required to complete 2018/19 Work		High	-	31
<b>TOTAL PLANNED DAYS FOR GOVERNANCE</b>						<b>186</b>

FINANCE AND ICT						
Corporate Support and Enabling Services	12	Procurement	Review days included in the plan to work in collaboration with the other STAR Councils to provide assurance that effective controls are in place.	Mandatory	Assurance	20
	1	Cashiers	To provide assurance that effective internal controls are in place in respect of the Cashiers function.	High	Financial Control	10
	1	General Ledger and Budgetary Control	To provide assurance that strong and effective controls are in place to ensure that the transactions within the general ledger are accurate and that budgetary control is robust.	High	Financial Control	15
	11	Information Governance	A review of the arrangements in place in respect of Information Governance.	High	Assurance	15
	2	ICT Business Continuity and Disaster Recovery	To provide assurance that the plans in place are robust and that the contingencies included are effective to enable the Council to continue to deliver services in the event of an IT incident.	High	Computer	20
	2	Network Security	This audit will examine the management of the network and the security measures in place to safeguard the Council's systems and information assets.	High	Computer	15
	2	3rd Party Access	To review the controls in place to provide assurance that 3rd party access to the network and systems is adequately controlled to protect systems and information assets from unauthorised access.	High	Computer	10
	1	External Audit Checks - General Expenditure	To undertake checks on a sample of expenditure transactions to ensure that they are appropriate to the needs of the Council, have been appropriately authorised and correctly accounted for. This task is undertaken on behalf of External Audit and the results are used to inform the Audit of the Final Accounts.	Mandatory	Assurance	10



## INTERNAL AUDIT PLAN 2019/20

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CORPORATE PLAN THEME	LINK TO RISK REGISTER	AUDITABLE AREA		PRIORITY	AUDIT CATEGORY	PLANNED DAYS 2019/20
Audit Management and Support		Planning and Control	Provision of days for planning/controlling the plan including activity reporting, meetings with Senior Management and Executive Members to ensure that changes throughout the year are reflected in the plan where appropriate.	Mandatory	Planning	10
		Advice and Support	Provision of days to support management in the development and maintenance of effective controls in light of new risk exposures and service changes.	Mandatory	Advice	10
		Post Audit Reviews	Follow up work to ensure that audit recommendations have been implemented.	Mandatory	Follow Up	14
		Days required to complete 2018/19 Work		High	-	5
<b>TOTAL PLANNED DAYS FOR FINANCE AND ICT</b>						<b>154</b>

GREATER MANCHESTER PENSION FUND						
Corporate Support and Enabling Services	18	GLIL	A review will take place of the systems and procedures within GLIL in respect of the investments that are currently active.	High	Assurance	15
	18	Compliance Function	A review is planned of the Compliance function to ensure that appropriate Compliance procedures have been put in place.	High	Assurance	15
	18	First Bus Asset Transfers	A check will be made to ensure that the transfer of assets in relation to the First Bus pension liabilities has been carried out correctly.	High	Assurance	10
	18	Transfer of Assets to new Custodian	Checks will be carried out to ensure the accuracy and completeness of the asset transfers between the old and new custodian.	High	Assurance	15
	18	iConnect (including visits to LA Employers)	We will sign off this new module of Altair, prior to it going live, to ensure the system is fit for purpose and secure.	High	Assurance	35
	18	Altair - Admin to Payroll Upgrade	The Payroll module of Altair is being upgraded to Java and Internal Audit have been asked to perform some data checks prior to the new upgrade going live.	High	Computer	10
	18	Benchmarking / KPI's	A review will take place of the Pension Funds Benchmarking and Performance Indicators.	High	Assurance	10
	18	Move from Citrix re Altair	We will sign off this new module of Altair, prior to it going live, to ensure the system is fit for purpose and secure.	High	Assurance	5
	11	Information Governance/GDPR	Investigation of Information Security Breaches under the Information Security Incident Reporting Procedure/Practice Note.	High	Assurance	15
	16	Visits to Employers/Payroll Providers	An allocation of days is included annually for Internal Audit to carry out visits to a sample of Employers. The auditor reviews the data held on the Employer's payroll system to ensure that the correct contributions are being paid over to the Pension Fund.	High	Assurance	80
	18	Creditor Payments	To provide assurance that all invoices and payment requisitions are paid correctly, on a timely basis, and expenditure is appropriately accounted for.	High	Assurance	15
	18	Retirement Process	To ensure that there are adequate controls in place in the administration of retirements processed by the Pension Fund.	High	Assurance	15
	12	Property Contract Management	To ensure that officers of the Pension Fund are monitoring the performance/compliance by the third party property management company (the contractor) in relation to the Property Management Contract.	High	Contract	10

## INTERNAL AUDIT PLAN 2019/20

## APPENDIX 1

CORPORATE PLAN THEME	LINK TO RISK REGISTER	AUDITABLE AREA		PRIORITY	AUDIT CATEGORY	PLANNED DAYS 2019/20
Audit Management and Support		Planning and Control	Provision of days for planning/controlling the plan including activity reporting, meetings with Senior Management and Executive Members to ensure that changes throughout the year are reflected in the plan where appropriate.	Mandatory	Planning	15
		Advice and Support	Provision of days to support management in the development and maintenance of effective controls in light of new risk exposures and service changes.	Mandatory	Advice	15
		Computer Audit Advice	To ensure that officers of the Pension Fund are monitoring the performance/compliance by the third party property management company ( the contractor) in relation to the Property Management Contract.	Mandatory	Advice	2
		Post Audit Reviews	Follow up work to ensure that audit recommendations have been implemented.	Mandatory	Follow Up	10
		Irregularity Investigations	Investigation of irregularities/frauds that may occur and the production of control reports.	High	Investigations	5
		NFI Data Matching Advice and Support	To provide assistance in investigating any cases highlighted as part of the 2018 Exercise.	High	Assurance	3
		Days required to complete 2018/19 Work		High	-	11
<b>TOTAL PLANNED DAYS FOR PENSION FUND</b>						<b>311</b>
<b>CROSS-CUTTING</b>						
Great Place/ Vibrant Economy	16	GMCA - Assurance/Grant Work	To provide assurance to the Greater Manchester Combined Authority in relation to grant certification work.	Mandatory	Certification Work	15
Corporate Support and Enabling Services	7	Statutory Compliance	To provide assurance that effective controls are in place to ensure the council is compliant in terms of the statutory requirements placed upon it.	High	Assurance	20
Audit Management and Support		Post Audit Reviews	Follow up work to ensure that audit recommendations have been implemented.	Mandatory	Follow Up	2
		Days required to complete 2018/19 Work		High	-	3
<b>TOTAL PLANNED DAYS FOR CROSS CUTTING</b>						<b>40</b>
<b>TOTAL PLANNED DAYS</b>						<b>1,191</b>
<b>COUNTER FRAUD AND INVESTIGATIONS</b>						<b>324</b>
<b>TOTAL DAYS FOR 2019/20</b>						<b>1,515</b>

# Internal Audit Services

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## Internal Audit Strategy 2019/20

## INTRODUCTION

This document sets out the overall strategy for the Internal Audit Service for the 2019/20 financial year and the strategic approach to delivering Internal Audit Services in future years.

This longer-term perspective is necessary to give some indication of how assessed risks will be reviewed, as not all risks can, due to resource constraints, be subject to review within any one year. This longer-term perspective gives direction to service delivery.

## MAIN DRIVERS IN SETTING THE DIRECTION

The work of the Internal Audit Team responds to a number of needs, some of a statutory nature, some related to supporting others, and some arising from within the Council itself. In summary, the main service drivers are:-

- The Accounts and Audit Regulations 2015;
- The requirements to meet the service scope and standards set out in the Public Sector Internal Audit Standards 2017;
- The corporate responsibilities for Section 151 of the 1972 Local Government Act and the requirement to provide assurance and support to the appointed Section 151 Officer;
- The requirements of the External Auditor;
- The desire to contribute to the achievement of council priorities, targets and objectives;
- The desire and need to meet the needs of the organisation and internal customers and external customers;
- The contributory role, in assisting with, the embedding and informing about risk management across the Council;
- Seeking to be more efficient and effective in service provision in accordance with good practice and Council policy; and
- The need for the Council to maintain an effective counter-fraud culture.

The Accounts and Audit Regulations 2015 sets out the requirements for local authorities to undertake internal audit:

“A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.”

The Public Sector Internal Audit Standards (PSIAS) 2017 provide the mission and definition of internal audit as:-

**Mission** – *To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.*

**Definition** – *Internal Auditing is an independent, objective assurance and consultancy activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.*

The PSIAS encompass the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF) as follows:-

- Mission of Internal Audit;
- Definition of Internal Auditing;
- Core Principles for the Professional Practice of Internal Auditing;
- Code of Ethics; and
- The Standards.

Section 151 of the Local Government Act requires the Council (through the Chief Financial Officer) to ensure the proper administration of the Council's financial affairs. The work of the Internal Audit supports the appointed Section 151 Officer to administer the Council's finances in a sound manner related to the associated risks, and it provides information and assurance to the Chief Finance Officer on the extent of proper administration.

The service will continue to strive to be responsive to customers and their individual needs and to add value to the organisation where it can. It largely does this through acting as a control assurance function providing assurance to managers and to the organisation on its internal control and governance arrangements. It also adds value by highlighting inefficiencies and by supporting managers in the assessment and management of risk as new service delivery models are considered.

Advice - Internal Audit staff continuously provide advice on internal control and governance issues, and the management of risks, as risk and control experts. They do this when in the field on their designated audit, or in response to direct approaches to the internal audit office by customers seeking help and support. This helps to ensure the sound and effective control of business, strategic and operational risks within the Council as changes are considered.

Counter Fraud Culture - the work of Internal Audit through testing for and preventing and detecting fraud contributes to the corporate counter fraud culture. The service will also contribute to the Anti-Fraud, Bribery and Corruption Statement of Intent and will participate in activities set out in the Fraud Response Plan.

### **WHAT THIS MEANS WE NEED TO DO:-**

In meeting these drivers and organisational needs, the Internal Audit Service will:-

- Provide assurance on the Council's internal control system, by auditing both financial and non-financial risks;
- Audit the main financial systems and other systems related to possible material misstatements, regardless of comparative risk;
- Deliver risk based assurance on those controls that mitigate significant risks;
- Fully comply with best practice as defined by Public Sector Internal Audit Standards;
- Better integrate the outcomes and other information gathered as part, of the internal audit process, with the risk management processes of the Council;
- Maintain ongoing effective relationships with the External Auditor and deliver complimentary plans of work so as to deliver an efficient audit service collectively, for the Council;
- Ensure that appropriate resources, suitably experienced, and with skills to deliver the whole plan of work are maintained within the Internal Audit Service or procured from approved providers e.g. AGMA Shared Services;
- Improve the efficiency and effectiveness of operations of the service;
- Promote good corporate governance and control practices and contribute to a good governance culture; and
- Work in a positive manner alongside customers, supporting them in the effective management of risk and service delivery.

### **HOW WILL WE DO THIS?**

**Review the whole internal control environment** - We will deliver a comprehensive plan of work such that the key elements of the internal control environment, including non-financial areas are covered on a cyclical basis. This will be evidenced through our Audit Plans. We will use this evidence to deliver an annual opinion on the internal control environment.

**Review of Main Financial and Material Systems** - We will deliver the review of the risk and controls in the Council's main financial systems on a cyclical basis to support the Chief Finance Officer (Section 151 Officer) to discharge her responsibilities.

**A System of Risk-Based Auditing** - is fundamental to our ability to comply with the assurance framework requirements that must be in place to comply with professional standards. We will continue to develop our risk based approach to ensure it is effective in providing assurance to managers within the Council and to members. We will continue to identify and review those areas which are most significant to the control of those risks that threaten the achievement of the Council's priorities and objectives.

**Compliance with Best Practice** – we have developed a methodology to measure our achievement of compliance with the PSIAS. We will monitor ourselves against these professional standards and rectify any gaps that are within our control.

**Relationship with Risk Management** - We are not responsible for the management of the Council's risks; this is entirely the responsibility of the Council's management. However, we will take account of the corporate risk management processes in the way we relate to managers in the control of risks. We will endeavour to emphasise the importance of risk management to all managers in the Council as part of the delivery of our service. We recognise that through our work we are assisting managers to better understand risk management. This is an important educational/informative role that adds value to the organisation. We will submit information of risks to the corporate owner of the Council's Corporate Risk Register as well as to managers to help keep the registers up-to-date and relevant.

**Relationship with External Auditor** – we will endeavour to work with the Council's External Auditor to share plans and maintain a process of regular liaison meetings to deliver an effective corporate assurance service to the Council.

**Relationship with other Internal Auditors** – As the Council continues on its integration journey with health partners we will endeavour to work with other Internal Auditors (Merseyside Internal Audit Agency), share plans and maintain a process of regular liaison meetings to deliver an effective corporate assurance service to the Strategic Commission.

**Appropriate Resources** – we will endeavour to maintain an effective number of staff to undertake the required workload supported by effective systems of operation. We will apply staff in the most effective way in accordance with their experience and skills and in accordance with the PSIAS. We will develop the experience of our staff by a development programme that gives them new pertinent skills, through a systematic development and training process. We will procure specialist services from approved suppliers where these skills are not available from within internal resources. The Computer Audit Plan is supplemented by procuring additional days from Salford MBC under the AGMA Computer Audit Shared Service Agreement.

**Efficiency Improvements** – We seek to minimise the time spent on audits whilst at the same time delivering effective audits. Our efficiency will also support more efficient service delivery by our customers as we try to minimise disruption and distraction to normal service delivery. We will comment on the efficient, economic and effective use of resources where appropriate in our Internal Audit work.

**Promoting Good Corporate Governance** – in all we do we will seek to promote good corporate governance, including the giving of advice and the assessment of internal controls. We will also contribute to both the Council's counter fraud culture and the development of its Anti-Fraud, Bribery and Corruption Statement of Intent through the programme of anti-fraud checks, and recommending updates to the above document. We will promote this via our work and in coordination with the External Auditor and other key governance managers within the Council.

# Internal Audit Services

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## Internal Audit Charter 2019/20

## **BACKGROUND**

The purpose of this Internal Audit Charter is to define Internal Audit's purpose, authority and responsibility. It establishes Internal Audit's position within the Council and reporting lines; authorises access to records, personnel and physical property relevant to the performance of audit work; and defines the scope of internal audit activities.

This Charter also covers the arrangements for the appointment of the Head of Risk Management and Audit (Chief Audit Executive/Head of Audit) and Internal Audit Staff, and identifies the nature of professionalism, skills and experience required.

The internal Audit function is required to comply with the Public Sector Internal Audit Standards (PSIAS). The Relevant Internal Audit Standard Setters, which includes the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Chartered Institute of Internal Auditors (CIIA) in respect of local government, have adopted the common set of standards. The initial PSIAS were introduced with effect from 1 April 2013, they were updated in 2017, and recently CIPFA published a Local Government Application Note for the UK PSIAS (February 2019). The PSIAS encompass all of the mandatory elements of the Chartered Institute of Internal Auditors International Professional Practices Framework (IPPF). Compliance with the Standards is subject to an ongoing quality assurance and improvement programme (QAIP) developed and introduced by Internal Audit to ensure continuous compliance with the Standards.

The mission and definition for Internal Audit are defined by the Public Sector Internal Audit Standards and detailed below:

## **MISSION**

To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.

## **DEFINITION**

Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

## **STANDARDS**

The Public Sector Internal Audit Standards require that the Internal Audit Charter defines the terms 'board' and 'senior management' in relation to the work of Internal Audit. For the purposes of internal Audit work, the 'board' refers to the Council's Audit Panel/Greater Manchester Pension Fund Local Board which have delegated responsibility for overseeing the work of Internal Audit. Senior management is defined as the Chief Executive and members of the Council's Single Leadership Team.

## **RESPONSIBILITY AND OBJECTIVES OF INTERNAL AUDIT**

Internal Audit is responsible for establishing procedures and applying the required resources to ensure that the service conforms with the Definition of Internal Auditing and the Standards. The members of the Internal Audit Team must demonstrate conformance with the Code of Ethics and the Standards.

The Head of Risk Management and Audit (Chief Audit Executive/Head of Audit) must deliver an annual audit opinion and report that can be used by the organisation to inform its Annual Governance Statement. The Annual Audit Opinion must conclude on the overall adequacy and



effectiveness of the organisation's framework of governance, risk management and control. This is the 'assurance role' for internal Audit.

Internal Audit may also provide an independent and objective consultancy service, which is advisory in nature and generally performed at the specific request of the organisation. The aim of the consultancy service is to help line management improve the Council's risk management, governance and internal control. This is the 'Consultancy' role for Internal Audit and contributes towards the overall opinion.

## **RESPONSIBILITIES OF THE COUNCIL**

The Council is responsible for ensuring that Internal Audit is provided with all necessary assistance and support to ensure that it meets the required standards.

The Section 151 Officer will make appropriate arrangements for the provision of an Internal Audit Service. This will include the formal adoption of this Charter by the Audit Panel and the adoption of corresponding elements in the Financial Regulations.

The Council will ensure it has taken all necessary steps to provide Internal Audit with information on its objectives, risks, and controls to allow the proper execution of the Audit Strategy and adherence to internal audit standards. This will include notifying internal audit of any significant changes in key control systems which may affect the Internal Audit Plan.

The Council, through the Chief Executive, Section 151 Officer and other relevant managers, will respond promptly to audit plans, reports and recommendations.

Responsibility for monitoring and ensuring the implementation of agreed recommendations rests with the managers within the Council.

## **INDEPENDENCE OF INTERNAL AUDIT**

The internal Audit activity must be independent and Internal Auditors must be objective in performing their work. The Head of Risk Management and Audit (Chief Audit Executive/Head of Audit) must confirm, at least annually, the organisational independence of the internal audit activity. Internal Audit should have no operational responsibilities within the line management structure.

## **HEAD OF RISK MANAGEMENT AND (CHIEF AUDIT EXECUTIVE/HEAD OF AUDIT)**

The Head of Risk Management and Audit (Chief Audit Executive/Head of Audit) will be appointed in accordance with the Council's Recruitment and Selection Policy and will have sufficient skills, experience and competencies to work with the Single Leadership Team, the Audit Panel and the Greater Manchester Pension Fund Local Board to influence the risk management, governance and internal control of the Council. The Head of Risk Management and Audit (Chief Audit Executive/Head of Audit) is responsible for ensuring that there is access to the full range of knowledge, skills, qualifications and experience to deliver the Audit Plan and meet the requirements of the PSIAS. In addition to internal audit skills, the Head of Risk Management and Audit (Chief Audit Executive/Head of Audit) will specify any other professional skills that may be needed by the Internal Audit Team. The Head of Risk Management and Audit (Chief Audit Executive/Head of Audit) will hold a full, professional qualification, defined as CCAB, CMIIA or equivalent professional membership and adhere to professional values and the Code of Ethics.

## **RELATIONSHIPS**

The Head of Risk Management and Audit (Chief Audit Executive/Head of Audit) reports directly to the Director of Finance (Section 151 Officer). The Head of Risk Management and Audit (Chief Audit Executive/Head of Audit), or an appropriate representative of the Internal Audit Team, shall attend meetings of the Audit Panel and the Greater Manchester Pension Fund Local Board

unless, exceptionally, the Panel/Board decides that they should be excluded from either the whole meeting or for particular agenda items.

The Head of Risk Management and Audit (Chief Audit Executive/Head of Audit) shall have an independent right of access to the Chair of the Audit Panel and Greater Manchester Pension Fund Local Board. In exceptional circumstances, where normal reporting channels may be seen to impinge on the objectivity of the audit, the Head of Risk Management and Audit (Chief Audit Executive/Head of Audit) may report directly to the Chair of the Audit Panel or Greater Manchester pension Fund Local Board.

Internal Audit and External Audit will agree a protocol for co-operation which will make optimum use of the available audit resources.

## **SCOPE OF INTERNAL AUDIT**

The Head of Risk Management and Audit (Chief Audit Executive/Head of Audit) should develop and maintain a strategy for providing the Chief Executive and the Section 151 Officer economically and efficiently, with objective evaluation of, and opinions on, the effectiveness of the Council's risk management, governance and internal control arrangements. The Audit Plan will be risk based, prepared in consultation with Directorate Management Teams and Executive Members and be presented to the Audit Panel and Greater Manchester Pension Fund Local Board for approval. The Head of Risk Management and Audit's (Chief Audit Executive/Head of Audit) Annual Opinion is a key element in the framework of assurance that the Chief Executive and the Executive Leader of the Council need to inform the completion of the Annual Governance Statement (AGS).

## **OPINION WORK**

The internal Audit activity must evaluate and contribute to the improvement of governance, risk management and control processes using a systematic and disciplined approach that is aligned with all of the strategies, objectives and risks to the Council.

## **GOVERNANCE**

Internal Audit must assess and make appropriate recommendations for improving the governance process in its accomplishment of the following objectives:-

- promoting appropriate ethics and values within the organisation;
- ensuring effective organisational performance management and accountability;
- communicating risk and control information to appropriate areas of the organisation; and
- co-ordinating the activities of and communicating information among the Audit Panel and Greater Manchester Pension Fund Local Board, External and Internal Auditors and management.

## **RISK MANAGEMENT**

Internal Audit must evaluate the effectiveness and contribute to the improvement of risk management processes by assessing that:-

- organisational objectives support and align with the organisation's vision;
- significant risks are identified and assessed;
- appropriate risk responses are selected that align risks with the organisation's risk appetite; and
- relevant risk information is captured and communicated in a timely manner across the organisation, enabling staff, management and the board to carry out their responsibilities.

## **INTERNAL CONTROL**

Internal Audit must assist the organisation in maintaining effective controls by evaluating their effectiveness and efficiency and by promoting continuous improvement. The Internal Audit activity must evaluate the adequacy and effectiveness of controls in responding to risks within the organisation's governance, operations and information systems regarding the:

- achievement of the organisation's strategic objectives;
- reliability and integrity of financial and operational information;
- economical, effective and efficient use of resources;
- effectiveness and efficiency of operations and programmes;
- safeguarding the Council's assets and interests from losses of all kinds, including those arising from fraud, irregularity corruption or bribery; and
- compliance with laws, regulations, policies, procedures and contracts.

Internal Audit utilise a dynamic risk based planning system designed to proactively identify audits to address any emerging and developing risks on an ongoing and 'future focussed' basis.

Internal Audit will promote and contribute to continuous ongoing improvements in systems across the Council by identifying and recommending best practice actions following audit work completed.

Where key systems are being operated on behalf of the Council or where key partnerships are in place the Head of Risk Management and Audit (Chief Audit Executive/Head of Audit) must ensure arrangements are in place to form an opinion on their effectiveness.

Where the Council operates systems on behalf of other bodies, the Head of Risk Management and Audit (Chief Audit Executive/Head of Audit) must be consulted on the audit arrangements proposed or in place.

It is management's responsibility to ensure the provision for relevant audit rights of access in any contract or Service Level Agreement the Council enters into, either as provider or commissioner of the service.

## **NON – OPINION WORK**

Internal Audit may provide, at the request of management, a consultancy service which evaluates the policies, procedures and operations put in place by management. A specific contingency should be made in the Internal Audit Plan to allow for management requests and consultancy work. The Head of Risk Management and Audit (Chief Audit Executive/Head of Audit) must consider the effect on the opinion work before accepting consultancy work or management requests over and above the contingency allowed for in the Internal Audit Plan. In the event that the proposed work may jeopardise the delivery of the Audit Opinion, the Head of Risk Management and Audit (Chief Audit Executive/Head of Audit) must advise the Section 151 Officer before commencing the work. The Head of Risk Management and Audit (Chief Audit Executive/Head of Audit) must consider how the consultancy work contributes towards the overall opinion.

## **FRAUD**

Managing the risk of fraud is the responsibility of line management; however the Section 151 Officer retains specific responsibilities in relation to the detection and investigation of fraud. The Internal Audit Service provides a counter fraud function that includes undertaking work of a proactive nature, conducting substantive audits in key risk areas as well undertaking some reactive work of an investigatory nature involving suspected fraud. In addition, the service is responsible for maintaining effective counter fraud policies and procedures for the Council including the Counter Fraud, Money Laundering and Bribery and Corruption policies. Internal Audit should be notified of

all suspected or detected fraud, corruption or impropriety, to inform their opinion on the control environment and their audit plan.

## **REPORTING**

The Head of Risk Management and Audit (Chief Audit Executive/Head of Audit) will agree reporting arrangements with the Chief Executive and the Section 151 Officer which will include procedures for the:-

- distribution and timing of draft audit reports;
- Council's responsibilities in respect of responding to draft audit reports;
- distribution of finalised audit reports;
- follow up by Internal Audit of agreed recommendations; and
- escalation of recommendations where management responses are judged inadequate in relation to the identified risks.

The Head of Risk Management and Audit (Chief Audit Executive/Head of Audit) will present a formal report annually to the Chief Executive, Section 151 Officer and the Audit Panel and Greater Manchester Pension Fund Local Board giving an opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management, and internal control. This report will conform to the PSIAS for the Head of Risk Management and Audit (Chief Audit Executive/Head of Audit) and will be timed to support the production of the Council's Annual Governance Statement. Reports of progress against the planned work will be presented to the Audit Panel and Greater Manchester Pension Fund Local Board on a regular basis during the year.

## **INTERNAL AUDIT ACCESS RIGHTS**

Designated auditors are entitled, without necessarily giving prior notice, to require and receive from the Council and any associated or contracted bodies including any shared service providers or trading companies:-

- access to all records, documents and correspondence relating to any financial or other relevant transactions, including documents of a confidential nature;
- access at all reasonable times to any land, premises, officer and member of the Council;
- the production of any cash, stores or other property of the Council under an officer's and member's control; and
- explanations concerning any matter under investigation.

## **Internal Audit Resources**

If the Head of Risk Management and Audit (Chief Audit Executive/Head of Audit) or the Audit Panel and Greater Manchester Pension Fund Local Board consider that the level of audit resources or the terms of reference in any way limit the scope of Internal Audit, or prejudice the ability of Internal Audit to deliver a service consistent with the Definition of Internal Auditing and the Standards, they should advise the Chief Executive and the Section 151 Officer accordingly.

# Internal Audit Services

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## Quality Assurance and Improvement Programme 2019/20

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## 1. Introduction

- 1.1 Internal Audit's Quality Assurance and Improvement Programme is designed to provide reasonable assurance to the various stakeholders of the Internal Audit activity that Internal Audit:-
- Performs its work in accordance with its Charter, which is consistent with the Public Sector Internal Audit Standards Mission for Internal Audit, Definition of Internal Auditing and Code of Ethics;
  - Operates in an effective and efficient manner; and
  - Is perceived by stakeholders as adding value and improving Internal Audit's operations.
- 1.2 Internal Audit's Quality Assurance and Improvement Programme covers all aspects of the Internal Audit activity in accordance with the Public Sector Internal Audit Standards, Standard 1300 (Quality Assurance and Improvement Programme), including:-
- Monitoring the Internal Audit activity to ensure it operates in an effective and efficient manner;
  - Ensuring compliance with the Public Sector Internal Audit Standards, Mission for Internal Audit, Definition of Internal Auditing and Code of Ethics;
  - Helping the Internal Audit activity add value and improve organisational operations;
  - Undertaking both periodic and on-going internal assessments; and
  - Commissioning an external assessment at least once every five years, the results of which are communicated to the Audit Panel and the Greater Manchester Pension Fund Local Board in accordance with Standard 1312.
- 1.3 The Head of Risk Management and Audit Services is ultimately responsible for the Quality Assurance and Improvement Programme, which covers all types of Internal Audit activities, including consulting.

## 2. Internal Assessments

- 2.1 In accordance with PSIAS Standard 1300, internal assessments are undertaken through both on-going and periodic reviews.

### On-going Reviews

- 2.2 Continual assessments are conducted through:
- Management supervision of all engagements;
  - Structured, documented review of working papers and draft reports by Internal Audit management;
  - Audit Policies and Procedures used for each engagement to ensure consistency, quality and compliance with appropriate planning, fieldwork and reporting standards;
  - Internal Quality Control Checklist to ensure consistency of reporting and reduce administrative error (**Appendix A**);
  - Feedback from audit clients obtained through Customer Satisfaction Questionnaires at the closure of each engagement (**Appendix B**);
  - Monitoring of internal performance targets (**Appendix C**) and annual outturn reporting to the Audit Panel;
  - Review and approval of all final reports, recommendations and levels of assurance by the Head of Risk Management and Audit Services and Principal Auditors; and
  - Regular team briefings.

### Periodic Reviews

- 2.3 Periodic assessments are designed to assess conformance with Internal Audit's Strategy, Charter, the Public Sector Internal Audit Standards Mission and Definition of Internal Auditing, the Core Principles for the Professional Practice of Internal Auditing, the Code of

Ethics, and the efficiency and effectiveness of Internal Audit in meeting the needs of its various stakeholders. Periodic assessments are conducted through:

- Quarterly Update Reports, presented to the Audit Panel and the Greater Manchester Pension Fund Local Board;
- Annual risk assessments, in accordance with the Audit Charter 2019/20 and the Audit Manual, for the preparation of the annual audit plan;
- Annual review of the Effectiveness of Internal Audit, undertaken by the Head Risk Management and Audit, using the PSIAS standards as the basis for the self-assessment;
- Annual review of compliance against the requirements of this Quality Assurance and Improvement Programme, the results of which are reported to the Audit Panel;
- Feedback from the Director of Finance, the Assistant Director of Finance and Audit Panel to inform the annual appraisal of the Head of Internal Audit, in accordance with Standard 1100;
- Annual Development Reviews conducted for each Internal Auditor based on the principles of the CIPFA Guidance document “The Excellent Internal Auditor” (2010) to inform the appraisal process and identify individual training and development needs.

2.4 Results of internal assessments will be reported to the Audit Panel and the Greater Manchester Pension Fund Local Board annually. The Head of Risk Management and Audit will implement appropriate follow-up to any identified actions to ensure continual improvement of the service.

2.5 Any significant areas of non-compliance with the Public Sector Internal Audit Standards that are identified through internal assessment will be reported in the Review of Internal Audit Report and Head of Risk Management and Audit’s Annual Report which are both used to inform the Annual Governance Statement.

### **3. EXTERNAL ASSESSMENTS**

3.1 External assessments will appraise and express an opinion about Internal Audit’s conformance with the Public Sector Internal Audit Standards Mission of Internal Audit, Definition of Internal Auditing and Code of Ethics and include recommendations for improvement, as appropriate.

#### **Frequency of External Assessment**

3.2 An external assessment will be conducted at least every five years, in accordance with the Public Sector Internal Audit Standards. A system of Peer Reviews will be undertaken across the North West Chief Audit Executive Group. The Council’s Internal Audit Service was assessed in March 2018 and was judged to conform to the standards, some minor recommendations were made during the Peer Review and these are detailed in Section 4 below.

#### **Scope of External Assessment**

3.3 The external assessment will consist of a broad scope of coverage that includes the following elements of Internal Audit activity:

- Conformance with the *Standards*, Mission of Internal Audit, Definition of Internal Auditing, the Code of Ethics, and Internal Audit’s Charter, Strategy, plans, policies, procedures, practices, and any applicable legislative and regulatory requirements;
- Integration of the Internal Audit activity into Tameside’s governance framework, including the audit relationship between and among the key groups involved in the process;
- Tools and techniques used by Internal Audit;



- The mix of knowledge, experiences, and disciplines within the staff, including staff focus on process improvement delivered through this Quality Assurance and Improvement programme;
- A determination whether Internal Audit adds value and improves Tameside's operations.

3.4 Results of external assessments will be provided to the Director of Finance and the Assistant Director of Finance and the Audit Panel/Greater Manchester Pension Fund Local Board. The external assessment report will be accompanied by a written action plan in response to significant comments and recommendations identified. Any significant areas of non-compliance will be reported in the Annual Report of the Head of Risk Management and Audit and in the Annual Governance Statement.

#### 4. SERVICE DEVELOPMENTS

4.1 The recommendations and Improvements for consideration from the Public Sector Internal Audit Standards External Peer Review conducted in March 2018 have been reviewed and are detailed in **Appendix D**.

4.2 Five recommendations were made and four have been implemented. The one outstanding recommendation is detailed below and will be progressed during 2019/20.

Recommendation	Progress as at March 2019
PSIAS Standard 1130  Consider allocating the formal SIRO designation to a chief officer, even if the internal audit team continues to support the SIRO function	The roles relating to Information Governance are still being assessed as the Council and CCG continue to integrate.

4.3 Three improvements were identified for consideration and all have been implemented, however, as one relates to training this will continue to feature as a development for the service for the new financial year:-

- Consideration should be given to identifying the skills needs by the audit team to assist the Council with its current transformation programme and provide training and development opportunities to address any skills shortage.

4.4 The PSIAS Self-Assessment for 2018/19 identified a further development area in relation to training records as follows:-

Improvement	Assessment/Comment
Do internal auditors maintain a record of their professional development and training activities?	A single record is not available at present and the information is contained in Annual Development Review Forms and the Me Learning System. During 2019/20 the service will pilot an electronic training record being developed as part of a self-service option on the Payroll/HR System iTrent.

4.5 To review the Post Audit Review process to consider whether the use of the Audit Management system 'Galileo' can realise any further efficiencies in the process.

- 4.6 To finalise the review all fraud, bribery and corruption policies, procedures and plans etc. to ensure they are fit for purpose, seeking the appropriate approval and then consider how to effectively disseminate the information to members and officers.
- 4.7 To work with the Assistant Director of Finance and the Deputy Chief Finance Officer (CCG) to develop a greater understanding of the Clinical Commissioning Group's services to develop an integrated service offering.
- 4.8 To conduct a service review with the assistance of the Assistant Director of Finance to ensure that the staffing structure across the whole of the Risk Management and Audit Service is effective to deliver the expectations placed upon the team.

## **5. REVIEW OF THE QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME**

- 5.1 This document will be appropriately updated following any changes to the Public Sector Internal Audit Standards or Internal Audit's operating environment and will be reviewed at least on an annual basis.

**QUALITY CONTROL CHECKLIST – NON SCHOOL AUDITS**

No.	Task	AUDITOR INITIALS/DATE	SUPERVISOR INITIALS/DATE
<b>1</b>	<b>ASSIGNMENT PLANNING</b>		
1.1	<p>Before an audit is allocated, the Principal Auditor needs to speak to the relevant AD and ask if the audit is still relevant and whether there are any issues in the area preventing us from doing the work.</p> <p>Need to ascertain from the AD if there are any:</p> <ul style="list-style-type: none"> <li>• Ombudsman complaints</li> <li>• Significant CRM complaints</li> <li>• Court Proceedings against the Council</li> <li>• HR Issues</li> <li>• To confirm the Executive Member</li> </ul> <p>Principal Auditor to also check with Insurance to ensure there are no insurance issues/claims.</p>		
1.2	<p>If any issues are highlighted, discuss further with HR/Legal to determine whether the audit should go ahead or be postponed.</p>		
1.3	<p>Assignment allocated to auditor(s) from Audit Plan and Galileo updated.</p>		
1.4	<p>Speak to key Auditee to agree the timing of the audit.</p>		
1.5	<p>Familiarisation with audit area by reading/ reviewing:</p> <ul style="list-style-type: none"> <li>• Business Plan/other background papers/information (Intranet)</li> <li>• Review previous working paper file, report and PAR if applicable and note any outstanding issues, which may impact upon the terms of reference.</li> <li>• CIPFA Matrices</li> <li>• TIS Online</li> <li>• Better Governance Forum</li> </ul>		
1.6	<p>Meet with key auditee(s) to discuss and agree the Terms of Reference and the expected dates for the Draft Report and Closure Meeting.</p> <p>Request access to the relevant systems as required. Also request any data</p>		

<b>QUALITY CONTROL CHECKLIST – NON SCHOOL AUDITS</b>			
<b>No.</b>	<b>Task</b>	<b>AUDITOR INITIALS/DATE</b>	<b>SUPERVISOR INITIALS/DATE</b>
	downloads/reports that could be obtained to carry out analysis and testing.		
1.7	Draft Terms of Reference for review by Principal/Senior Auditor		
1.8	Email approved Terms of Reference to: Auditee Director/Assistant Director Chief Executive (SP) Monitoring Officer (SS) Section 151 Officer (KR) AD Finance (Deputy Section 151 Officer) Executive Member(s) ** AD Legal Services AD People and Workforce Development Finance Business Partner External Audit BCC to Head of Risk Management and Audit ** Check the Executive Member(s) is still relevant and whether they have an assistant.		
1.9	Update Galileo with audit start date and the date the Terms of Reference was issued.		
<b>2</b>	<b>FIELDWORK</b>		
2.1	For each area of risk being reviewed, identify expected controls that need to be in place to manage those risks.  Each risk and its expected controls need to be entered onto Galileo on the Internal Control Evaluation/Action Plan (ICEAP).		
2.2	To ascertain the actual controls in place send a copy of the ICEAP to the auditee and make an appointment to visit them to agree the actual controls.		
2.3	Record the actual controls in place as per management on the ICEAP at the meeting using your laptop where possible to reduce re-working.		
2.4	Compare the actual controls against the expected controls.		

<b>QUALITY CONTROL CHECKLIST – NON SCHOOL AUDITS</b>			
<b>No.</b>	<b>Task</b>	<b>AUDITOR INITIALS/DATE</b>	<b>SUPERVISOR INITIALS/DATE</b>
2.5	Where there is no control or the control is unsatisfactory, record this as a finding and make an appropriate recommendation.		
2.6	Where the control appears to be satisfactory identify your testing and complete the testing section within Galileo.		
2.7	Agree test programme and prioritisation of the tests with Principal/Senior Auditor.		
2.8	Conduct tests and record results in Galileo in the Testing sections, attaching working papers where appropriate.  Use IDEA where possible to select samples and also to carry out tests.		
2.9	Monitor time closely to ensure planned days are not exceeded.  Ensure you leave yourself with some contingency days to undertake follow up work needed after the Draft Report and working papers have been reviewed by Principal/Senior.		
2.10	If you think you will exceed your planned days, you need to discuss progress with your Principal/Senior to review the scope and testing plan for the audit.		
2.11	Update the ICEAP with test results in terms of concise findings and recommendations.		
2.12	Discuss findings and recommendations with key auditee(s). Do not indicate what level of assurance may be allocated at this stage, in case it is altered when it is reviewed.		
<b>3</b>	<b>REPORTING</b>		
3.1	Produce the Draft Report comprising of Executive Summary, ICEAP and appropriate audit opinion.		
3.2	Ensure all required documents in respect of the audit are scanned into Galileo and stored in the working papers section.		

<b>QUALITY CONTROL CHECKLIST – NON SCHOOL AUDITS</b>			
<b>No.</b>	<b>Task</b>	<b>AUDITOR INITIALS/DATE</b>	<b>SUPERVISOR INITIALS/DATE</b>
3.3	Pass the completed work and Draft report to Principal/Senior Auditor for review.		
3.4	Review notes compiled by Principal/Senior Auditor and followed up by Auditor concerned.		
3.5	If any HR or legal issues have been identified as part of the audit please arrange to speak to the AD Legal Services or People and Workforce Development for clarification. The objective here is to ensure that Legal agree with the auditee and that HR can give consideration to issues highlighted as there may be wider implications.		
3.6	Auditor to start completion of the Job Appraisal Sheet.		
3.7	Send Draft Report to each Auditee via e-mail, stating that they will be contacted to arrange a closure meeting to discuss the report and obtain management responses.  Inform auditee(s) that they will be expected to have prepared responses to the recommendations and completed the action plan prior to the closure meeting.		
3.8	If a LOW Level of Assurance is given ensure that the appropriate AD is sent a copy of the Draft Report.		
3.9	Update Galileo accordingly.		
3.10	Arrange Closure Meeting within two weeks (of issue date) with all auditees responsible for implementing the recommendations (Principal/Senior Auditor to attend as appropriate).		
3.11	Attend Closure Meeting. At the meeting check again with all present whether there are any: <ul style="list-style-type: none"> <li>• Ombudsman complaints</li> <li>• Significant CRM complaints</li> <li>• Court Proceedings against the Council</li> <li>• HR Issues</li> <li>• Confirm the Executive Member and/or</li> </ul>		

QUALITY CONTROL CHECKLIST – NON SCHOOL AUDITS			
No.	Task	AUDITOR INITIALS/DATE	SUPERVISOR INITIALS/DATE
	Assistant  Also check again with Insurance to ensure there are no insurance issues/claims?		
3.12	If there are any issues the audit must be discussed with the Head of Risk Management and Audit Services.		
3.13	Compile Final Report, incorporating management responses within the Action Plan. (Also, action to be taken by whom and by when)		
3.14	Final Report reviewed by Principal/Senior Auditor.		
3.15	If any Legal or HR implications (or references to Legal/HR) have come to light in any of the management responses these must be referred to Aileen Johnson and Tracy Brennan for clearance before the AD/D is asked to sign off the report.		
3.16	Final Report to be signed off by AD/D – Ask AD/D if any: <ul style="list-style-type: none"> <li>• Ombudsman complaints</li> <li>• Significant CRM complaints</li> <li>• Court Proceedings against the Council</li> <li>• HR Issues</li> <li>• To confirm the Executive Member and/or Assistant</li> </ul> Also check again with Insurance to ensure there are no insurance issues/claims?		
3.17	Email Final Report to Head of Risk Management and Audit for review before it is issued. If no response is received within two weeks send a reminder email.		
3.18	Once review points have been cleared email Final Report in PDF format to:  Auditees Director/Assistant Director, Chief Executive (SP) Monitoring Officer (SS) Section 151 Officer (KR)		

**QUALITY CONTROL CHECKLIST – NON SCHOOL AUDITS**

No.	Task	AUDITOR INITIALS/DATE	SUPERVISOR INITIALS/DATE
	AD Finance (Deputy Section 151 Officer) Executive Member(s) Finance Business Partner External Audit		
3.19	If the Level of Assurance is LOW email a copy of the report to Councillor Bill Fairfoull, Deputy Executive Leader.		
3.20	Update Galileo accordingly, ensuring that the Level of assurance is entered correctly and that a copy of the Final Report is saved.		
3.21	Email Customer Questionnaire (CQ) and update Galileo accordingly. Add calendar date for follow up in two weeks.		
3.22	If CQ is not returned within two weeks of issue, chase it up and ensure receipt of completed questionnaire.  Any problems should be reported to Principal/Senior Auditor.		
3.23	Enter date of receipt and CQ results into Galileo.		
3.24	Job Appraisal Sheet to be completed and discussed with Auditor.		
3.25	Ensure that Galileo has been updated, a copy of the Final Report uploaded and the Level of Assurance recorded correctly.		
3.26	Auditor to schedule the PAR in calendar for three or six months time depending on level of assurance given.		
3.27	Update the PAR Spreadsheet with details.		
3.28	Scan the completed QCC into Galileo		
<b>4</b>	<b>FOLLOW UP</b>		
4.1	Before a Post Audit Review (PAR) is allocated, the Principal Auditor needs to speak to the relevant AD and ask if the PAR is still relevant and whether there are any issues in the area preventing us from doing the work.		



**QUALITY CONTROL CHECKLIST – NON SCHOOL AUDITS**

No.	Task	AUDITOR INITIALS/DATE	SUPERVISOR INITIALS/DATE
	<p>Need to ascertain from the AD if there are any:</p> <ul style="list-style-type: none"> <li>• Ombudsman complaints</li> <li>• Significant CRM complaints</li> <li>• Court Proceedings against the Council</li> <li>• HR Issues</li> <li>• To confirm the Executive Member</li> </ul> <p>Principal Auditor to also check with Insurance to ensure there are no insurance issues/claims.</p>		
4.2	Principal Auditor to determine the number of days for the PAR and update Galileo accordingly.		
4.3	When allocated with a PAR issue the Post Audit Review documentation to the responsible Officers.		
4.4	Update the PAR spreadsheet.		
4.5	Arrange a meeting to discuss the PAR and obtain confirmation of what action has been taken.		
4.6	Conduct PAR, based upon information obtained/ received. Ensure that adequate testing is undertaken and evidence is obtained and uploaded on to Galileo to support implementation of the recommendation(s).		
4.7	Compile PAR, incorporating management responses and Internal Audit Findings.		
4.8	PAR reviewed by Principal/Senior Auditor.		
4.9	If any Legal or HR implications (or references to Legal/HR) have come to light these must be referred to Aileen Johnson and Tracy Brennand for clearance before the AD/D is asked to clear the report.		
4.10	Obtain sign-off from AD/D - Ask AD/D if any complaints, ombudsman complaints or HR issues are ongoing which may be affected if the PAR were to be issued.		

**QUALITY CONTROL CHECKLIST – NON SCHOOL AUDITS**

No.	Task	AUDITOR INITIALS/DATE	SUPERVISOR INITIALS/DATE
4.11	Email a copy of PAR to the Head of Risk Management and Audit for comments. Indicate the Level of Assurance given at the audit and whether it contains any outstanding significant recommendations that need to be reported to the Audit Panel or Greater Manchester Pension Fund's Local Board. If no response is received within two weeks send a reminder email.		
4.12	Once review points have been cleared issue PAR (in PDF Format) to all recipients of the Final Report.		
4.13	Update Galileo accordingly		
4.14	Update the PAR Spreadsheet accordingly.		
4.15	Save a copy of the finalised PAR in Galileo.		
4.16	If a follow up PAR is needed, schedule in calendar, update Galileo and the PAR Spreadsheet accordingly.		
4.17	Scan the completed QCC into Galileo		
4.18	When the follow up PAR is due, follow steps 4.1 – 4.17 if applicable.		

**CUSTOMER SATISFACTION QUESTIONNAIRE**

To:  
**Audit**  
 Title:  
 Auditor:

Date:  
 Project  
 Ref:

In accordance with the concept of Continual Improvement, the Internal Audit Section is continually monitoring and striving to improve its methods of operation, with the aim of giving you a better service.

Part of this process involves obtaining your opinion on individual audits, the process adopted and the conduct of audit staff.

Your comments/feedback is important to us, not only will it be used to improve the audit process but also to identify training needs for individual auditors.

	Excellent	Good	Fair	Weak	Unsatisfactory
<b>AUDIT PLANNING</b>					
Consultation on audit coverage, process and timing					
<b>AUDIT PROCESS</b>					
Were interruptions to your operations kept to a minimum?					
How well did we achieve the scope and objectives?					
Did the audit cover the relevant business risks?					
<b>QUALITY OF AUDIT REPORT</b>					
Clarity of report					
How well did we communicate the findings of the audit prior to issuing the draft report?					
Accuracy of audit findings					
Value/practicality of audit recommendations					
<b>TIMING</b>					
Duration of the audit					
Timeliness of the draft audit report					
<b>AUDITOR</b>					
Communication with yourself and auditees.					
At the conclusion of the audit how well did the auditor understand the subject?					
Was the auditor responsive to what he/she was told?					
How well were queries that arose during the audit dealt with?					
<b>EQUALITY</b>					
During the audit process have you been treated fairly with regards to ethnicity, gender, disability, age, religion/belief and sexual orientation?					

**If Unsatisfactory or Weak is selected please explain why. We cannot improve without knowing the reasons behind these lower scores.**

- A. Was there anything about the audit that you especially liked/disliked?
- B. Do you have any comments about the format of the audit report?
- C. Was the audit useful?
- D. Was the audit relevant?
- E. Have you any suggestions as to how we can improve?

Signed ..... Date .....

Thank you for taking the time to complete this questionnaire.  
 Please return it to Wendy Poole, Audit Manager in Room 2.33a or by email  
[wendy.poole@tameside.gov.uk](mailto:wendy.poole@tameside.gov.uk)

APPENDIX C

**INTERNAL AUDIT – PERFORMANCE TARGETS**

<b>CATEGORY</b>	<b>DESCRIPTION</b>	<b>NARRATIVE</b>	<b>HOW IT'S MEASURED</b>	<b>TARGET</b>
COMPLIANCE	Public Sector Internal Audit Standards Compliance	Level of compliance with requirements of Public Sector Internal Audit Standards / Local Government Application Note	Annual Self-Assessment / External Assessment (5 yearly)	100%
OUTPUTS	Audit coverage	% of Plan Complete	Audit time recording / workflow management system	90%
OUTPUTS	Audit Impact	% Recommendations Implemented	Audit time recording / workflow management system	90%
QUALITY	Customer Satisfaction	90% of customers "satisfied ≥ 65%"	Customer Satisfaction Questionnaire	100%
OUTPUTS	Fraud Cases	No. of Irregularities Reported/Investigated	Audit time recording / workflow management system	Downward Trend

## Public Sector Internal Audit Standards – Action Plan 2018/19

PSIAS Ref	Ref No.	Recommendations	Responsible	2018/19 Review
1110	1	Consideration should be given to obtaining formal feedback from the Chief Executive and Chair of Audit Committee for the annual appraisal of the Head of Risk Management and Audit.	Director of Finance	Implemented. This has been taken on board for The Annual Development Review for the Head of Risk Management for 2019
1130	2	Consider allocating the formal SIRO designation to a chief officer, even if the internal audit team continues to support the SIRO function.	Director of Finance Director of Governance and Pensions	Ongoing. The roles relating to Information Governance are still being assessed as the Council and CCG continue to integrate.
2010	3	Consideration should be given to demonstrating how the audit plan and priorities align to the corporate risk register, assurance framework, link to the Council's objectives and priorities and the prioritisation of audit assignments.	Wendy Poole Head of Risk Management and Audit Services	Implemented. The Audit Plan for both 2018/19 and 2019/20 presented to the Audit Panel included links to the Corporate Plan and Corporate Risk Register.
2010	4	The audit plan could be more specific to outline what an optimum level of staff would be able to deliver. This would enable the Audit Panel and Senior Management Team to make an informed assessment of the adequacy of staffing levels.	Wendy Poole Head of Risk Management and Audit Services	Implemented. This recommendation was built into the 2018/19 Audit Plan Report and has been reflected in the Risk Management and Audit Services Planned Work report for 2018/19 and will be incorporated in all reported going forward.
1300	5	The Quality Assurance and Improvement Programme (QAIP) should include an action plan identifying steps which will be taken to continually improve the service and enable	Wendy Poole Head of Risk Management and	Implemented. This was included in Quality Assurance and Improvement Programmes (QAIP) for 2018/19 and

PSIAS Ref	Ref No.	Recommendations	Responsible	2018/19 Review	
		Audit Panel to monitor progress. The Quality Assurance and Improvement Programme should also be referenced in the Annual Report.	Audit Services	2019/20 and will be incorporated in future years.	
<b>Improvements for Consideration</b>					
1		The Audit Plan and Progress reports to Audit Panel are described as reports of the AD Finance/Director of Finance with the Head of Risk Management and Audit also listed as a reporting officer. To ensure that audit retains its organisational independence we recommend that the reports go in the name of the Head of Risk Management and Audit.	Wendy Poole Head of management Audit Services	Risk and	Implemented.  The Audit Plan and Progress reports to the Audit Panel are now presented in the name of the Head of Risk Management and Audit Services.
2		Consideration should be given to identifying the skills needs by the audit team to assist the Council with its current transformation programme and provide training and development opportunities to address any skills shortage.	Wendy Poole Head of management Audit Services	Risk and	Implemented and Ongoing.  This was considered in 2018/19 and is being considered as part of the Annual Development Review process currently under way and will be further reflected in team developments sessions planned for the coming year.
3		Clearer guidance on the extent of post audit review work should be documented in line with the number and priority of recommendations. In addition, improved transparency could be achieved by including post audit reviews in the periodic progress reports to Audit Panel. Consideration should also be given to the process for agreeing extensions to target implementation dates and post audit review timings.	Wendy Poole Head of management Audit Services	Risk and	Implemented.  Guidance has been provided for the team and the detail of Post Audit Reviews completed is now included in Progress Reports presented to the Audit Panel.

<b>Report to:</b>	<b>AUDIT PANEL</b>
<b>Date:</b>	4 June 2019
<b>Reporting Officer:</b>	Kathy Roe – Director of Finance Tom Wilkinson – Assistant Director of Finance
<b>Subject:</b>	<b>DRAFT STATEMENT OF ACCOUNTS 2018/19</b>
<b>Report Summary:</b>	This report presents the draft Statement of Accounts for 2018/19. The draft accounts are subject to audit during June and July, with the audit due for completion and sign off before 31 July 2019. The audited statement of accounts will be presented to the Audit Panel on 23 July 2019 for approval.
<b>Recommendations:</b>	The Panel is asked to note the draft Statement of Accounts ( <b>Appendix 1</b> ) and the timescales for completion of the audit.
<b>Corporate Plan:</b>	The Corporate Plan helps determine the priorities for Council spending, which is summarised in the 2018/19 accounts.
<b>Policy Implications:</b>	There are no wider policy implications arising from this report.
<b>Financial Implications: (Authorised by the statutory Section 151 Officer &amp; Chief Finance Officer)</b>	<p>The Statement of Accounts 2018/19 provide full details of the Council's financial position at 31 March 2019 and its income and expenditure for the year there ended.</p> <p>The accounts are prepared in accordance with the CIPFA Code of Practice for Local Authority Accounting which is based on International Financial Reporting Standards. The Council was required to prepare draft financial statements by 31 May 2019. These draft financial statements will now be subject to external audit and audited statements must be approved by 31 July 2019.</p>
<b>Legal Implications: (Authorised by the Borough Solicitor)</b>	There is a statutory duty imposed on the Council to be able to provide adequate evidence for all its financial activities set out in the Local Government and Housing Act 1989. The preparation of the annual accounts and the audit of those accounts is the main mechanism by which the adequacy of those records is tested.
<b>Risk Management:</b>	The external audit provides external verification of the Council's financial statements. By producing the annual Statement of Accounts, the Council aims to give all interested parties confidence that the public money that has been received and spent, has been properly accounted for and that the financial standing of the Council is secure.
<b>Background Information:</b>	The background papers relating to this report and any further information can be obtained from the report writer, Heather Green, Finance Business Partner



Telephone: 0161 342 2929



e-mail: [heather.green@tameside.gov.uk](mailto:heather.green@tameside.gov.uk)

## **1 INTRODUCTION**

- 1.1 The current legislation enables the draft Statement of Accounts to be certified by the Director of Finance (Section 151 Officer) and this was completed before 31 May 2019. External Audit will commence their work on site in June. The Audit Panel will be asked to approve the audited Statement of Accounts at its meeting on 23 July, and audited financial statements must be published by 31 July 2019.
- 1.2 The accounts are prepared in accordance with the CIPFA Code of Practice for Local Authority Accounting, which is based on International Financial Reporting Standards. The full financial statements are included in **Appendix 1**.

## **2 UPDATES TO THE 2018/19 CODE OF PRACTICE ON LOCAL AUTHORITY ACCOUNTING**

- 2.1 Officers have assessed the accounting policies that are deemed necessary to explain clearly and underpin the accounting treatment of transactions within the Council's Statement of Accounts for 2018/19. In undertaking this assessment a review of all accounting policies previously agreed has been undertaken to check their relevance, clarity, legislative compliance and that they are in accordance with the latest version of 'the Code' and IFRS requirements. The draft accounting policies for 2018/19 were presented to the Audit Panel in March 2019. Changes have made to the accounting policies to reflect the adoption of IFRS 9 (Financial Instruments) and these changes are set out in the Accounting Policies report which is a separate item on this agenda.

## **3 KEY MESSAGES**

- 3.1 The Comprehensive Income and Expenditure Statement (CIES) reports an overall deficit for the year of £71,007k. This deficit is for accounting purposes only and includes a number of non-cash items which are not funded from the Council's resources. The revenue outturn position reported to members in June 2019 is an overall underspend (surplus) on the revenue budget for 2018/19 of £26k. Note 1 to the financial statements provides a reconciliation between the revenue budget outturn position and the deficit reported on the CIES.
- 3.2 The Movement in Reserves Statement (MiRS) summarises the movements on the different reserves held by the Council. The level of earmarked reserves held by the Council has reduced during 2018/19 due to the planned use of reserves to fund capital expenditure and to fund investment in Children's Social Care. A further breakdown of the earmarked reserves is included in note 11 to the accounts.
- 3.3 The overall net assets of the Council reported on the Balance Sheet have reduced significantly during the year. This is in part due to the planned reduction in usable reserves, but also reflects the increase in the actuarial valuation of the Council's Local Government Pension Scheme Liabilities. The increase in the liability is due to changes in the financial assumptions used by the pension fund Actuary. The pension liability is calculated on an accounting basis, considering the whole life of the fund over the next 20-25 years. Minor changes in the financial assumptions can have a significant impact on the valuation of the scheme in the long term.
- 3.4 The 2018/19 outturn position on the Collection Fund is better than originally forecast due to income from Business Rates exceeding initial forecasts, and the level of provision required for non-collection of Council Tax and appeals against Business Rates are both lower than originally anticipated. The cumulative deficit on Business Rates will be funded from the NNDR deficit reserve in 2019/20. The cumulative surplus on Council Tax will be transferred



to earmarked reserves in 2019/20, and the Medium Term Financial Plan assumes that this surplus will be used to support the budget over the next five years.

#### **4 RECOMMENDATIONS**

4.1 As set out on the front of the report.

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# Tameside MBC

## Statement of Accounts

2018/19

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# **Narrative Report and Financial Summary**

This section identifies and briefly explains each part of the document and includes an overview by the Director of Finance (Section 151 Officer) on the Council's financial performance during the accounting period.

## Narrative Report and Financial Summary

### 1) Executive Summary

The following pages present the Council's accounts for the financial year ended 31 March 2019. By producing this report, the Council aims to give all interested stakeholders – electors, local residents, Council Members, partners, local businesses and others - confidence that the public money that has been received and spent has been properly accounted for and that the financial standing of the Council is secure.

The purpose of this Narrative Report is to provide an overall explanation of the Council's financial position, including major influences affecting the accounts, and to enable readers to understand and interpret the accounting statements. It sets out in the following sections:

- 2) **Corporate Leadership and Strategy;**
- 3) **The Profile of the Borough;**
- 4) **The year in review: Financial Performance in 2018/19;**
- 5) **Financial Strategy: Outlook for 2019/20 and future years;**
- 6) **The Financial Statements: basis of preparation, purpose and summary; and**
- 7) **Significant transactions in 2018/19.**

It should be noted that although the Statement of Accounts is produced annually, the Members and Senior Officers of the Council receive monthly financial reports throughout the year on overall performance against budget for revenue budget and quarterly for capital budgets. These monthly and quarterly reports are considered by Executive Cabinet and are available on the Council's Website. The Medium Term Financial Plan (MTFP), which sets out the financial plan for the next five years, is also updated during the year and reported formally to both Members and Officers, and available on the Council's website. The figures presented in the accounts are consistent with the other reports that have been published during the year.

The effectiveness with which the Council has been able to prepare its accounts, meeting the stringent requirements of quality and timeliness that are set for us, is an important measure of the overall quality of our financial management. These accounts have been prepared in advance of the previous year, meeting the statutory deadline for the preparation and publication of draft financial statements by 31 May 2019. The external audit will take place during June and July, with audited financial statements published by 31 July 2019.

### 2) Corporate Leadership and Strategy

The Council's political leadership is responsible for delivering on priorities, and the Executive Cabinet determines where investment and resources will be allocated in line with these priorities. This process culminates in the annual Budget Report through which the Executive Cabinet recommends to the Council the overall budget. The same principles are applied to the formulation of the capital programme.

At the heart of the leadership structure is the Executive Leader, supported by the Executive Cabinet Members. In turn, they are supported by the Executive Team led by the Chief Executive. Plans drawn up for each service area identify the priorities for that area within the context of the Council's overall priorities. Alongside Executive Cabinet, the Strategic Commissioning Board, a joint Board of the Council and Tameside and Glossop Clinical Commissioning Group (CCG) Members, is the decision making body for health and social care investment within a pooled budget arrangement (Section 75).

More information on the activities, leadership structure and governance of the Council (including the Constitution, Management structure, meeting agendas and minutes) can be found on the Council's website, located at [www.tameside.gov.uk](http://www.tameside.gov.uk). The Council's Annual Governance Statement,

published alongside the Statement of Accounts, provides further information on the governance arrangements in place to ensure proper discharge of its functions.

As an organisation the Council uses its resources, such as money, people and buildings, to deliver the maximum benefit for communities in Tameside. During 2018/19, a new Corporate Plan has been developed to outline the strategic direction of the Tameside and Glossop Strategic Commission (Council and CCG) for the next seven years. A copy of the Corporate Plan 'Our People, Our Place, Our Plan' can be found on the Council's website at [www.tameside.gov.uk](http://www.tameside.gov.uk).

The Plan covers a seven year time frame (2019-2026) and sets out the aspirations we have to deliver improved outcomes for our community. The Plan is set out across the life course and reflects the importance of a vibrant place and economy in delivering our aspirations. The Plan contains a series of statements about our vision for the people and place of Tameside and Glossop. The document also sets out a series of reform principles which underpin the delivery of the strategy and will enable our workforce and stakeholders to understand the way in which we will work.

The new Corporate Plan is underpinned by the Greater Manchester Public Reform Principles. These principles set out the way in which we will operate now, and in the future, to deliver the plan and improve outcomes for our residents and communities.

- A new relationship between public services and citizens, communities and businesses that enables shared decision making, democratic accountability and voice, genuine co-production and joint delivery of services. Do with, not to.
- An asset based approach that recognises and builds on the strengths of individuals, families and our communities rather than focussing on the deficits.
- Behaviour change in our communities that builds independence and supports residents to be in control
- A place based approach that redefines services and places individuals, families, communities at the heart.
- A stronger prioritisation of well-being, prevention and early intervention
- An evidence led understanding of risk and impact to ensure the right intervention at the right time.
- An approach that supports the development of new investment and resourcing models, enabling collaboration with a wide range of organisations.

### **3) The Profile of the Borough**

The profile of the Borough in terms of its population and economy is a key driver of the scope and type of services the Council provides to local people. Set out below are some key facts which provide some detail.

#### **Population**

The demographic of Tameside is similar to that in the rest of England, although it has slightly more under 16's than average and slightly fewer older people than average. It is also slightly less diverse than the England average. Office for National Statistics Mid-Year Estimates for 2016 show that Tameside had a total estimated population of 223,109. Within Tameside's population:

- 44,188 were aged 0-15 years (19.82% of Tameside's population);
- 140,050 were aged 16-64 (62.71% of Tameside's population); and
- 38,951 were aged 65 or over (17.47% of Tameside's population).

Tameside has a slightly higher proportion of residents aged under 16 (19.82% compared to 19.05% England overall) and fewer people aged 65 or over (17.47% compared to 17.88% England overall). ONS Subnational Population Projection data from 2014 indicates that Tameside's population is projected to increase to around 229,070 (c.2.7%) by 2024. Much of this growth is due to projected increases in the number of people aged 65 and over; a projected 18.15% increase in this age group between 2014 and 2024. Clearly, this increase in the 65+ population will continue to increase demand for social care services in the future.

According to the 2011 Census, the majority of Tameside's residents belong to the White ethnic group (90.9% compared to 85.4% England overall). Within Tameside's population:

- Of the 90.9% of residents who belong to the White ethnic group, the majority (88.5%) are White British; and
- The second largest ethnic group in Tameside is Asian/Asian British (6.6%); of which Pakistani (2.2%) and Bangladeshi (2.0%) are the largest groups.

#### **Deprivation**

The Government collates a variety of economic and social measures to create indices of relative affluence and deprivation based on geographical areas. These help the Council to target services to our most vulnerable residents, as well as helping to identify areas of lesser need where early intervention will help prevent costs at a later date. According to the Indices of Deprivation 2015:

- Of the 141 areas in Tameside, 8 of these fall within the most deprived 5% nationally and a further 16 fall within the most deprived 10% nationally;
- In total, 13.4% of Tameside residents live in income-deprived households;<sup>1</sup>
- Of those children aged 0-15, 13.7% live in income-deprived households (Income Deprivation Affecting Children Index); and
- Of those residents aged 65 and over, 4.5% live in income-deprived households (Income Deprivation Affecting Older People Index).

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<sup>1</sup> Based on the number of residents that fall within the most deprived 5% and 10% nationally for a particular indicator.



## **Education**

- In Tameside, 64% of pupils (70% of boys and 58% of girls) met the expected standard in reading, writing and maths at Key Stage 2 in 2018 compared to 65% nationally (61% of boys and 69% of girls); and
- 62% of school children (59% of boys and 65% of girls) in Tameside achieved a standard 9-4 pass in English and Maths at GCSE level in 2018 compared to 64% nationally (61% of boys and 68% of girls).

## **Economy**

- The median annual income for a full time worker in Tameside in 2017 was £24,357. This is lower than both the North West median of £26,746 and England of £29,079<sup>2</sup>;
- The claimant count as a proportion of the working age population in Tameside in March 2018 was 2.8% (Unchanged from March 2017). This rate is higher than the England average of 2.1%. The male claimant count has remained steady at 3.5% from March 2017-18, however the female claimant count has increased slightly from 2.1% to 2.2% over the same period.<sup>3</sup>
- 3.6% of young people aged 16 to 18 in Tameside were not in education, training or employment (NEET) in April 2018, with the highest ward rate in Dukinfield (6.2%). The lowest ward rate was Denton West (0.9%).
- The Borough hosts over 7,586 business addresses, with a combined rateable valuation of over £147 million at 31 March 2018.

## **Housing**

- There are 101,330 dwellings on the valuation list in Tameside as of the latest Housing Needs Assessment (September 2017).
- At the time of the Census in 2011 there were 94,953 households, of which 60,558 (63.8%) are privately-owned, 20,438 (21.5%) are social-rented, 12,573 (13.2%) are privately rented and 1,384 (1.5%) in shared ownership or other.
- According to the 2015 Sub-Regional Fuel Poverty Data, 11.9% of Tameside households are in fuel poverty.

## **Health**

Health and wellbeing in Tameside is generally worse than England with heart disease, stroke, cancer and liver disease being significant issues.

Healthy life expectancy at birth is currently 57.6 years for females and 58.1 years for males in Tameside. This is significantly lower than the England average of 63.9 years for females and 63.3 years for males.

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<sup>2</sup> Annual survey of hours and earnings - resident analysis (2017). The earnings information collected relates to gross pay before tax, national insurance or other deductions, and excludes payments in kind. Full-time workers are defined as those who work more than 30 paid hours per week or those in teaching professions working 25 paid hours or more per week.

<sup>3</sup> This experimental series counts the number of people claiming Jobseeker's Allowance plus those who claim Universal Credit and are required to seek work and be available for work and replaces the number of people claiming Jobseeker's Allowance as the headline indicator of the number of people claiming benefits principally for the reason of being unemployed. The JSA datasets have all been moved to a new Jobseeker's Allowance theme. Under Universal Credit a broader span of claimants are required to look for work than under Jobseeker's Allowance. As Universal Credit Full Service is rolled out in particular areas, the number of people recorded as being on the Claimant Count is therefore likely to rise.

Life expectancy locally is 8.6 years lower for females and 8.1 years lower for males in the most deprived areas of Tameside compared to the least deprived areas. Life expectancy at birth is currently 80.8 years for females and 77.5 years for males in Tameside. This is lower than the England average of 83.1 years for females and 79.6 for males.

Reducing the gap in life expectancy that exists between different parts of the Borough, by ensuring that all residents have the same opportunities to live and work well, is a key priority for the Council.

#### 4) The Year in Review: Financial Performance in 2018/19

##### REVENUE BUDGET

In February and March 2018, the Strategic Commission agreed 2018/19 budgets for the Tameside and Glossop Clinical Commissioning Group (CCG) and Tameside Council. These budgets were set in the context of continued funding cuts in local government, and significant growing demographic and demand pressures across the health economy. Children's Social Care and Continuing Health Care were identified as particularly significant pressures and budgets included significant Targeted Efficiency Programme (TEP) savings targets which needed to be delivered to achieve a balanced position by 31 March 2019.

During 2018/19, the Strategic Commission has been reporting on the financial position of the Tameside Health Economy as a whole in monthly Integrated Commissioning Fund (ICF) financial monitoring reports. These monthly reports have been supplemented by deep dive detailed service area reports on a quarterly basis.

Year End Position £000's	Final Year End Position				
	Expenditure Budget	Income Budget	Net Budget	Net Actual	Net Variance
Acute	202,864	0	202,864	203,848	(984)
Mental Health	32,842	0	32,842	33,794	(952)
Primary Care	82,954	0	82,954	82,144	810
Continuing Care	14,126	0	14,126	15,808	(1,681)
Community	29,966	0	29,966	30,246	(279)
Other CCG	34,525	0	34,525	32,705	1,820
CCG TEP Shortfall (QIPP)	0	0	0	0	0
CCG Running Costs	5,209	0	5,209	3,941	1,268
Adults	82,653	(42,172)	40,480	40,449	31
Children's Services	46,819	(3,051)	43,768	51,810	(8,043)
Education	25,386	(19,824)	5,562	5,269	293
Individual Schools Budgets	120,994	(120,994)	0	0	0
Population Health	17,186	(680)	16,506	16,156	350
Operations and Neighbourhoods	76,737	(26,448)	50,288	50,870	(582)
Growth	39,894	(34,875)	5,020	6,532	(1,512)
Governance	86,438	(77,606)	8,832	7,067	1,765
Finance & IT	6,103	(1,550)	4,553	4,140	413
Quality and Safeguarding	367	(288)	79	45	33
Capital and Financing	13,869	(1,360)	12,509	10,587	1,922
Contingency	3,323	(6,823)	(3,500)	(6,195)	2,695
Corporate Costs	9,038	(6,622)	2,416	(242)	2,658
<b>Integrated Commissioning Fund</b>	<b>931,292</b>	<b>(342,293)</b>	<b>589,000</b>	<b>588,974</b>	<b>26</b>

Year End Position £000's	Final Year End Position				
	Expenditure Budget	Income Budget	Net Budget	Net Forecast	Net Variance
CCG Expenditure	402,486	0	402,486	402,486	0
TMBC Expenditure	528,807	(342,293)	186,514	186,488	26
<b>Integrated Commissioning Fund</b>	<b>931,292</b>	<b>(342,293)</b>	<b>589,000</b>	<b>588,974</b>	<b>26</b>

For the 2018/19 financial year the Integrated Commissioning Fund has spent £588,974k, against a net budget of £589,000k, meeting financial control totals and delivering an under-spend of £26k. This overall underspend at a global level has only been possible as a result of non-recurrent financial interventions and it should be noted that contained within this position are several directorates with significant overspend, including Children's Services which has spent £8,043k in excess of budget.

The 2018/19 budget required delivery of a significant number of savings. Whilst there has been some success, a number of planned savings were not delivered which required other non-recurrent measures or unplanned savings in other areas. The 2018/19 budget had already assumed the use of reserves of £12.5m including £11.6m to support Children's Services, and the small underspend has only been delivered through additional income, one-off savings and early delivery of some savings planned for future years.

The revenue budget structure reflects the Strategic Commission's organisation and management structure for the delivery of services. The Expenditure and Funding Analysis Note 1 provides a reconciliation between the surplus of £0.026m on the Revenue Budget and the net deficit on the provision of services reported on the face of the Comprehensive Income and Expenditure Statement (CIES). The CIES includes a number of non-cash items which are required under accounting standards but are not costs that can be charged to Council Tax Payers.

## COLLECTION FUND

Collection Fund 2018/19 Outturn Position £000s	Budget		Outturn		Variation	
	Council Tax	NDR	Council Tax	NDR	Council Tax	NDR
	£000s	£000s	£000s	£000s	£000s	£000s
Total Income	(104,481)	(55,850)	(104,529)	(56,569)	48	719
Total Expenditure	106,229	60,827	102,576	57,164	3,653	3,663
<b>(Surplus)/deficit for the year</b>	<b>1,748</b>	<b>4,977</b>	<b>(1,953)</b>	<b>594</b>	<b>3,701</b>	<b>4,383</b>
Balance brought forward	(15,050)	63	(15,050)	63		
(Surplus)/deficit for the year	1,748	4,977	(1,953)	594	3,701	4,383
<b>Balance carried forward</b>	<b>(13,302)</b>	<b>5,040</b>	<b>(17,003)</b>	<b>657</b>	<b>3,701</b>	<b>4,383</b>
Share of (surplus)/deficit						
The Council	(11,355)	4,989	(14,472)	651	3,117	4,339
Central Government						
Mayoral Police and Crime Commissioner	(1,401)		(1,821)		421	
GM Fire and Rescue Authority	(546)	50	(709)	7	163	44
<b>Total (Surplus)/Deficit</b>	<b>(13,302)</b>	<b>5,040</b>	<b>(17,003)</b>	<b>657</b>	<b>3,701</b>	<b>4,383</b>

The 2018/19 outturn position on the Collection Fund is better than originally forecast due to income from Business Rates exceeding initial forecasts, and the level of provision required for non-collection of Council Tax and appeals against Business Rates are both lower than originally anticipated.

The budget assumed an in year deficit on both Council Tax and Business Rates. Due to the key factors identified above, there is an in year surplus on Council Tax and the deficit on Business Rates is significantly lower than originally anticipated.

The cumulative deficit on Business Rates will be funded from the NNDR deficit reserve in 2019/20. The cumulative surplus on Council Tax will be transferred to earmarked reserves in 2019/20, and the Medium Term Financial Plan assumes that this surplus will be used to support the budget over the next five years.

Both the level of Business Rates and Council Tax income has been closely monitored during the financial year and collection rates have remained strong. The in-year Council Tax collection rate was 93.41% against a target of 93.5%. Cumulative collection rates after six years exceed 98%. The in-year Business Rates collection rate was 96.83% against a target of 96.6%. Cumulative collection rates after six years average 97.5%.

**ADULTS SERVICES**

Year End Position £000's	Final Year End Position				
	Expenditure Budget	Income Budget	Net Budget	Net Actual	Net Variance
Adults	82,653	(42,172)	40,480	40,449	31

The outturn position in Adults services is net of a number of variances within the service, including significant variations from budget for Nursing and Residential care placements, with additional expenditure being partly offset by additional income.

Adult Services provides a wide variety of functions and services including assessment and care management, direct provision of services and a commissioning and contract monitoring function. The service employs approximately 570 staff to deliver these services.

Approximately 70% of all direct provision services are commissioned in the independent sector – this includes residential and nursing care, home care services, 24 supported accommodation services for people with learning disabilities and extra care housing. Services are delivered for older people, people with learning disabilities, mental health issues and physical disabilities.

Key Achievements and Successes 2018/19 include:

- Reablement and Shared Lives services were rated as 'Good' by the Care Quality Commission (CQC).
- Services continued to support people to live independently in their own homes.
- The first phases of the new Support at Home model were implemented and have already started to see good outcomes for people.
- Improved quality across local residential and nursing homes as recognised by CQC inspections
- An increase in the number of people with learning disabilities in paid employment.
- A reduction in the number of younger people being placed in out of area residential placements
- Services were delivered within the allocated budget, though this was supported with additional funding via non recurrent improved Better Care Fund (iBCF)
- The allocation of winter pressures funding has been undertaken in collaboration with the whole health and care system i.e. Integrated Care Foundation Trust (ICFT) and the voluntary and community sector.
- At the end of 2018 Adult Services were helping 2,844 service users to remain in their own homes with some service users receiving more than one type of service - 4,706 services provided.
- Early help prevention based services are supporting 6,502 people outside the social care system including: Community Response Service - 2,765 people, grant funded services - 1,848, Health and Wellbeing services - 934 and new Integrated Urgent Care Team users who are signposted to low level services - 955.
- 91.4% of people completing reablement leave the service with either no package or a reduced package of care; an increase of 5% points on the previous year.
- Improvements were made in all of the seven national indicators that measure social care user's experience and satisfaction with our services. Overall satisfaction of the care and support received by service users improved by 4% points to 64% narrowing the gap to 1% point with the England average.
- Significant improvement has been made in helping adults with learning disabilities into paid employment (6.8%) and is now above the England average (6%).

## CHILDREN'S SERVICES – SOCIAL CARE

Year End Position £000's	Final Year End Position				
	Expenditure Budget	Income Budget	Net Budget	Net Actual	Net Variance
Children's Social Care	46,819	(3,051)	43,768	51,810	(8,043)

The Council continues to experience extraordinary increases in demand for Children's Social Care Services, placing significant pressures on staff and resources. The number of Looked after Children has continued to increase during 2018/19 from 612 at 31 March 2018 to 655 at 31 March 2019. The number of Looked after Children in April 2016 was 435.

Despite the additional financial investment in the service in 2017/18 and 2018/19, the expenditure has exceeded the approved budget due primarily to additional placement costs. It should be noted that the 2018/19 placements budget was based on the level of Looked After Children at December 2017 (585), which was thought to be a peak in the cycle; an increase of 70 (12%) against the plan. The implementation and development of the Looked After Children Reduction Strategy is a key priority for the service which should improve outcomes for Children whilst also reducing financial pressures.

The Council has allocated significant additional investment to the directorate budget provision over recent years to support the necessary service improvements. Recurrent budget increases have been supplemented with £24m of additional one-off investment from reserves over the period 2017/18 to 2020/21 (£2.3m in 2017/18, £11.6m in 2018/9, £6.3m in 2019/20 and £3.8m in 2021/21). A further £6m of reserves was approved for investment in Children's Services over the two year period 2019/20 and 2020/21 as part of the 2019/20 budget. Whilst requesting additional investment from reserves, the medium term financial plan assumes that spending reductions can be achieved in Children's Services in the medium term as the number of placements reduces. Delivery within budget is essential to ensure the financial sustainability of the Council.

Children's Services has a responsibility to:

- work with partners to promote prevention and early intervention and offer early help so that emerging problems are dealt with before they become more serious.
- promote effective and caring corporate parents for looked after children, with key roles in improving their educational attainment, providing stable and high quality placements and proper planning for when they leave care;
- providing services for children involved in the youth justice system (including those leaving custody), secure the provision of education for young people in custody and ensure that safeguarding responsibilities are effectively carried out.
- understand local need and secure provision of services taking account of the benefits of prevention and early intervention and the importance of co-operating with other agencies to offer early help to children, young people and families.

Services provided include Out of hours emergency support; A multi-agency "front door" access point; Statutory assessments of need; Assessment, planning, intervention and review for children in need, child protection and looked after children including care leavers; A range of early help assessment and support; Youth Offending services; and one of three key partners in local safeguarding arrangements.

Performance of the Children's Social Care Services is currently judged as inadequate by the regulator. Since this judgement in November 2016, slow but notable improvements have been made, but whilst much more of our activity is now judged to be requires improvement or good, there remains significant inconsistency.

Following the appointment a permanent Director of Children's Services, Assistant Director of Children's Services and a number of new permanent posts, performance through 2018/19 has been on a slow, but the upward trajectory of many key indicators showing a positive direction of travel, including a reduction in referrals for statutory services, reduced numbers of children's subject to a child protection intervention/ plan, or requiring statutory support as a Child in Need. A new operating mode – Signs of Safety - has been successfully launched and significant progress has been made in developing a locality based early help offer.

The service continues to face both long term challenges over Social Worker and first line manager recruitment and retention, and a more recent acute shortage of locum Social Workers across the region. Recruitment and retention of a stable workforce therefore remains a key priority for 2019/20

Quality audits show that whilst the large majority of casework meets standards that are either Requires Improvement or Good, some casework remains Inadequate, although a relentless focus upon driving up standards does mean that this is reducing, this remains a priority for 2019/20.

The implementation of a Multi Agency Safeguarding Hub (MASH) incorporated within an overarching and locality based operational model spanning Early Help and Social Care, has the aim of protecting and safeguarding the most vulnerable children from harm, neglect and abuse by taking a more holistic view of the needs and situation of those most vulnerable. We anticipate fully embedding this model in 2019/20.

The number of Looked After Children remains high and this a priority for 2019/20 to ensure that only those children who need to enter care, and that once in care, plans for permanency are both agreed and implemented in good time.

## EDUCATION AND SCHOOLS

Year End Position £000's	Final Year End Position				
	Expenditure Budget	Income Budget	Net Budget	Net Actual	Net Variance
Education	25,386	(19,824)	5,562	5,269	293
Individual Schools Budgets	120,994	(120,994)	0	0	0

The Education outturn variance is a net position, with pressures on Special Educational Needs transport due to an increase in children eligible for statutory support and an increase in statutory work regarding Education Healthcare Plans (EHCP) Assessments, being offset by budget savings due to proactive management action including significant vacancy management.

The Education Service has the following key functions:

- Early Years – to ensure sufficient provision is available and that the quality is either good or outstanding
- School Improvement – to ensure that all education provision is either good or outstanding
- Place Planning & Admissions – to ensure we have sufficient school places and that children all have fair access to our schools
- Special Educational Needs – to ensure that all children's needs are accurately assessed at the first opportunity and they receive education provision that meets their needs and helps them to achieve their potential
- Alternative Provision– to deliver provision for children who are too ill to attend school and those who have been permanently excluded from school
- Virtual School – to fulfil our corporate parenting responsibility for children in care
- Specialist Services – to manage resources, governor services, school attendance service, elective home education, children missing education, music service



The statutory functions for which the Directorate is responsible are set out in paragraph 91 of Schools Revenue Funding 2017 to 2018. As outlined in the Schools Strategy the Council is committed delivering more assertive and systematic leadership in order to deliver these key functions. To do this well we will be a credible, effective and responsive partner for schools and central government and have an effective and engaged relationship with all our schools. Our success is dependent on mutual co-operation. Achievements and successes in 2018/19 include:

- Improved service capacity and the stability of our workforce.
- Re-established key partnerships with school leaders and key external partners.
- Brought heightened rigour, structure and systematic analysis to our school improvement function
- Increase in proportions of pupils at the expected standard at KS1 and KS2.
- Increase in the proportions of pupils achieving strong passes in English and maths at KS4.
- A big increase in the number of pupils attending good or outstanding secondary schools
- Increase in EET and Participation rates.
- EHC plans maintained by Tameside is 1339, 977 in 2017 and 828 in 2016.
- The volume of plans completed in the 2018 calendar year was 343, (2017 -166) (2016- 76.)
- 88% of young people were placed in their 1<sup>st</sup> choice secondary school. 98% of young people were placed in one of their preferences.
- 86% of children were placed in their 1<sup>st</sup> choice primary school. 96% were placed in one of their preferences.
- 85% of 2 year olds are benefitting from universal funded early education places – up from 73% in 2016.
- 98% of 3 and 4 year olds are benefitting from universal funded early education places

**POPULATION HEALTH**

Year End Position £000's	Final Year End Position				
	Expenditure Budget	Income Budget	Net Budget	Net Actual	Net Variance
Population Health	17,186	(680)	16,506	16,156	350

The net variation reflects a number of underspends and pressures across the service, including £284k due to vacant posts across the directorate during the year together with a £34k saving in quarter four relating to the vacant consultant of Population Health post.

Population health is an approach to health that aims to improve the health of the entire population and to reduce health inequities among population groups. In order to reach these objectives, it looks at and acts upon the broad range of factors and conditions that have a strong influence on our health.

Population health signals a change in the way health care is accessed, provided and utilized — a move away from reactive responses to an individual's health needs. The concept marks a fundamental shift towards outcomes-based, proactive approaches to a given population with attention directed toward larger, socially grouped needs and prevention efforts while reducing disparity and variation in care delivery.

The Council has a duty to take such steps as it considers appropriate for improving the health of the people in its area. The funding is provided to discharge population health responsibilities that are summarised as:

- Improve significantly the health and wellbeing of local populations;

- Carry out health protection and health improvement functions delegated from the Secretary of State Reduce health inequalities across the life-course, including within hard to reach groups
- Ensure the provision of population healthcare advice.

In addition to services commissioned via the population health budget the Directorate has responsibility for the commissioning and management of the Active Tameside management agreement and capital programme, and population health leadership for Starting Well and Early Years provision across the Borough delivering priority objectives as set out in the Corporate Plan. Key achievements and successes in 2018/19 include:

- Agreed business cases for the Population Health Investment Fund to include support for children and families, long term conditions and mental health
- Support and implementation of the Early Help integrated neighbourhood model
- The development, launch and implementation of a new Sex and Relationships Curriculum for Tameside Schools in preparation for statutory duties come September 2019.
- Transformation funding secured for Babyclear, smokefree pregnancy and reducing Alcohol Exposed pregnancies
- Smoking prevalence reduced from 22.1% to 17.6%
- Creation of a Food Strategy group to drive food system transformation work
- Sexual health service launched new digital offer, review of Emergency Hormonal Contraception and participation in GM HIVE to eradicate new cases of HIV in a generation
- Age-Friendly Tameside programme developed including 'take a seat' project.
- Secured funding from Sport England and a bid to the Design Council to co-design a local plan.

**OPERATIONS AND NEIGHBOURHOODS**

Year End Position £000's	Final Year End Position				
	Expenditure Budget	Income Budget	Net Budget	Net Actual	Net Variance
Operations and Neighbourhoods	76,737	(26,448)	50,288	50,870	(582)

The net variation reflects a number of underspends and pressures across the service. Underspends are largely due to vacancies which have arisen due to retirements and difficulties in recruitment in Cultural & Customer Services, Design & Delivery, Environmental Services (Public Protection), Operations & Greenspace, and Highways & Transport. These under-spends are reducing the level of overspend which has occurred due to:

- Increases and a late adjustment to the Waste Levy and Passenger Transport Levy
- Additional costs and a reduction in income on both new and existing car parks.
- Operations & Greenspace have had a continued shortfall in income from Ashton Market due to the on-going development works in Ashton Town Centre.
- There continues to be additional waste disposal costs within the street cleansing service, however this method of disposal is better value for the Council.
- Waste Management have incurred expenditure on caddy liners to encourage recycling of food waste, however there is no budget provision for this until 19/20.
- Winter maintenance (gritting) has overspent as a result of the weather conditions experienced. Additional budget provision will be allocated in 19/20.

The Directorate delivers services such as refuse, highways, engineering, regulatory services, culture, libraries, parks, green spaces and the local street scene which enhance people's lives and

improve the health & wellbeing of residents. In addition, customer services, welfare rights, homelessness services and the emergency on-call service help residents with a wide range of problems from minor issues to major, life-changing crises. The bereavement service helps residents through the end of their lives. Operations and Neighbourhood Services provide fundamental and essential front-line services which affect every Tameside resident of every age, every day of their lives. Key Achievements and successes in 2018/19 include:

- Supporting the Residents in a number of high profile and life threatening situations including the Micklehurst Floods, Saddleworth Fire, Ray Mill Collapse.
- Extraction from the Waste PFI contract and shaping future Waste Disposal Contract
- Delivery of a new libraries operating model including self-service, increased online offer and increased access - Open + Libraries.
- Maintaining recycling levels well above the national average and in the upper quartile of GM performance, whilst generating the lowest levy across GM.
- Implementation of Single Regulatory Service – Integration of INS, CCTV, Planning, Waste, Fire and Highways enforcement.
- Establishment of a new Community Safety Partnership.
- Delivery of new homelessness model with innovative solutions and new GM partnerships including A Bed for Every Night
- Supporting the establishment of the Neighbourhood Forum
- Portland Basin Museum awarded Excellent by Trip Advisor
- Delivery of high profile event programme Establishment of Events Panel and the delivery of the programme Theatre in the Park
- Achieved DfT Incentive Fund Band 3, successful bid for DfT funding for A670 Road Safety Fund for 2019/20
- Implementation new Highway Risk Management Inspection Policy and Winter Maintenance Policy in accordance with revised national Code of Practice
- Delivery of year two of four year TAMP investment
- Successful external audit on Transport Operator Licence Compliance Achieved 100% external HGV/PSV testing pass rate
- Investment in fleet cleaning facilities.
- Develop a National Database for revoked and refused Drivers in partnership with NAFN and the IOL.
- Deliver on the AGMA Better Regulation Agenda with the appointment of an officer to lead on this work.
- Brought the highway weed-spraying back in-house which has improved quality and reduced cost.
- The design of a bespoke 'STRIVE' course for frontline manual staff.
- Prevented homelessness through debt advice and county court representation with a 99% success rate
- Achieved a positive outcome at 76% of welfare benefit appeals through benefits advice and tribunal

**GROWTH**

Year End Position £000's	Final Year End Position				
	Expenditure Budget	Income Budget	Net Budget	Net Actual	Net Variance
Growth	39,894	(34,875)	5,020	6,532	(1,512)

The net variation reflects a number of underspends and pressures across the service. The total overspend is being reduced by underspends on staffing costs due to vacancies across the service,

and a delay in expenditure on the Local Plan. The Directorate has experienced a number of budget pressures in 2018/19 due to:

- Additional costs incurred due to fees charged by PwC relating to the liquidation of Carillion, and non-delivery of forecast savings. Following the liquidation of Carillion the appointed liquidator PwC managed the contracts to enable the smooth transfer to other providers. The costs of this service were not budgeted for, and continued to be incurred until the end of July 2018.
- Forecast savings from the re-provision of the Additional Services contract with the Local Education Partnership (LEP) have not been realised in 2018/19.
- Estates budget pressures relate to a shortfall in income due to a number of factors. Income is no longer being received on properties that have been sold and other income is not being realised because facilities are being used for Council purposes. Forecast savings following the proposed purchase of the Plantation Industrial Estate have not been realised. The purchase is complex and is not currently being progressed. Additional security costs at Plantation Industrial Estates have also been incurred following a fire.
- Within the Planning Service, Building Control income is less than budget due to a reduction in the number of applications. Development and Control income is under budget. As a result of delays recruiting surveyors there were fewer chargeable hours and income has reduced.

The Growth Directorate delivers a number of services which have significant impact on the borough and its residents. Services include:

- Estates Management of the Council's Investment property portfolio, land and buildings.
- Development and Investment, including regeneration, investment and capital projects, economic and housing growth.
- Employment and Skills, supporting residents into employment.
- Strategic Infrastructure, working closely with the Greater Manchester Combined Authority and housing partners across Tameside.
- Environmental Development, including property management and Corporate Landlord.
- Planning, including development management, building control and planning policy.

Key Achievements and successes in 2018/19 include:

- Negotiating with the Ministry of Justice to secure land for the development of the Tameside Interchange
- Designing and negotiating with TfGM and Partners for the bus re-routing plans to enable the Public Realm work to progress around Vision Tameside
- Continuing to assist Highways England with plans for the Mottram Bypass
- Adult Community Education built on the Ofsted 'good' judgement of the service in February 2018 by recording improvements in outcomes for the first time in 3 years, addressing a decline and seeing excellent performance in English and maths.
- Tameside celebrated 300 job starts on the Working Well family of programmes since their launch in 2014, Working Well works with some of our most vulnerable residents with health problems acting as barriers to work.
- Creating a stronger Planning Service significantly improving performance and response times on planning applications
- Working with colleagues to substantially reduce the Greenbelt requirement by over 50% compared to previously proposed figures as part of the GMSF
- The remobilisation of the Vision Tameside programme following the collapse of Carillion
- Successful first stage £10M HIF bid from Homes England for the proposed Godley Green Garden Village development
- Securing funding and planning permission for Ashton Old Baths (Phase 3) Data Centre for Tameside MBC and NHS

<b>GOVERNANCE</b>
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Year End Position £000's	Final Year End Position				
	Expenditure Budget	Income Budget	Net Budget	Net Actual	Net Variance
Governance	86,438	(77,606)	8,832	7,067	1,765

The under-spend against budget reflects a number of savings and additional income across the Directorate. Employee related expenditure (including training) is under budget due to vacant posts not being recruited to throughout the year, the service is currently in the process of a review/redesign across a number of areas and this will result in an additional cost pressures in the future. Budget identified for savings in 19/20 has delivered further under-spends and additional income has been received across all services areas from the Clinical Commissioning Group, Trade Union and Secondments within the HR Service.

Responsibility for the council's corporate functions sits within the Governance & Pensions Directorate ensuring that all decisions made by the council are carried out in accordance with the council's governance framework. The directorate provides support and guidance to services within the council on legal, human resources and policy and communications issues. This internal support to frontline service ensures that they are able to deliver the aims of the Council's Corporate Plan.

Exchequer and the Registration Service both provide customer facing services. Exchequer provides support to residents and businesses in relation to council tax, business rates, housing benefit and payment of invoices. Whilst the Registration Service registers all births and deaths within the borough, take notice of intended marriages and civil partnerships and conduct all civil marriages and partnerships that take place in the borough's registered venues.

Democratic Services and Executive Support has responsibility for running all local and national elections within the borough along with public votes on specific issues such as the EU Referendum ensuring that all are run correctly and in adherence with the law. Democratic Services and Executive Support provide support to 57 elected members and the senior management team within the council in addition to the corporate support to Tameside and Glossop Clinical Commissioning Group (CCG).

People and Workforce Development provide support to the organisation to have a suitably skilled and knowledgeable workforce in place to ensure delivery of our organisational priorities and objectives. This includes: supporting the employment aspects of the Single Commissioning function; supporting the further development of alternative service delivery models to ensure they are fit for purpose and affordable; enabling the organisation to attract and recruit the best employees and have a workforce that is representative of the community; supporting and developing our workforce to meet career aspirations and fulfil potential; reward and retain our employees, ensuring their contributions are recognised and celebrated; inspire and support strong leadership and management to enable a vibrant, innovative and inclusive culture; enable a flexible and agile workforce that is able to work across service and organisational boundaries; and encourage and support a healthy, engaged and productive workforce and environment.

Policy, Performance and Communications works across the Strategic Commission (Tameside Council and Tameside and Glossop CCG) to support policy and strategy development, including the development of the Corporate Plan and delivery Plan; provides support to the Executive Leader; Engagement and Consultation, including support and advice to service managers and commissioners undertaking service redesign; internal and external communications; and performance management, intelligence and insight.

<b>FINANCE AND IT</b>
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Year End Position £000's	Final Year End Position				
	Expenditure Budget	Income Budget	Net Budget	Net Actual	Net Variance
Finance & IT	6,103	(1,550)	4,553	4,140	413

The net variance reflects a number of underspends and pressures including savings on staffing costs due to vacancies and timing of recruitment. Additional income has also been received. Pressures have also been experienced due to additional year on year Corporate Costs increasing including additional Microsoft Licenses, increase in back up costs, Wireless access point maintenance and increased security products and costs in relation to managed services.

### Finance, Audit and Risk Management

Financial Management aims to deliver consistently high quality financial support and advice to the strategic commission and our external customers and ensure that the key outcomes of an effective, efficient and economic financial management service are delivered.

The service plays a vital part in delivering some of the Strategic Commission's key Governance outcomes; the annual capital and revenue budgets and Medium Term Financial Plan update, the production of the annual accounts monthly monitoring and forecasting and treasury management are just a few examples.

The Internal Audit service provides the statutory obligation to have an effective internal audit regime for the Council and is a key part of ensuring that the Council assets and processes are adequately safeguarded. National Anti-Fraud Network (NAFN) – is a national service hosted by Tameside and offers service to all LAs in UK on a subscription basis.

The coming together of the Council and CCG finance teams, who co-located at the start of the calendar year, has enabled the integration of financial reporting to the Executive Cabinet and Strategic Commissioning Board on a consistent basis, allowing the analysis of over £900m of spend, ensuring greater visibility as to the effectiveness of the spending decisions to maximise outcomes for residents. This has resulted in expanding the Integrated Care Fund to include all Council and CCG spending amounting to over £900m a year. Integration of the workforce continues with staff working across both Council and CCG, and with both teams learning from each other. The embedding of new staffing structures has been successful, turnover has been stabilised and vacancies gradually filled. Sickness rates are low. All senior graded staff have been supported in studying for the CIPFA Finance Business Partnering certificate, and there are 7 members of staff being supported in some way to gain professional accountancy qualifications, as we continue to drive up professional standards.

Both sets of statutory accounts were produced on time, with the Council being required to have published their accounts a month earlier than before, with the external audit concluded a month earlier than the previous year, reducing the whole process by 2 months. The financial accounts were both given an unqualified opinion. There was a qualified value for money opinion due to the Council's Inadequate Ofsted judgement for Children's Social Services. Significant progress has been made in the development of a robust budget process, which saw the introduction of star chambers and consideration of the strategic commission's budget position over a 5 year period. Capital business cases have been introduced to ensure the transparent allocation of scarce capital resources, further prioritisation criteria is also being developed to further enhance this.

Work with schools has seen a marked improvement in relationships between the Council and school colleagues. The review of PFI accounting has resulted in over £2.5m been handed back to

schools to support their bottom line. More robust challenge and monitoring is also taking place to support those schools who are in deficit, and in preventing further schools from entering into deficit.

September saw the Council enter into a shared service with STAR procurement, who will support the Council in itself procurement activity of its £240m of controllable third party spending, and to help drive significant savings through slicked procurement and contract management.

The finance team has been instrumental in dealing with the aftermath of the Carillion collapse, helping to ensure that services continued to be delivered and supporting the transfer of staff to a new provider, as well as ensuring the flag building project of Vision Tameside continued, meaning that 12 months after the collapse of Carillion, keys were handed to the college with the Council and CCG moving to their new offices by the end of the financial year.

The internal audit plan was successfully delivered, alongside the rolling out of GDPR training to all staff. NAFN continues to grow and develop its service offer.

## **ICT**

ICT underpins and supports the strategic objectives of the organisation and its partnerships. Technology is vital to the everyday operations of services and has a fundamental role to play in improving efficiency, and reducing cost across the organisation. It is also a crucial part of service evolution and transformation, providing the infrastructure to support shared services, underpinning transformational change programmes and keeping pace with changing needs and expectations. Services include:

- Service desk and associated support.
- Build and deployment of user devices including phones.
- System commissioning, deployment, management and support/maintenance/security.
- Data centre commissioning, management and support/maintenance/security.
- Networks deployment, management and support/maintenance/security.
- Website commissioning and support/maintenance/security.

### Key Achievements and Successes in 2018/19:

- Datawell proof concept complete (data sharing to support health and social care integration)
- Ace training suite equipment (60 devices) replaced with modern Windows 10 devices and monitors.
- Significant enhancements to way devices are built and deployed including system installations on those devices.
- 8 completely new systems including Skype for Business and UkMail iMail
- 4 system replacements, including Anti-Virus and VPN
- 29 System upgrades completed to January 2019 with 24 in progress including significant upgrades to information@Work, iTrent and Agresso.
- Replacement of the Councils Cyber Security infrastructure and WAN and LAN networks.
- Consolidation of Council websites into new CMS system.
- Successful delivery of DCMS Local Full Fibre project

## QUALITY AND SAFEGUARDING

Year End Position £000's	Final Year End Position				
	Expenditure Budget	Income Budget	Net Budget	Net Actual	Net Variance
Quality and Safeguarding	367	(288)	79	45	33

The Quality and Safeguarding Directorate is responsible for ensuring that the health economy meets its statutory functions to prevent, recognise and respond to all elements of abuse of all vulnerable groups. (Care Act 2014: Children Act 1989:2004). The key objectives of the teams are to assure the Strategic Commission about the ongoing quality of health and care services commissioned on behalf of the Tameside and Glossop population. The Strategic Commission is supported by the quality and safeguarding teams to effectively discharge its statutory duty to commission, design and procure high quality services on behalf of the local population. The small underspend in 2018/19 is due to vacant posts.

## CORPORATE BUDGETS

Year End Position £000's	Final Year End Position				
	Expenditure Budget	Income Budget	Net Budget	Net Actual	Net Variance
Capital and Financing	13,869	(1,360)	12,509	10,587	1,922
Contingency	3,323	(6,823)	(3,500)	(6,195)	2,695
Corporate Costs	9,038	(6,622)	2,416	(242)	2,658

In addition to service budgets, there are corporate budgets which are held to pay for corporate costs such as levies, loan debt etc. as well as the means to cope with in-year volatility. The net outturn position for Corporate budgets is primarily due to:

- The 2018/19 budget for capital and financing costs did not include any amounts for investment income on the Manchester Airport Shareholder Loan, which was negotiated and advanced during the year. Additional investment income was received in respect of this. In addition the Council has taken the proactive decision not to borrow during the year, resulting in a saving on interest costs.
- Corporate Costs budgets include dividend income from the Council's shareholding in Manchester Airport Group. Total dividends are not guaranteed and in 2018/19 were in excess of the budget. This additional income will be used to offset overspends in other service areas but is one-off in nature and cannot be guaranteed in future years.
- Additional Adult Social Care grant was notified after the 2018/19 budget was set. The grant has been allocated to contingency. Also included within corporate costs are savings in respect of contributions to AGMA, savings relating to Pension Increase Act Contributions and saving on the audit contract.
- The outturn on Contingency includes additional section 31 grant received in year relating to business rates reliefs, and the release of contingency provisions to support service pressures across the council.



## CAPITAL PROGRAMME

A three year capital programme was approved in October 2017 and since then a number of changes have been approved by Executive Cabinet to add additional schemes to the programme. Capital Investment in 2017/18 was £51,385k with forecast and planned investment over the period 2018/19 to 2020/21 of £158,723k. Future investment plans are subject to available resources and the realisation of available capital receipts, however the current plans would see investment in excess of £200million over the four year period 2017 to 2021.

A Capital Programme Review was presented at Executive Cabinet on 25 July 2018 which outlined how the proposed programme, along with additional emerging pressures, needed to be reprioritised in line with current available resources. A reprioritisation exercise has been completed in order to determine which schemes that have been earmarked but not fully approved should proceed, and which should be temporarily placed on hold. On 26 March 2019, Executive Cabinet approved the prioritisation of the capital programme, to enable the high priority earmarked schemes to proceed. There remains a shortfall in resources to fund all earmarked schemes meaning that a number of earmarked schemes cannot progress until additional resources are identified.

Service areas have spent £51.545m on capital investment in 2018/19, which is £5.899m less than the current capital budget for the year. This slippage is spread across a number of areas, and is in part due project delays now being experienced as a result of the temporary pause on the capital programme and the liquidation of Carillion who, through the Local Education Partnership (LEP) were delivering or managing a number of key projects.

There are no significant variances where project spend is expected to significantly exceed budgeted resources, although there are some minor variations across a number of schemes. A number of variations have arisen where projected outturn is less than budget due to slippage in the delivery of the capital programme, resulting in a number of requests for re-profiling into the 2019/20 financial year.

CAPITAL OUTTURN STATEMENT 2018/19			
	2018/19 Budget	Outturn	Outturn Variation
	£000s	£000s	£000s
<b>Growth</b>			
Vision Tameside	17,696	15,434	2,262
Investment & Development	2,634	2,112	522
Estates	624	0	624
<b>Operations and Neighbourhoods</b>			
Engineers	11,412	10,369	1,043
Environmental Services	431	286	145
Transport (Fleet)	362	247	115
Corporate Landlord	227	341	(114)
Stronger Communities	35	4	31
<b>Children's</b>			
Education	4,768	4,170	598
Children	50	47	3
<b>Finance &amp; IT</b>			
Finance	11,300	11,278	22
Digital Tameside	3,345	2,818	527
<b>Population Health</b>			
Active Tameside	4,350	4,417	(67)
<b>Adults</b>			
Adults	200	22	178
<b>Governance</b>			
Exchequer	10	0	10
<b>Total</b>	<b>57,444</b>	<b>51,545</b>	<b>5,899</b>

**Vision Tameside:** The most significant capital project within the Growth directorate is Vision Tameside. This project is £2.262m less than budgeted resource in 2018/19. This is due to delays in the construction of Tameside One which has resulted spending less than budget in this financial year. Expenditure will be incurred in 2019/20 as the project comes to a conclusion including retentions, and relocation costs for buildings such as Ashton Old Library. Expenditure on Vision Tameside Public Realm has been incurred in excess of budget in 2018/19 due to work commencing on the Public Realm earlier than anticipated. Regular detailed reports on progress with the Vision Tameside project are considered by the Strategic Planning and Capital Monitoring Panel.

**Engineers:** The most significant element of the Operations and Neighbourhoods Capital Investment Programme is the Engineers department. Expenditure is £1.043m less than budgeted resource. This variation has arisen due to road work being impacted by restricted contractor numbers and a limit to the number of roads that can be restricted at any one time. There have been delays on the retaining walls project due to land negotiations, new procurement systems and a lack of immediate resources to commence by the contractor. Work is expected to be completed by June 2019.

**Education:** Regular detailed reports on progress with the Education Capital Programme are considered on the Strategic Planning and Capital Monitoring Panel agenda. The Education Capital Programme is £0.598m less than budgeted resources. This is due to a combination of delay on a number of schemes and some unallocated funding. Re-profiling of £0.598m of budget into 2019/20 has been requested.

**Finance and IT:** The £11.3m Strategic Investment in Manchester Airport was completed in 2018/19. This investment will generate a 10% return for the Council which can be used to support ongoing revenue expenditure.

**Active Tameside:** Regular detailed reports on progress with the Active Tameside capital programme are considered on the Strategic Planning and Capital Monitoring Panel agenda. The most significant scheme is the Denton Wellness Centre which is on track for completion in 2019/20.

## **5) Financial Strategy: Outlook for 2019/20 and beyond**

Financial performance is reported to Councillors quarterly and up to date financial information is available to Officers throughout the year. Additionally, the Medium Term Financial Plan (MTFP) is regularly updated and reported to Councillors and Officers. Reports are available to the public via the Council's website. The MTFP supports the Council's medium term policy and financial planning processes. Fundamentally the plan is designed to help provide a stable financial base to support savings planning. The MTFP also fits within a wider system of corporate planning.

The Medium Term Financial Plan (MTFP) is routinely refreshed throughout the year to update forecasts for known and anticipated cost pressures, savings, and funding changes. Emerging pressures are also identified through the in-year budget monitoring process and factored into future year budget forecasts.

A detailed review of all budget assumptions and pressures took place over the summer of 2018. This process identified cost pressures across the services which have been reviewed and challenged by senior officers. Services have also been asked to identify efficiencies which have again been subject to review and scrutiny to ensure plans are realistic and achievable.

In 2016 the Government offered any council that wished to take it up, a four year funding settlement to 2019/20, making a commitment to provide minimum funding allocations for each year of the Spending Review period. This offer was subject to the Council choosing to accept the offer and publishing an efficiency plan by October 2016, which the Council chose to comply with.

The four year funding settlement provides the Council with greater certainty over its funding allocations to the end of 2019/20. However, the position beyond 2020 falls outside of this four year settlement and no indicative information is yet available for future periods. Prudent assumptions have therefore been made about assumed further reductions in central government funding, increasing costs and demands for services to 2023/24.

In March 2017, Executive Cabinet approved an advance payment of pension contributions which is expected to generate a benefit of £0.8 million per annum over the three year period 2017/18 to 2019/20. As an existing shareholder of Manchester Airport Group (MAG), the Council has also entered into a shareholder loan to support the MAG transformation programme which will see significant investment in Manchester Airport. This loan will generate a revenue benefit for the Council in future years.

The Council is able to borrow for its capital investment programme so long as it is able to afford the cost of interest and loan repayments from its revenue budget. The Council's cash position has meant that it can delay the taking up of new borrowings, thereby avoiding interest costs, and

instead using available cash. Currently the Council is under-borrowed by £69.5m. The assumption in the medium term financial plan will be that some limited borrowing will take place but overall there will still be an under-borrowed position throughout the five year planning period, which minimises the capital financing costs of the Council.

Whilst the budget proposals for 2019/20 present a balanced position (after Council tax increases) the projected gap for 2020/21 and beyond is significant. This is due in part to the expected funding reductions and significant uncertainty around the allocation of Local Government Funding after 2019, but is also driven by forecast demographic and other cost pressures, particularly in Adults and Children's services. The scale of this budget gap in future years requires immediate action to ensure transformational changes can be achieved.

	2019/20 '£000	2020/21 '£000	2021/22 '£000	2022/23 '£000	2023/24 '£000
<b>Proposed total budget</b>	<b>196,803</b>	<b>204,847</b>	<b>206,294</b>	<b>210,037</b>	<b>215,089</b>
<b>Total forecast resources</b>	<b>(196,803)</b>	<b>(189,000)</b>	<b>(183,857)</b>	<b>(183,870)</b>	<b>(184,045)</b>
Previous year's gap	-	-	15,847	22,437	26,167
Current year gap	-	15,847	6,590	3,730	4,877
<b>Cumulative gap</b>	<b>-</b>	<b>15,847</b>	<b>22,437</b>	<b>26,167</b>	<b>31,044</b>
Planned Reductions in Children's Services Spend (Cumulative) included in budget above	-	4,300	9,300	9,300	9,300
<b>Cumulative gap without planned reduction in Children's Services Spend</b>	<b>-</b>	<b>20,147</b>	<b>31,737</b>	<b>35,467</b>	<b>40,344</b>

The Council, together with Tameside and Glossop CCG, faces a number of significant challenges and uncertainties in 2019/20 and future years. We continue to pursue a range of initiatives to improve outcomes and deliver vital services for residents. These challenges and initiatives include:

- **Children's Social Care:** The financial pressures in this area are the single greatest risk facing currently facing the Council. The significant cost pressures in Children's services are driven primarily by the cost of placements for Looked After Children. The implementation and development of the Looked After Children Reduction Strategy is a key priority for the service which should improve outcomes for Children whilst also reducing financial pressures. Whilst requesting additional investment from reserves, the medium term financial plan assumes that spending reductions can be achieved in Children's Services in the medium term. Delivery within budget is essential to ensure the financial sustainability of the Council.
- **Education:** We are experiencing some growing pressures in Local Authority funded areas including Home to School Transport and Pupil Support Services. National trends in SEN provision indicate that these pressures may well increase in future years, resulting in further financial pressures.
- **Adults Services:** The Council continues to face significant demographic and other cost pressures which present a significant challenge for future years. The five year forecast plan includes costs pressures in excess of £18million for Adults Services and any notable variation in demographic forecasts and contractual assumptions could have significant financial implications for the Council.

- **Highways risk management:** Changes to the highways risk management inspection regime, driven in part by a new national code and Greater Manchester Framework, has resulted in a significant increase in the number of highways inspections and consequently led to a significant increase in the number of defects identified and work required. The Council has previously approved significant Capital Investment in highways and additional grant funding has been made available in 2018/19 and 2019/20, however it is not clear whether increased levels of external funding will be sustained.
- **Fair Funding and Business Rates Reset:** Government have committed to a 'fair funding' review for Local Government resourcing for 2020 and beyond, which includes review of business rates, however timescales for the outcome of that review remain unclear. The Ministry of Housing, Communities and Local Government have stated that indicative figures will be available by 'mid-2019' however the quantum of funding available is yet to be determined by the Treasury. In the context of such a significant level of uncertainty over future funding levels, prudent assumptions have been made about further reductions to funding allocations in 2020/21 and future years. This lack of certainty makes planning beyond 2019/20 extremely difficult.

### **INTEGRATED COMMISSIONING FUND**

The Strategic Commission (formerly Single Commission) of Tameside MBC and Tameside and Glossop CCG has managed resource allocations relating to health and social care integration within an Integrated Commissioning Fund (ICF) since 1 April 2016. The ICF has included the total annual (CCG) resource allocation and the Council has included budget allocations for Adult Services, Children's Social Care and Population Health.

From 1 April 2018, the ICF has been expanded to include all Council and CCG budgets. The Integrated Commissioning Fund, subject to the restrictions of current legislation, aims to include the total annual CCG resource allocation and Council budgets so far as legally possible. The creation of a single fund has resulted in a number of benefits including:

- Streamlined governance and decision making
- Strengthening of cohesive Strategic Commission budget leadership
- Single Strategic Commission budget resource reporting
- Single accountable body for the ICF – the Council is currently the lead accountable organisation for the ICF.
- Rationalisation of any existing joint funding arrangements between the Council and CCG
- Provision of support to strategic place based service provision priorities
- Alignment to the Strategic Leadership structure
- All health and Council service resource decisions are intrinsically linked to the corporate strategic priorities.

Since the beginning of 2018/19 the Integrated Commissioning Fund reporting arrangements have been supported by a single economy wide monthly monitoring report. This single consolidated report will continue in 2019/20.

### **Reserves**

The Council is in a strong financial position with regard to reserves which it has managed to accumulate over a period of time. However, whilst the Council's current level of reserves is strong, many of these are to meet known or expected liabilities and for planned investment. Council reserves are expected to fall below £50m by 2022. A substantial part of this reduction is due to planned Capital Investment which is to be funded from reserves to the value of £70m. The 2018/19 budget approved the planned use of £22.5m of reserves into Children's Social Care between 2017 and 2021, and a further £6m of investment is proposed in the 2019/20 and 2020/21.

As part of the budget setting for 2019/20, the Council adopted a reserves strategy, which established categories of reserve and parameters for annual review. This reserves strategy set out the following classifications for reserves:

Category	Description
<b>Accounting reserves</b>	This will include two sub categories: 1) Unusable reserves - those reserves required by proper accounting practice that are not resource backed. 2) General Accounting Reserves - reserves established as good accounting practice for specific accounting purposes (such as the PFI smoothing reserves and Leasing reserves)
<b>Grants and Contributions</b>	Reserves to hold unspent grants and contributions received from external sources.
<b>Liabilities and Risk</b>	Reserves held to mitigate against known and anticipated liabilities and risks. This will include for example self insurance reserves.
<b>Capital Reserves</b>	Capital Receipts, Capital Grants and Reserves earmarked for capital purposes. These reserves are used to finance the capital programme.
<b>Schools Reserves</b>	Reserves for Schools and Education expenditure, including the ring fenced schools balances.
<b>Budget Resilience Reserves</b>	Reserves held for planned revenue investment in services, for example reserves set aside for planned investment in Children's Services, and to provide resilience for specific services not covered by general fund balances such as the waste levy reserve.
<b>Strategic Priorities Reserves</b>	Reserves held for planned or intended investment in Strategic Priorities. This will include reserves such as the Care Together Reserve.

As at 31 March 2019, the Council has usable reserves of £169,837k (£199,995k at 31 March 2018). The reduction in reserves over this 12 month period is due to the planned use of reserves to support Children's Services and to finance Capital Expenditure. A further review of reserve levels and intended use will be undertaken during 2019.

## **6) The Financial Statements: basis of preparation, purpose and summary**

### **BASIS OF PREPARATION**

The accounts that follow have been prepared to be:

- **Relevant:** The accounts provide information about the Council's financial performance and position that is useful for assessing the stewardship of public funds and for making economic decisions.
- **Reliable:** The financial information: Has been prepared so as to reflect the reality or substance of the transaction and activities underlying them; Is free from deliberate or systematic bias; Is free from material error; Is complete within the bounds of materiality.

- **Comparable:** The CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 ('the Code') establishes proper practice to be followed with regard to consistent financial reporting in Local Government. The financial statements have been prepared to be compliant with the code, and therefore aid comparability with other local authorities.
- **Understandable:** These accounts are based on accounting concepts, treatments and terminology that require reasonable knowledge of accounting and Local Government. However, every effort has been made to use plain language and where technical terms are unavoidable they have been explained in the glossary of terms.

## **UNDERLYING ASSUMPTIONS**

The financial statements adopt the following underlying assumptions:

### **Accruals Basis**

- The financial statements, other than the cash flow, are prepared on an accruals basis. Income and expenditure is recognised in the accounts in the period in which it is earned or incurred not as the cash is received or paid.

### **Going Concern**

- The accounts have been prepared on a going concern basis, on the assumption that the Council will continue in existence for the foreseeable future.

### **Materiality**

- Throughout the financial statements consideration has been given to the materiality (significance) of an item. Information is considered to be material if omitting it or misstating it could influence decisions that users make on the basis of the financial information.

## **PURPOSE AND SUMMARY**

The accounting statements have been prepared to comply with the requirements of the International Financial Reporting Standards (IFRS). The main statements are shown on pages 37-41, and further detailed information is presented in the accompanying notes.

### **Comprehensive Income and Expenditure Statement (CIES)**

This statement sets out the Council's day to day revenue income and expenditure. It shows the cost of providing services in the year in accordance with IFRS, rather than the amount funded from Council Tax, and the cost of other activities of the Council.

The statement shows that the Council's gross expenditure on services in 2018/19 was £469.256m, but after income is included the Net Cost of Services was £171.842m. Once other items of Operating Expenditure such as Precepts and Levies, as well as Financing and Investment Income and Expenditure and Taxation and Non-specific Grant Income are taken into account, the Council's Deficit on the Provision of Services was £30.788m.

The deficit on the provision of Services arises because the accounts must contain a number of non-cash items in order to comply with proper accounting practice that do not need to be included in the Council's budget plans. The accounts include significant charges arising from revaluations and impairments of non-current assets charged to services, net of a reduction in service expenditure as a result of savings. The service lines within the Cost of Services section of the CIES represent the full cost of providing that service and include the non-cash items. Therefore, it should be noted that a large movement between years does not necessarily represent an increase or reduction in the level of spending in that area.

Note 1 to the CIES, the Expenditure and Funding Analysis (EFA), demonstrates to council tax payers how the funding available to the authority (i.e. government grants, rents, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Council's directorates, and provides a reconciliation between the net expenditure reported to officers and management (£186.488m) and the Net Cost of Services in the CIES (£171.842m).

### **Movement in Reserves Statement (MiRS)**

This statement sets out the movements in the main reserves and balances of the Council. It distinguishes between unusable reserves (which are necessary under proper accounting practice, but which cannot be spent) from usable reserves (which are cash backed and can be spent). Usable reserves are further divided into General Fund Balances, Schools Balances, Earmarked Reserves (earmarked to specific objectives), Capital Grants Unapplied, and Capital Receipts Unapplied. It is a requirement placed on all councils that the level of reserves is regularly reviewed by the Director of Finance (Section 151 Officer) and due consideration is given to all local financial risks and liabilities when doing so (this is also reported in the Budget Report presented to Full Council each year).

At the 31 March 2019, the MiRS shows that the Council retained General Fund Balances of £17.295m. This amount includes general unallocated amounts and includes a core level of working balances set at £17m to provide for truly unexpected liabilities.

Also shown within usable reserves are £7.389m of Schools Balances. These amounts accrue from unspent school budgets, and are allocated to be spent in future years. The use of these amounts is determined by schools' governing bodies. This is a net balance and includes some deficit balances.

Finally, £127.268m of Earmarked Reserves are also included. These earmarked amounts are allocated to specific purposes or liabilities. Significant amounts within the earmarked reserves include reserves required legally (such as the £2.605m reserve for Health Equalities created from the unspent element of the Public Health Grant) as well as amounts set aside for future liabilities including the £16.287m Capital Investment Reserve (set aside to contribute to the capital programme), the Medium Term Financial Strategy Reserve (£22.3705m) set aside to fund future pressures and risks, Unspent Revenue Grants and Contributions (£8.146m), and the Care Together Reserve (£10.8m). A large number of the Earmarked Reserves relate to specific liabilities that individual services have identified (such as Winter Gritting). The full detail of these is set out in Note 11.

### **Balance Sheet**

The Balance Sheet summarises the financial position of the Council at 31 March 2019 and shows the net worth of the Council's assets and liabilities of £88.902m. It includes balances and reserves, and all assets and liabilities employed in the Council's operations. It shows that the Council has non-current assets (mainly Property, Plant and Equipment) with carrying values in the accounts of £592.095m, an increase of £37.071m from 31 March 2018.

Current Assets have reduced in year. Cash and Cash Equivalents, and Short Term Investments, have both reduced significantly, largely as a result of cash balances being used to fund the capital expenditure and the use of reserves to support expenditure on Children's Services.

Usable reserves have reduced in line with expectations as the Council has utilised the Capital Investment Reserve to fund capital expenditure and investment in Children's Services during 2018/19.



The notes to the accounts provide detailed explanations of the movements on all items within the Balance Sheet. Section 7 below provides further detail on significant transactions and balances.

### **Cash Flow Statement**

This summarises the total movement on Cash and Cash Equivalents during the year for revenue and capital purposes. Notes 31 to 33 provide further detail on the cash movements during the year. The overall cash balance of the Council (and the balance of short term investments) has reduced over the course of 2018/19 due to the use of reserves to fund the Capital Programme and to invest in Children's services.

### **Collection Fund**

The Collection Fund is a fund administered by the Council that shows the transactions of the billing authority (the Council), in relation to the collection from taxpayers of Council Tax and Non-Domestic Rates (NDR) and how the income from these sources has been distributed to precepting authorities, Central Government and the Council's General Fund Balances. The Collection Fund is maintained separately, as a statutory requirement.

The Collection Fund shows that the balances to carry forward as at 31 March 2019 were a £17.003m surplus relating to Council Tax (£15.050m surplus in 2017/18) and a £0.657m deficit on NDR (£0.063m deficit in 2017/18).

### **Greater Manchester Metropolitan Debt Administration Fund (GMMDAF)**

At the winding up of the Greater Manchester County Council in 1986, some accumulated debt remained outstanding. This was then legally transferred to the successor councils, including Tameside. The debt will be fully redeemed in 2022. The accounts for GMMDAF are included in the Statement of Accounts for the Council because the Council has the lead responsibility for GMMDAF on behalf of the other Greater Manchester Councils.

This shows that net income and expenditure for the year was zero. The total debt outstanding as at 31 March 2019 is £48.765m (31 March 2018 £76.543m), and this is represented by the assets and liabilities of the Fund. The Fund has no long term assets (such as land or buildings) as it exists purely to administer the settlement over time, as set out in the statutory instrument.

### **Greater Manchester Pension Fund (GMPF)**

The accounts of the GMPF are included in the Statement of Accounts of the Council because the Council administers the GMPF. The Fund is administered separately from the Council and has independent governance arrangements. The Accounts show the net assets of the Fund were £23.843bn at 31 March 2019 (£22.497bn at 31 March 2018), an increase of £1.346bn during the financial year.

### **Accompanying Statements Included in the Statement of Accounts**

The purpose of the various accompanying statements included in the accounts is set out below:

- The **Statement of Responsibilities** sets out the respective responsibilities of the Council and the Chief Financial Officer for the accounts.
- The **Annual Governance Statement** gives a public assurance that the Council has proper arrangements in place to manage all of its affairs. It summarises the Council's responsibilities in the conduct of its business, the purpose and key elements of the system of internal control and the processes applied in maintaining, reviewing and developing the effectiveness of those control systems.

## 7) Significant transactions and balances

### Academy conversions

During the year six schools converted to academy status. On conversion, the Council derecognises the assets relating to these schools as they transfer to the Academy for nil consideration. Losses on the de-recognition of assets are set out in Note 2. Disposals and de-recognitions included in note 12 include the following Academy conversions which took place during 2018/19:

- Greenside Primary School £3.171m
- Yew Tree Community Primary £1.646m
- Poplar Street Primary £2.764m
- Canon Johnson C of E Primary £0.262m (land only)
- Parochial C of E Primary £0.192m (land only)
- Rosehill Methodist Community Primary £3.350m

### Non-Current Assets

As set out in section 4 above, the Council has incurred Capital Expenditure in excess of £50m during 2018/19. The most significant items include spend of £17m on Vision Tameside and £11m on Highways, that are both included in Property, Plant and Equipment, and an £11m Investment in Manchester Airport that is included within Long Term Investments.

Note 12 provides an analysis of movements in the value and categorisation of Property Plant and Equipment. In addition to capital expenditure reflected as 'additions' in note 12, significant movements include:

- upward revaluations of Land and Buildings, mainly driven by increases in the value of schools valued on a replacement cost basis;
- revaluation losses on administrative Land and Buildings including Tameside One and a number of leisure facilities;
- de-recognition and disposal of Land and Buildings to reflect the transfer of six schools to Academy status; and
- reclassification of the Tameside One building from Assets under Construction to Land and Buildings on completion.

### Reserves

Planned use of reserves during 2018/19 has resulted in the Council's overall reserve levels being significantly lower at 31 March 2019 than the previous year. This planned use included £11.6m investment in Children's Services and £38m to fund Capital Expenditure. Further information on reserve movements is included in Note 11.

The overall reduction in earmarked reserves during 2018/19 is £33.295m which is net of both use of reserves and contributions to reserves. The significant movements in reserves during 2018/19 reflect:

- **BSF Reserves** – Planned use of reserves in accordance with the PFI accounting models. This is a smoothing reserve and will reduce to nil over the life of the PFI contracts.
- **Capital Investment Reserve** – planned use to fund the Capital Programme in 2018/19. The remaining balance on this reserve is expected to be fully utilised in 2019/20.
- **Insurance reserves** – amounts have been moved from the insurance provision to the reserve following an actuarial insurance review in 2019/20. The level of provision and reserve reflects the advice of the independent insurance expert.

- **Medium Term Financial Strategy Reserve** – planned use to fund additional investment in Children’s Services (with the balance coming from the Children’s Services reserve) and Strategic Investment in Manchester Airport.
- **School Funding Reserve** – Planned use of grants ring fenced for Schools and Education.
- **Collection Fund Reserves** – Contributions to this reserve reflect additional business rates income arising from the 100% retention pilot and additional section 31 grants relating to business rates reliefs.
- **Children’s Services** – planned use of the reserve to support additional investment in Children’s Services during 2018/19 (with the balance being funded from the Medium Term Financial Strategy Reserve). Planned use of reserves for Children’s services in 2019/20 and 2020/21 will need to be funded from the Medium Term Financial Strategy Reserve.

### **Borrowing and Other Long Term Liabilities**

At 31 March 2019 the Council held borrowing with the PWLB and market lenders with a carrying value of £131.736m. These balances relate to borrowing that was used to finance capital expenditure in previous years. The majority of the Council’s borrowing is with the Public Works Loans Board which offers concessionary rates to Local Government. These PWLB loans have fixed rates of interest and varying maturity profiles. The Council paid £5.151m in interest on its borrowings during 2018/19. Further information on borrowing can be found in notes 19 and 20.

Other long term liabilities relate mainly to the Pensions Liability (covered below) and the Private Finance Initiative (PFI) liability. PFI arrangements are a form of finance lease where responsibility for making available the property, plant and equipment passes to a PFI contractor. The Council has three PFI contracts in relation to various schools across the borough. The Council recognises the schools as assets on the balance sheet (on the same basis as other non-current assets) and a long term liability is recognised to reflect the capital cost of the asset which is repaid to the contractor over the life of the contract. Further information on the PFI schemes can be found in note 28.

### **Manchester Airport Group (MAG)**

The Council holds a 3.22% shareholding in Manchester Airport Holdings Ltd (part of the Manchester Airport Group). The shares in this group are not traded and an external valuation is obtained on behalf of all the Greater Manchester Authorities. This valuation uses an earnings based method, which takes the profitability of the company, assessing its historic earnings and arriving at a view of ‘maintainable’ or ‘prospective’ earnings. The valuers have advised of an increase in the fair value of the Council’s shareholding during the accounting period from £51.9m at 31 March 2018 to £52.7m at 31 March 2019.

In 2018/19 the Council received dividend income of £5.6m from this shareholding investment. The shareholding was transferred to the Council on the winding up of the Greater Manchester Council in 1986, and is held for strategic reasons rather than to trade. The income is also a key item in the Council’s MTFP and as such the Council does not expect to dispose of this shareholding.

During 2018/19, the Council entered into a shareholder loan with MAG, to the value of £11.3m which is reflected in Long Term Debtors on the balance sheet. This loan will earn a return of 10% per annum which will be used to fund ongoing revenue expenditure.

### **Pensions Liability and Advance Payment of Contributions**

The actuarial valuation of the Council’s Local government Pension Scheme liabilities has increased from £258m at 31 March 2018 to £345m at 31 March 2019. This is primarily due to changes to the financial assumptions used by the pension fund Actuary (Hymans Robertson). Small changes to the financial assumptions can have a significant impact on the liabilities. These assumptions are determined by the Actuary based on professional judgement and reflect the market conditions at the reporting date.

The Council relies and places assurance on the professional judgement of the Actuary and the assumptions used to calculate this actuarial valuation. The pensions liability is calculated on an accounting basis and different methods are used in the three yearly valuation of the Fund. Both annual and tri-annual valuations consider the whole life of the fund and a horizon of 20-25 years. In this context, minor changes in assumed rates for inflation or interest can have a significant impact on the valuation of the scheme in the long term. Note 30 provides further information on the assumptions used by the actuary, including sensitivity analysis which illustrates the impact of small changes in assumptions.

### **Accounting Standards**

There are two main changes to the 2018/19 Code of Practice on Local Authority Accounting to reflect the adoption of IFRS15 (Revenue from contracts with customers) and IFRS9 (Financial Instruments). As part of the preparation of the 2018/19 Statement of Accounts a review of all revenue streams has been undertaken and it has been determined that the adoption of IFRS15 does not have any material impact on the recognition of revenue in the Council's accounts.

Changes are required to the classification of financial assets and the accounting policies as a result of IFRS9. The revised accounting standard IFRS9 relates to the treatment of financial assets that are classed as financial instruments. These include cash, debtors (both long and short term), investments and shareholdings. Excluded from the definition are debtors that relate to taxation (e.g. VAT, business rates and council tax). This accounting standard requires the Council to review its financial assets and map them against new categories. Based on the assets the Council currently holds there is no impact on the Council's bottom line. In making decisions on the classification of these assets the holding of investments for strategic reasons and not primarily to trade has been the key consideration. Assets have also been reviewed and consideration given as to whether there is any impairment (i.e. reduction in value) where there is a risk the loan will not be repaid. Further details on the impact of IFRS 9 can be found in note 41(Accounting Policies) and note 19 (Financial Instruments).

### **Review of provisions**

As part of the regular review of general provisions and provisions for the non-collection of debtor balances, there have been some significant changes to the value of provisions in the financial statements. These changes relate to:

- The provision for non-collection of housing benefit has been reviewed and recovery of bad debts is better than originally assessed, meaning that £1.083m has been released from this provision as it is no longer required. The impact of this change is to increase the balance on housing benefit overpayment debtors included within short term debtors, and reduce the net expenditure for the Director of Governance.
- General provisions have been reviewed and an additional provision of £4.028m made in 2017/18 was not required and has been written back to reserves.
- The provision for Business Rate appeals has increased to £8.939m (£6.958m at 31 March 2018) to reflect additional provision required for forecast losses on business rates as result of appeals.

### **Greater Manchester 100% Business Rates Retention Pilot**

Greater Manchester is one of the regions piloting the full retention of Business Rates from 1 April 2017. The purpose of this Pilot is to develop and trial approaches to manage risk and reward, and to finance from additional Business Rates income new responsibilities and/or existing funding streams including those that support economic growth.

Being part of the Greater Manchester Pilot provides the Council and the Greater Manchester region with potential financial benefits with the guarantee that Authorities will not be worse off as a

result of the Pilot. The 'No Detriment' agreement will guarantee that the resources available to the Council under the 100% Pilot will be the same as the 50% retention scheme that exists for non-pilot authorities.

As a result of the Pilot the Council did not receive the Revenue Support Grant or Public Health Grant from Government in 2018/19. Instead the Council retains 99% of its Non Domestic (Business) Rates income with 1% distributed to GMFRA. Further information on amounts credited to the CIES are set out in Note 4.

### **Acknowledgements**

The production of the Statement of Accounts would not have been possible without the hard work of Members and Officers across the Council. I would like to express my gratitude to all colleagues who have assisted in the preparation of this document, and for their support during the financial year.

### **Further Information**

Further information about these accounts is available from the Director of Finance (Section 151 Officer). If you require further clarification or information about any of the items included in the accounts, please contact me at the address below.

Signed:



28 May 2019

Kathy Roe  
Director of Finance (Section 151 Officer)

Tameside Metropolitan Borough Council

Tameside One  
Market Place  
Ashton-under-Lyne  
Tameside  
OL6 6BH

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# Statement of Responsibilities

This is a signed statement by the Director of Finance (Section 151 Officer) certifying that the accounts comply with requirements and 'present a true and fair view' of the Council's financial position as at 31 March 2019.

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## Statement of Responsibilities

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### The Council's Responsibilities

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to ensure that one of its Officers has the responsibility for the administration of those affairs. In this Council, that Officer is the Director of Finance (Section 151 Officer);
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- Approve the Statement of Accounts.

### The Director of Finance (Section 151 Officer) Responsibilities

The Director of Finance (Section 151 Officer) is responsible for the preparation of the Council's Statement of Accounts and those of the Greater Manchester Pension Fund in accordance with proper practices as set out in the CIPFA *Code of Practice on Local Authority Accounting in the United Kingdom 2018/19*.

**In preparing this Statement of Accounts, the Director of Finance (Section 151 Officer) has:**

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the International Financial Reporting Standards (IFRS).

**The Director of Finance (Section 151 Officer) has also:**

- Kept proper accounting records which were up to date;
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

### Director of Finance (Section 151 Officer) Certificate

I certify that the Statement of Accounts presents a true and fair view of the financial position of the Council and Greater Manchester Pension Fund at 31 March 2019, and its income and expenditure for the year ended 31 March 2019.

Signed:

Date: 28 May 2019



**Kathy Roe**

*Director of Finance (Section 151 Officer)*

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# Financial Statements

Financial Statements are applicable to all local authorities and comprise:

1. Comprehensive Income and Expenditure Statement (CIES)
2. Movement in Reserves Statement (MiRS)
3. Balance Sheet (Statement of Financial Position)
4. Cash Flow Statement



## Comprehensive Income and Expenditure Statement for the year ended 31 March 2019

This 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.

	Note	2018/19			2017/18		
		Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
Children's Social Care		56,884	(2,753)	54,131	48,665	(3,128)	45,537
Education		159,823	(146,073)	13,750	159,240	(147,897)	11,343
Adults' Social Care		89,115	(44,556)	44,559	91,401	(41,877)	49,524
Population Health		18,319	(129)	18,190	18,762	(145)	18,617
Quality & Safeguarding		355	(277)	78	0	0	0
Operations & Neighbourhoods		32,633	(2,031)	30,602	31,220	(2,885)	28,335
Growth		22,962	(23,299)	(337)	18,470	(22,441)	(3,971)
Finance & IT		6,580	(400)	6,181	4,609	(783)	3,826
Governance		83,527	(75,716)	7,811	92,154	(86,754)	5,400
Corporate Costs		(942)	(2,180)	(3,122)	8,453	(880)	7,573
<b>Cost Of Services</b>	<b>1</b>	<b>469,256</b>	<b>(297,414)</b>	<b>171,843</b>	<b>472,974</b>	<b>(306,790)</b>	<b>166,184</b>
Other Operating Income and Expenditure	2	42,204	(550)	41,654	49,342	(4,336)	45,006
Financing and Investment Income and Expenditure	3	34,400	(21,174)	13,226	34,597	(18,397)	16,200
Taxation and Non-Specific Grant Income	4	0	(195,935)	(195,935)	0	(209,092)	(209,092)
<b>(Surplus) or Deficit on Provision of Services</b>		<b>545,860</b>	<b>(515,073)</b>	<b>30,788</b>	<b>556,913</b>	<b>(538,615)</b>	<b>18,298</b>
<u>Other Comprehensive Income and Expenditure</u>							
Revaluation Gains	10			(12,772)			(1,800)
Remeasurement of Net Defined Benefit Liability	10			53,458			(28,591)
(Surplus)/Deficit on Revaluation of Financial Instruments	10			(467)			(8,200)
				<b>71,007</b>			<b>(20,293)</b>

\*The service area headings above are those used for management reporting during the 2018/19 financial year. The 2017/18 comparatives have been restated where applicable to reflect this reporting structure.

## Movement in Reserves Statement as at 31 March 2019

This statement shows the movement on the different reserves held by the Council.

Restated	General Fund Balances £000	Schools Balances £000	Earmarked Reserves £000	Total General Fund Balance £000	Capital Receipts Unapplied Account £000	Capital Grants and Other Contributions Unapplied Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
<b>Balance at 31 March 2017 *</b>	(17,295)	(4,476)	(188,520)	(210,292)	(3,556)	(15,199)	(229,045)	89,427	(139,617)
(Surplus) or Deficit on the Provision of Services **	18,298	0	0	18,298	0	0	18,298	0	18,298
Other Comprehensive Income and Expenditure **	0	0	0	0	0	0	0	(38,591)	(38,591)
<b>Total Comprehensive Income and Expenditure</b>	<b>18,298</b>	<b>0</b>	<b>0</b>	<b>18,298</b>	<b>0</b>	<b>0</b>	<b>18,298</b>	<b>(38,591)</b>	<b>(20,293)</b>
Adjustments between accounting basis & funding basis under regulations ***	9,932	0	0	9,932	3,554	(2,733)	10,753	(10,753)	0
<b>Net (increase)/decrease before transfers to Earmarked Reserves</b>	<b>28,230</b>	<b>0</b>	<b>0</b>	<b>28,230</b>	<b>3,554</b>	<b>(2,733)</b>	<b>29,051</b>	<b>(49,342)</b>	<b>(20,293)</b>
Transfers to/(from) Earmarked Reserves and Schools Balances ****	(28,229)	271	27,958	0	0	0	0	0	0
<b>(Increase)/decrease in year</b>	<b>1</b>	<b>271</b>	<b>27,958</b>	<b>28,230</b>	<b>3,554</b>	<b>(2,733)</b>	<b>29,051</b>	<b>(49,342)</b>	<b>(20,293)</b>
<b>Balance at 31 March 2018 *</b>	<b>(17,295)</b>	<b>(4,205)</b>	<b>(160,562)</b>	<b>(182,062)</b>	<b>(2)</b>	<b>(17,932)</b>	<b>(199,994)</b>	<b>40,085</b>	<b>(159,910)</b>
(Surplus) or Deficit on the Provision of Services **	30,788	0	0	30,788	0	0	30,788	0	30,788
Other Comprehensive Income and Expenditure **	0	0	0	0	0	0	0	40,220	40,220
<b>Total Comprehensive Income and Expenditure</b>	<b>30,788</b>	<b>0</b>	<b>0</b>	<b>30,788</b>	<b>0</b>	<b>0</b>	<b>30,788</b>	<b>40,220</b>	<b>71,008</b>
Adjustments between accounting basis & funding basis under regulations ***	(678)	0	0	(678)	(535)	583	(630)	630	0
<b>Net (increase)/decrease before transfers to Earmarked Reserves</b>	<b>30,110</b>	<b>0</b>	<b>0</b>	<b>30,110</b>	<b>(535)</b>	<b>583</b>	<b>30,158</b>	<b>40,850</b>	<b>71,008</b>
Transfers to/(from) Earmarked Reserves and Schools Balances ****	(30,110)	(3,184)	33,295	0	0	0	0	0	0
<b>(Increase)/decrease in year</b>	<b>(0)</b>	<b>(3,184)</b>	<b>33,295</b>	<b>30,110</b>	<b>(535)</b>	<b>583</b>	<b>30,158</b>	<b>40,850</b>	<b>71,008</b>
<b>Balance at 31 March 2019 *</b>	<b>(17,295)</b>	<b>(7,389)</b>	<b>(127,268)</b>	<b>(151,952)</b>	<b>(537)</b>	<b>(17,350)</b>	<b>(169,837)</b>	<b>80,935</b>	<b>(88,902)</b>

\* Net worth of the Council at that date. Reconciles to Net Assets/ (Liabilities) and Total Reserves shown in the Balance Sheet.

\*\* Taken directly from the CIES.

\*\*\* Adjustments needed to convert the Surplus or Deficit on the Provision of Services to the movement on General Fund Balances as defined by statutory provisions. See Note 8 for a full breakdown of the adjustments required to comply with proper accounting practice.

\*\*\*\* A further breakdown of the Council's Earmarked Reserves can be seen in Note 11.

## Balance Sheet as at 31 March 2019

The Balance Sheet shows the value of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council.

	Note	31 March 2019 £000	31 March 2018 £000
Property, Plant and Equipment	12	448,979	433,969
Heritage Assets	13	12,471	12,471
Investment Properties	14	31,207	30,700
Intangible Assets	15	33	33
Long Term Debtors	18	28,056	17,581
Long Term Investments	19	71,349	60,270
<b>Non-current Assets</b>		<b>592,095</b>	<b>555,024</b>
Cash and Cash Equivalents	23	36,476	40,258
Short Term Investments	19	63,321	88,206
Inventories	21	572	425
Short Term Debtors	22	49,693	47,485
Assets Held for Sale (<1yr)	12d	1,230	1,230
<b>Current Assets</b>		<b>151,292</b>	<b>177,604</b>
Short Term Borrowing	19	(20,546)	(20,788)
Short Term Creditors	24	(43,479)	(40,239)
Short Term Provisions	26	(8,939)	(6,958)
Other Short Term Liabilities	25	(2,750)	(2,872)
Receipts In Advance (Grants and Contributions)		(3,078)	(1,919)
<b>Current Liabilities</b>		<b>(78,792)</b>	<b>(72,776)</b>
Long Term Borrowing	19	(112,093)	(112,687)
Long Term Provisions	26	(2,340)	(9,300)
Other Long Term Liabilities	25	(461,260)	(377,956)
<b>Non-current Liabilities</b>		<b>(575,693)</b>	<b>(499,943)</b>
<b>Net Assets / (Liabilities)</b>		<b>88,902</b>	<b>159,909</b>
Usable Reserves	9	(169,837)	(199,995)
Unusable Reserves	10	80,935	40,086
<b>Total Reserves</b>		<b>(88,902)</b>	<b>(159,909)</b>

The notes to the financial statements on pages 42-111 form part of this account. The financial statements on pages 30-34 were authorised for issue by the Director of Finance (Section 151 Officer) on 28 May 2019.



Kathy Roe  
28 May 2019  
Director of Finance (Section 151 Officer)

## Cash Flow Statement as at 31 March 2019

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

	Note	2018/19 £000	2017/18 £000
(Surplus) or Deficit on the Provision of Services		30,788	18,298
Adjustment to Surplus or Deficit on the Provision of Services for Non-cash Movements	31a	(68,355)	(59,966)
Adjust for Items Included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities	31b	11,750	20,435
<b>Net Cash Flows from Operating Activities</b>		<b>(25,816)</b>	<b>(21,232)</b>
Net Cash Flows from Investing Activities	32	26,185	19,228
Net Cash Flows from Financing Activities	33	3,414	4,500
Pension contributions advanced payment	32		27,957
<b>Net (Increase) or Decrease in Cash and Cash Equivalents</b>		<b>3,782</b>	<b>30,454</b>
Cash and Cash Equivalents at the Beginning of the Reporting Period	23	40,258	70,711
<b>Cash and Cash Equivalents at the End of the Reporting Period</b>	23	<b>36,476</b>	<b>40,258</b>

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# Notes to the Financial Statements

The Notes to the Financial Statements are shown together, as required by International Financial Reporting Standards, after the Financial Statements.

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## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT (CIES) NOTES

### 1. Expenditure and Funding Analysis

The objective of the Expenditure and Funding Analysis is to demonstrate to council tax payers how the funding available to the Council (i.e. government grants, rents, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Council's departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

	As reported for financial mangement	Adjustment to arrive at the net amount chargeable to the General Fund (Note 1a)	Net Expenditure chageable to the General Fund	Adjustments between Funding and Accounting Basis (Note 1a)	Net Expenditure in the Comprehensive Income and Expenditure Statement
<b>2018/19</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Children's Social Care	51,810	705	<b>52,515</b>	1,616	54,131
Education	5,269	1,583	<b>6,852</b>	6,897	13,749
Adults' Social Care	40,449	1,965	<b>42,414</b>	2,147	44,561
Population Health	16,156	(118)	<b>16,038</b>	2,152	18,190
Quality & Safeguarding	45	8	<b>53</b>	25	78
Operations & Neighbourhoods	50,870	(30,957)	<b>19,913</b>	10,690	30,603
Growth	6,532	(15,835)	<b>(9,303)</b>	8,965	(337)
Finance & IT	4,140	136	<b>4,276</b>	1,904	6,180
Governance	7,067	(280)	<b>6,787</b>	1,024	7,811
Corporate Costs	4,150	(7,767)	<b>(3,617)</b>	493	(3,124)
<b>Net costs of services</b>	<b>186,488</b>	<b>(50,560)</b>	<b>135,928</b>	<b>35,913</b>	<b>171,842</b>
Other income and expenditure	(186,514)	50,560	<b>(135,954)</b>	(5,099)	(141,053)
<b>(Surplus) or deficit</b>	<b>(26)</b>	<b>0</b>	<b>(26)</b>	<b>30,814</b>	<b>30,789</b>
Opening General Fund			(17,295)		
Add Surplus on General Fund Balance in Year			(26)		
Less Transfer to Earmarked Reserves			26		
Less Contribution to General Fund			0		
<b>Closing General Fund Balance at 31 March 2019</b>			<b>(17,295)</b>		

	As reported for financial management	Adjustment to arrive at the net amount chargeable to the General Fund (Note 1a)	Net Expenditure chargeable to the General Fund	Adjustments between Funding and Accounting Basis (Note 1a)	Net Expenditure in the Comprehensive Income and Expenditure Statement
2017/18	£000	£000		£000	£000
Children's Social Care	43,801	36	43,837	1,700	45,537
Education	2,887	288	3,175	8,168	11,343
Adults' Social Care	43,642	3,485	47,127	2,396	49,523
Population Health	16,527	538	17,065	1,552	18,617
Quality & Safeguarding	0	0	0	0	0
Operations & Neighbourhoods	48,421	(28,414)	20,007	8,329	28,336
Growth	6,175	(14,582)	(8,407)	4,437	(3,970)
Finance & IT	3,530	(297)	3,233	594	3,827
Governance	4,681	(243)	4,438	962	5,400
Corporate Costs	4,390	2,796	7,186	384	7,570
<b>Net costs of services</b>	<b>174,054</b>	<b>(36,393)</b>	<b>137,661</b>	<b>28,523</b>	<b>166,184</b>
Other income and expenditure	(177,396)	36,393	(141,003)	(6,883)	(147,886)
<b>(Surplus) or deficit</b>	<b>(3,342)</b>	<b>0</b>	<b>(3,342)</b>	<b>21,640</b>	<b>18,298</b>
Opening General Fund			(17,295)		
Add Surplus on General Fund Balance in Year			(3,342)		
Less Transfer to Earmarked Reserves			3,342		
Less Contribution to General Fund			0		
<b>Closing General Fund Balance at 31 March 2018</b>			<b>(17,295)</b>		

\*The service area headings above are those used for management reporting during the 2018/19 financial year. The 2017/18 comparatives have been restated where applicable to reflect this reporting structure.



### 1a. Note to the Expenditure and Funding Analysis

	Transfers to/(from) reserves at Directorate level	Capital expenditure charged against the General Fund balances	Adjustments for Other Operating Income and Expenditure	Adjustments for Financing and Investment Income and Expenditure	Adjustments for Taxation and Non-Specific Grant Income	Total to arrive at amount charge to general fund	Adjustment for Capital Purposes	Net change for the Pensions Adjustment	Other Differences	Total Adjustment Between funding and Accounting Basis
2018/19	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Children's Social Care	705	0	0	0	0	705	22	1,638	(45)	1,616
Education	1,583	0	0	0	0	1,583	3,346	4,085	(533)	6,897
Adults' Social Care	2,685	0	0	0	(720)	1,965	10	2,199	(62)	2,147
Population Health	0	(118)	0	0	0	(118)	2,081	74	(2)	2,152
Quality & Safeguarding	8	0	0	0	0	8	0	26	(1)	25
Operations & Neighbourhoods	(1,554)	(1,352)	(28,051)	0	0	(30,957)	8,632	2,115	(57)	10,690
Growth	(3,807)	(100)	(1,605)	(10,323)	0	(15,835)	8,616	359	(10)	8,965
Finance & IT	136	0	0	0	0	136	1,490	426	(12)	1,904
Governance	(280)	0	0	0	0	(280)	0	1,053	(30)	1,024
Corporate Costs	17,697	(34,973)	(31)	(4,762)	14,302	(7,767)	9	28	456	493
<b>Net costs of services</b>	<b>17,173</b>	<b>(36,543)</b>	<b>(29,687)</b>	<b>(15,085)</b>	<b>13,582</b>	<b>(50,560)</b>	<b>24,206</b>	<b>12,003</b>	<b>(296)</b>	<b>35,913</b>
Other income and expenditure	(17,173)	36,543	29,687	15,085	(13,582)	50,560	(24,206)	(12,003)	31,111	(5,098)
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>30,815</b>	<b>30,815</b>

	Transfers to/(from) reserves at Directorate level	Capital expenditure charged against the General Fund balances	Adjustments for Other Operating Income and Expenditure	Adjustments for Financing and Investment Income and Expenditure	Adjustments for Taxation and Non-Specific Grant Income	Total to arrive at amount charge to general fund	Adjustment for Capital Purposes	Net change for the Pensions Adjustment	Other Differences	Total Adjustment Between funding and Accounting Basis
2017/18	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Children's Social Care	36	0	0	0	0	36	46	1,687	(33)	1,700
Education	288	0	0	0	0	288	3,775	3,970	423	8,168
Adults' Social Care	4,644	0	0	0	(1,159)	3,485	58	2,386	(47)	2,396
Population Health	644	(106)	0	0	0	538	1,458	97	(2)	1,552
Quality & Safeguarding	0	0	0	0	0	0	0	0	0	0
Operations & Neighbourhoods	1,217	(1,763)	(27,868)	0	0	(28,414)	6,103	2,271	(44)	8,329
Growth	(1,804)	23	(1,177)	(11,624)	0	(14,582)	4,020	424	(7)	4,437
Finance & IT	(297)	0	0	0	0	(297)	164	438	(8)	594
Governance	(243)	0	0	0	0	(243)	4	978	(20)	962
Corporate Costs	24,127	(28,798)	(31)	(7,093)	14,591	2,796	0	31	353	384
<b>Net costs of services</b>	<b>28,612</b>	<b>(30,644)</b>	<b>(29,076)</b>	<b>(18,717)</b>	<b>13,432</b>	<b>(36,393)</b>	<b>15,628</b>	<b>12,281</b>	<b>614</b>	<b>28,523</b>
Other income and expenditure	(28,612)	30,644	29,076	18,717	(13,432)	36,393	(15,628)	(12,281)	21,026	(6,883)
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>21,640</b>	<b>21,640</b>

## 1b. Expenditure and Income Analysed by Nature

	2018/19 £000	2017/18 £000
<b>Expenditure</b>		
Employee benefits expenses	196,298	198,893
Other service expenses	257,764	272,665
Depreciate amorisation and impairment	23,807	14,858
Loss on disposal of non-current assets	11,094	14,501
Interest payments	23,646	25,491
Precepts and levies	33,251	30,505
	<b>545,860</b>	<b>556,913</b>
<b>Income</b>		
Customer and Client Receipts	(41,195)	(41,999)
Income from Council tax and Business Rates	(175,672)	(184,581)
Government Grant Income	(265,877)	(269,813)
Other Grants Reimbursements and Contributions	(9,240)	(22,096)
Interest Income	(8,707)	(8,455)
Other Income	(14,382)	(11,670)
	<b>(515,073)</b>	<b>(538,615)</b>
<b>Surplus/Deficit on provision of services</b>	<b>30,787</b>	<b>18,298</b>

## 2. Other Operating Income and Expenditure

	31 March 2019			31 March 2018		
	Gross Exp- enditure	Gross Income	Net Exp- enditure	Gross Exp- enditure	Gross Income	Net Exp- enditure
	£000	£000	£000	£000	£000	£000
Parish Council Precepts	31	0	31	31	0	31
Levies	30,529	0	30,529	30,474	0	30,474
(Gains)/losses on derecognition/ disposal of non-current assets	11,644	(550)	11,094	18,837	(4,336)	14,501
	<b>42,204</b>	<b>(550)</b>	<b>41,654</b>	<b>49,342</b>	<b>(4,336)</b>	<b>45,006</b>

## 3. Financing and Investment Income and Expenditure

	31 March 2019			31 March 2018		
	Gross Exp- enditure	Gross Income	Net Exp- enditure	Gross Exp- enditure	Gross Income	Net Exp- enditure
	£000	£000	£000	£000	£000	£000
Interest Payable and Similar Charges	16,184	0	16,184	18,363	0	18,363
Net Interest on the Net Defined Benefit Liability (Asset)	7,331	0	7,331	8,012	0	8,012
Interest receivable and similar income	0	(711)	(711)	0	(638)	(638)
Other investment income	0	(8,041)	(8,041)	0	(6,335)	(6,335)
Trading Services	7,707	(8,566)	(859)	5,612	(6,994)	(1,382)
Income and expenditure in relation to Investment Properties and changes in their fair value	3,179	(3,856)	(677)	2,611	(4,430)	(1,819)
	<b>34,400</b>	<b>(21,174)</b>	<b>13,227</b>	<b>34,597</b>	<b>(18,397)</b>	<b>16,200</b>

#### 4. Taxation and Non-Specific Grant Income

*Council Tax and Business Rates income included in the Comprehensive Income and Expenditure Statement includes the Council's share of accrued income recognised by billing authorities in the production of the Collection Fund Statements.*

*The difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Reserve is taken to the Collection Fund Adjustment Account and reported in the Movement in Reserves Statement.*

The Council credited the following to the Taxation and Non Specific Grant Income line in the CIES:

	2018/19 £000	2017/18 £000
Council Tax Income	(89,185)	(86,473)
Revenue Support Grant	0	0
Retained Business Rates	(49,894)	(52,440)
Business Rates Top Up	(36,593)	(45,636)
New Homes Bonus Grant	(1,721)	(3,307)
Education Services Grant	0	(673)
Section 31 - Business Rates Grants	(7,813)	(7,450)
Other Non Ringfenced Government Grants	(1,868)	0
Other Capital Grants and Contributions	(8,861)	(13,113)
	<b>(195,935)</b>	<b>(209,092)</b>

#### 5. Grants

*Grants are recognised as income at the date that the Council has satisfied the conditions of entitlements and there is reasonable assurance that the monies will be received. Any grant received before these recognition criteria were satisfied would be held as a creditor (receipt in advance). Any grant which had met the recognition criteria but had not been received would be shown as a debtor.*

*Revenue grants will either be received to be used only for a specific purpose, or can be used for general purpose. Those for a specific purpose are recognised in the Comprehensive Income and Expenditure Statement within the Net Cost of Services. Those which are for general purpose are shown within Other Operating (Income) and Expenditure in the Comprehensive Expenditure and Income Statement.*

*The Council recognises capital grants and contributions as being related to capital assets and uses them to fund capital expenditure on those assets. Grants, contributions and donations are recognised as income at the date that the Council has satisfied the conditions of entitlement, and there is reasonable assurance that the monies will be received.*

*Any grant received before these recognition criteria were satisfied would be held as a creditor. Any grant which had met the recognition criteria but had not been received would be shown as a debtor. This is in line with the Accruals Concept.*

*Once the recognition criteria above have been satisfied, capital grants are recognised as income in the Comprehensive Income and Expenditure Statement.*

*In order to not impact on the level of Council Tax, the Council removes the credit from the General Reserves through the Movement in Reserves Statement, and makes a credit to the Capital Grants Unapplied Reserve.*

*Once expenditure has been incurred on the related asset, the credit is removed from the Capital Grants Unapplied Reserve and credited to the Capital Adjustment Account.*

The Council credited the following, excluding the Capital Grants and Contributions, to Cost of Services in the CIES:

	<b>2018/19 £000</b>	<b>2017/18 £000</b>
Dedicated Schools Grant	(126,154)	(126,543)
Housing Benefit Subsidy Grant	(70,947)	(79,299)
Housing and Council Tax Benefit Administration Grant	(893)	(998)
Public Health Grant	0	0
Private Finance Initiative (PFI) Grant	(14,196)	(14,196)
Improved Better Care Fund	(3,299)	(5,364)
Better Care Fund	(16,446)	(11,948)
Adult Social Care Grant	(721)	(1,159)
Winter Pressures Grant	(1,154)	0
Pupil Premium Grant	(8,022)	(8,562)
Physical Education & Sport Grant	(1,079)	(890)
Pot Hole Funding Grant	(1,114)	(164)
Universal Infant Free School Meals	(1,983)	(2,159)
Troubled Families Grant	(516)	(1,288)
Other Grants	(8,330)	(6,757)
<b>Total Revenue Grants credited to Cost of Services</b>	<b>(254,854)</b>	<b>(259,327)</b>
<b>Capital Grants and Contributions</b>		
Schools Basic Need	0	(4,883)
Local Full Fibre Network Funding	(1,975)	(2,257)
Highways Maintenance Grant	(2,514)	(1,678)
Other Capital Grants and Contributions	(4,372)	(4,294)
<b>Total Capital Grants and Contributions (credited to Taxation and Non-Specific Grant Income)</b>	<b>(8,861)</b>	<b>(13,113)</b>

## 6. Dedicated Schools Grant (DSG)

The Council's expenditure on schools is funded primarily by grant monies provided by the Education and Skills Funding Agency. The DSG is ring fenced and can only be applied to meet expenditure properly included in the schools budget, as defined in the School Finance and Early Years (England) Regulations 2018. Detail of the deployment of the DSG received is as follows:

	Central Expenditure £000	Individual Schools Budget £000	Total £000
Final DSG for 2018/19 before Academy recoupment			196,024
Academy figure recouped for 2018/19			(70,226)
<b>Total DSG after Academy recoupment</b>			<b>125,798</b>
Brought forward from 2017/18			3,881
Less: Carry forward to 2019/20 agreed in advance			2,632
<b>Agreed budget distribution for 2018/19</b>	<b>17,965</b>	<b>109,081</b>	<b>127,047</b>
In year adjustments	357	0	357
<b>Final budget distribution for 2018/19</b>	<b>18,322</b>	<b>109,081</b>	<b>127,403</b>
Actual central expenditure	17,671		17,671
Actual ISB deployed to schools		109,137	109,137
<b>Carry forward to 2019/20</b>	<b>651</b>	<b>(55)</b>	<b>3,228</b>

## 7. Trading Services

The Council has established a number of trading services that operate in a commercial environment and balance their budget by generating income from other parts of the Council, other organisations or the public. Details of those trading services are listed below:

	2018/19			2017/18		
	Expen- diture £000	Turnover £000	(Surplus)/ Deficit £000	Expen- diture £000	Turnover £000	(Surplus)/ Deficit £000
Cemeteries and Crematorium	1,337	(2,302)	(965)	1,171	(2,365)	(1,194)
Commercial Refuse Collection	414	(874)	(459)	275	(841)	(566)
Vehicle Maintenance	0	0	0	202	(308)	(106)
Civil Engineering	5,096	(5,231)	(135)	3,268	(3,325)	(57)
Community Buildings	687	(76)	611	564	(68)	496
Building Control	172	(83)	89	132	(87)	45
<b>Total</b>	<b>7,707</b>	<b>(8,566)</b>	<b>(859)</b>	<b>5,612</b>	<b>(6,994)</b>	<b>(1,382)</b>

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## **MOVEMENT IN RESERVES STATEMENT (MIRS) NOTES**

### **8. Adjustments Required to Comply with Proper Accounting Practice**

*The Council holds usable revenue reserves for the purpose of funding future expenditure. The General Fund Balance represents the balance of reserves to meet short term, unforeseeable expenditure and to enable significant changes in resources or expenditure to be properly managed over the period of the Medium Term Financial Strategy. Earmarked Reserves represent balances where approval has been received to use the reserve for a specific purpose.*

*Unusable revenue reserves represent timing differences such as those associated with the recognition of retirement benefits and financial instruments.*

*Movement in reserves are accounted through the Movement in Reserves Statement.*

#### **Revenue expenditure funded from Capital under Statute**

*Revenue Expenditure Funded from Capital under Statute represents expenditure which may be properly capitalised, but which does not result in the creation of any non-current asset to the Council. In line with the guidance contained in 'the Code', this expenditure is written off to the Comprehensive Income and Expenditure Statement in the year the expenditure is incurred, because the Council does not control the economic benefits arising from this expenditure.*

#### **Redemption of Debt (Minimum Revenue Provision)**

*Where capital expenditure has been financed by borrowing there is a provision for the repayment of debt to be made in accordance with the Minimum Revenue Provision requirements of the Local Authorities ('MRP' - as set out in Capital Financing and Accounting (Amendment) Regulations 2009).*

*For 2018/19 the Council has adopted the following policy in relation to calculating the Minimum Revenue Provision:*

*Borrowing taken up prior to 1 April 2015 will be provided for using a straight-line method of calculating MRP. £185.215m will be provided for in equal instalments over 50 years, which will result in an annual charge of £3.704m. The debt will be extinguished in full by 31 March 2065. If the Council elects to make additional voluntary MRP then the annual charge will be adjusted accordingly.*

*For borrowing taken up on or after 1 April 2015, MRP is to be provided for based upon the average expected useful life of the assets funded by borrowing in the previous year. The debt will be repaid on a straight-line basis over the average useful life calculated, meaning the debt will be fully extinguished at the end of period. If the Council elects to make additional voluntary MRP then the annual charge will be adjusted accordingly.*

*For certain investment projects it may be deemed more prudent to use the asset life annuity method in order to calculate MRP. In this case the Council will use the annuity method, with the MRP based on the prevailing PWLB interest rate for a loan with a term equal to the estimated life of the project. If the Council uses capital receipts to repay borrowing for the year then the value of MRP which would have otherwise been set aside to repay borrowing will be reduced by this amount. The level of capital receipts to be applied to redeem borrowing will be determined annually by the Section 151 Officer, taking into account forecasts for future expenditure and the generation of further receipts.*

*For any finance leases and any on-balance sheet Public Finance Initiative (PFI) schemes, the MRP charge will be equal to the principle repayment during the year, calculated in accordance with*

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*proper practices.*

*There will be no MRP charge for any cash backed Local Authority Mortgage Scheme (LAMS) that the Council operates. As for this type of scheme, any future debt liability would be met from the capital receipt arising from the deposit maturing after a five year period. Any repossession losses for this type of scheme would be charged to a LAMS reserve.*

*The Council has considered the Statutory Guidance, which recommends a 25 year repayment charge for loans to third parties, and concluded that this provision is not necessary where there is a realistic expectation that the loan will be repaid. The Council considers an MRP charge is not necessary in respect of any loans made to third parties as the debt liability is covered by the existence of a debtor; typically long term depending on the life of the loan. The only expenditure consequence of a loan for an authority is the interest on its cash shortfall whilst the loan is outstanding, so provision for the principal amount would be over-prudent until such time as the assumption has to be made that the loan will not be repaid.*



	Usable Reserves			Movement in Unusable Reserves £000
	General Fund Balances £000	Capital Receipts Unapplied Account £000	Capital Grants and Other Contributions Unapplied Reserve £000	
<b>2018/19</b>				
<b>Adjustments to Capital Adjustment Account:</b>				
<u>Reversal of items debited or credited to the CIES:</u>				
Charges for depreciation of non-current assets	(10,956)	0	0	10,956
Revaluation losses on Property Plant and Equipment (PPE)	(18,698)	0	0	18,698
Revaluation gains on PPE (used to reverse previous revaluation losses)	5,847	0	0	(5,847)
Movements in the market value of Investment Properties	663	0	0	(663)
Amortisation of Intangible Assets	0	0	0	0
Capital grant and contributions received in year	11,196	0	(2,807)	(8,389)
Revenue expenditure funded from Capital under Statute	(2,733)	0	0	2,733
Amounts of non-current assets written off on disposal or sale as part of the gains/loss on disposal to the CIES	(11,644)	0	0	11,644
<u>Insertion of items not debited or credited to the CIES:</u>	0	0	0	0
Statutory provision for the financing of capital investment:	0	0	0	0
- Minimum Revenue Provision (MRP) for capital financing	6,768	0	0	(6,768)
- GM and Lancashire debt repayment	984	0	0	(984)
Capital expenditure charged against General Fund Balances	36,561	0	0	(36,561)
Capital grant and contributions received in previous years - applied	0	0	3,389	(3,389)
Use of the Capital Receipts Unapplied Account to finance capital expenditure	0	0	0	0
<b>Adjustments to Capital Receipts Unapplied Account:</b>				
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES	550	(550)	0	0
4% disposal cost allowance	(18)	18	0	0
Contribution from the Capital Receipts Unapplied Account to finance the payments to the Government Capital Receipts Pool	0	0	0	0
<b>Adjustments to Deferred Capital Receipts Reserve:</b>				
Transfer to Capital Receipts Unapplied Account upon receipt of cash	0	(3)	0	3
<b>Adjustments to Financial Instruments Adjustment Account:</b>				
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	(101)	0	0	101
<b>Adjustments to Pensions Reserve:</b>				
Reversal of items relating to retirement benefits debited or credited to the CIES	(37,897)	0	0	37,897
Employer's pensions contributions and direct payments to pensioners payable in the year	18,563	0	0	(18,563)
<b>Adjustments to Collection Fund Adjustment Account:</b>				
Amount by which Council Tax and NDR income credited to the CIES is different from Council Tax and NDR income calculated for the year in accordance with statutory requirements	(520)	0	0	520
<b>Adjustment to Accumulating Compensated Absences Adjustment Account:</b>				
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	757	0	0	(757)
<b>Total Adjustments</b>	<b>(678)</b>	<b>(535)</b>	<b>583</b>	<b>630</b>

	Usable Reserves			Movement in Unusable Reserves £000
	General Fund Balances £000	Capital Receipts Unapplied Account £000	Capital Grants and Other Contributions Unapplied Reserve £000	
<b>2017/18</b>				
<b>Adjustments to Capital Adjustment Account:</b>				
<u>Reversal of items debited or credited to the CIES:</u>				
Charges for depreciation of non-current assets	(13,966)	0	0	13,966
Revaluation losses on Property Plant and Equipment (PPE)	(1,084)	0	0	1,084
Revaluation gains on PPE (used to reverse previous revaluation losses)	192	0	0	(192)
Movements in the market value of Investment Properties	1,773	0	0	(1,773)
Amortisation of Intangible Assets	0	0	0	0
Capital grant and contributions received in year	15,806	0	(5,608)	(10,198)
Revenue expenditure funded from Capital under Statute	(3,464)	0	0	3,464
Amounts of non-current assets written off on disposal or sale as part of the gains/loss on disposal to the CIES	(18,837)	0	0	18,837
<u>Insertion of items not debited or credited to the CIES:</u>	0	0	0	0
Statutory provision for the financing of capital investment:	0	0	0	0
- Minimum Revenue Provision (MRP) for capital financing	6,482	0	0	(6,482)
- GM and Lancashire debt repayment	947	0	0	(947)
Capital expenditure charged against General Fund Balances	30,808	0	0	(30,808)
Capital grant and contributions received in previous years - applied	0	0	2,875	(2,875)
Use of the Capital Receipts Unapplied Account to finance capital expenditure	0	7,727	0	(7,727)
<b>Adjustments to Capital Receipts Unapplied Account:</b>				
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES	4,336	(4,336)	0	0
4% disposal cost allowance	(163)	163	0	0
Contribution from the Capital Receipts Unapplied Account to finance the payments to the Government Capital Receipts Pool	0	0	0	0
<b>Adjustments to Deferred Capital Receipts Reserve:</b>				
Transfer to Capital Receipts Unapplied Account upon receipt of cash	0	0	0	0
<b>Adjustments to Financial Instruments Adjustment Account:</b>				
Proportion of premiums incurred in previous financial years to be	(102)	0	0	102
<b>Adjustments to Pensions Reserve:</b>				
Reversal of items relating to retirement benefits debited or credited to the CIES	(38,302)	0	0	38,302
Employer's pensions contributions and direct payments to pensioners payable in the year	18,009	0	0	(18,009)
<b>Adjustments to Collection Fund Adjustment Account:</b>				
Amount by which Council Tax and NDR income credited to the CIES is different from Council Tax and NDR income calculated for the year in accordance with statutory requirements	7,753	0	0	(7,753)
<b>Adjustment to Accumulating Compensated Absences Adjustment Account:</b>				
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(256)	0	0	256
<b>Total Adjustments</b>	<b>9,932</b>	<b>3,554</b>	<b>(2,733)</b>	<b>(10,753)</b>

## 9a Usable Reserves

*Usable Reserves are those reserves that can be applied to fund expenditure or reduce local taxation. Further details can be found in the MiRS and below.*

	2018/19 £000	2017/18 £000
General Fund Balances	(17,295)	(17,295)
Schools Balances	(7,389)	(4,205)
Earmarked Reserves	(127,267)	(160,562)
Capital Receipts Unapplied Account	(536)	(1)
Capital Grants and Other Contributions Unapplied Reserve	(17,350)	(17,932)
<b>Total</b>	<b>(169,837)</b>	<b>(199,995)</b>

## 9b Capital Receipts Unapplied Account

*Capital receipts (in excess of £10,000) arising from the sale of non-current assets are credited to the Capital Receipts Unapplied Account.*

*Usable capital receipts are shown separately in the Balance Sheet and can be used either to finance new capital investment, to repay grant received in relation to the asset disposed of, to finance the premium sum arising from the rescheduling of debt, or set aside to reduce the Council's underlying need to borrow.*

	2018/19 £000	2017/18 £000
<b>Balance at 1 April</b>	<b>(2)</b>	<b>(3,556)</b>
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES	(550)	(4,337)
Use of the Capital Receipts Unapplied Account to finance new capital	0	7,728
Transfer from the Deferred Capital Receipts Reserve upon receipt of cash	(3)	0
4% disposal cost allowance	18	163
<b>Balance at 31 March</b>	<b>(537)</b>	<b>(2)</b>

## 9c Capital Grants and Other Contributions Unapplied Reserve

	2018/19 £000	2017/18 £000
<b>Balance at 1 April</b>	<b>(17,932)</b>	<b>(15,199)</b>
Grants and contributions received in previous years - applied	3,389	2,875
Grants and contributions received in year - not applied	(2,807)	(5,608)
<b>Balance at 31 March</b>	<b>(17,350)</b>	<b>(17,932)</b>

## 10. Unusable Reserves

*Unusable Reserves are those reserves that are held for accounting purposes and that the Council is not able to utilise to provide services.*

*As a result of changes to IFRS9 (Financial Instruments), Financial Assets previously classified as Available for Sale have been re-categorised as Financial Assets held at Fair Value through Other Comprehensive Income. The Available for Sale Financial Instruments Reserve has been replaced with the Financial Instruments Revaluation Reserve. Further information on accounting for Financial Instruments can be found in Notes 19 and 20, and in the accounting policies in note 41.*

	2018/19 £000	2017/18 £000
Revaluation Reserve	(46,138)	(37,083)
Financial Instruments Revaluation Reserve	(42,153)	0
Capital Adjustment Account	(174,604)	(152,316)
Pensions Reserve	359,396	286,604
Available For Sale Financial Instruments Reserve	0	(41,686)
Collection Fund Adjustment Account	(13,811)	(14,332)
Short Term Accumulating Compensated Absences Account	3,220	3,977
Holding in Manchester Airport Group	(5,702)	(5,701)
Financial Instruments Adjustment Account	734	633
Deferred Capital Receipts	(7)	(10)
<b>Total</b>	<b>80,935</b>	<b>40,086</b>

### 10a Revaluation Reserve

*The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:*

- *Revalued downwards or impaired and the gains are lost;*
- *Used in the provision of services and the gains are consumed through depreciation; or*
- *Disposed of and the gains are realised.*

	2018/19 £000	2017/18 £000
<b>Balance at 1 April</b>	<b>(37,083)</b>	<b>(37,231)</b>
Upward revaluation of assets	(16,742)	(1,961)
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	3,969	161
Surplus or deficit on revaluation of non-current assets posted to the Surplus/Deficit on the Provision of Services	<b>(12,772)</b>	<b>(1,800)</b>
Difference between fair value and historical cost depreciation	532	449
Accumulated gains on assets sold or scrapped	3,185	1,499
Amount written off to the Capital Adjustment Account	<b>3,717</b>	<b>1,948</b>
<b>Balance at 31 March</b>	<b>(46,138)</b>	<b>(37,083)</b>

## 10b Financial Instruments Revaluation Reserve

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

- *revalued downwards or impaired and the gains are lost*
- *disposed of and the gains are realised.*

	2018/19 £000	2017/18 £000
<b>Balance at 1 April</b>	0	0
Transfer from Available For Sale Financial Instruments Reserve	(41,686)	0
Revaluation of investment in Manchester Airport Group (MAG)	(800)	0
Revaluation of investment in Inspiredspaces Tameside (Holdings 1& 2) Ltd	333	0
Surplus on revaluation of Financial Instrument Revaluation Reserve	(467)	0
<b>Balance at 31 March</b>	<b>(42,153)</b>	0

## 10c Capital Adjustment Account

*The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement element of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the CIES (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council to finance the costs of acquisition, construction and enhancement.*

*The Account contains accumulated gains and losses on Investment Properties that have yet to be consumed by the Council. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before April 2007, the date that the Revaluation Reserve was created to hold such gains.*

	2018/19 £000	2017/18 £000
<b>Balance at 1 April</b>	<b>(152,316)</b>	<b>(126,718)</b>
<i>Reversal of items debited or credited to the CIES:</i>		
Charges for depreciation of non-current assets	10,956	13,966
Revaluation losses on Property, Plant and Equipment	18,698	1,084
Revaluation gains on Property, Plant and Equipment (used to reverse previous revaluation losses)	(5,847)	(192)
Amortisation of Intangible Assets	0	0
Revenue expenditure funded from capital under statute	2,733	3,464
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	11,644	18,838
	<b>38,184</b>	<b>37,160</b>
Adjusting amounts written out of the Revaluation Reserve	(3,717)	(1,948)
Net written out amount of the cost of non-current assets consumed in the year	<b>34,467</b>	<b>35,212</b>
<i>Capital financing applied in the year:</i>		
Use of the Capital Receipts Unapplied Account to finance new capital expenditure	0	(7,728)
Capital grants and contributions credited to the CIES that have been applied to capital financing	(8,389)	(10,199)
Application of grants to capital financing from the Capital Grants and Other Contributions Unapplied Account	(3,389)	(2,875)
Statutory provision for the financing of capital investment charged against the General Fund	(7,753)	(7,429)
Capital expenditure charged against the General Fund and Reserves	(36,561)	(30,808)
	<b>(56,092)</b>	<b>(59,038)</b>
Movements in the market value of Investment Properties debited or credited to the CIES	(663)	(1,772)
<b>Balance at 31 March</b>	<b>(174,604)</b>	<b>(152,316)</b>

#### 10d 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 debit balance on the Pensions Reserve therefore shows a shortfall in the benefits earned by past and current employees and the resources the Council 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.*

	2018/19 £000	2017/18 £000
<b>Balance at 1 April</b>	<b>286,604</b>	<b>294,902</b>
Remeasurement of net defined benefit liability	53,458	(28,591)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	37,897	38,302
Employer's pensions contributions and direct payments to pensioners payable in the year	(18,563)	(18,009)
<b>Balance at 31 March</b>	<b>359,396</b>	<b>286,604</b>

#### 10e Available For Sale Financial Instruments Reserve

*The Available for Sale Financial Instruments Reserve contains the gains made by the Council arising from the increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:*

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

	2018/19 £000	2017/18 £000
<b>Balance at 1 April</b>	<b>(41,686)</b>	<b>(33,486)</b>
Revaluation of investment in Manchester Airport Group (MAG)	0	(8,200)
Transfer to Financial Instruments Revaluation Reserve under IFRS 9	41,686	0
<b>Balance at 31 March</b>	<b>0</b>	<b>(41,686)</b>

#### 10f Collection Fund Adjustment Account

*The Collection Fund Adjustment Account manages the differences arising from the recognition of Council Tax income and NDR income in the CIES as it falls due from Council Tax payers and NDR payers compared with the statutory arrangements for paying across amounts to General Fund Balances from the Collection Fund.*

	2018/19 £000	2017/18 £000
<b>Balance at 1 April</b>	<b>(14,332)</b>	<b>(6,579)</b>
Amount by which Council Tax income and NDR income credited to the CIES is different from Council Tax income and NDR income calculated for the year in accordance with statutory requirements	520	(7,753)
<b>Balance at 31 March</b>	<b>(13,811)</b>	<b>(14,332)</b>

#### 10g Short Term Accumulating Compensated Absences Account

*The Short Term Accumulating Compensated Absences Account absorbs the differences that would otherwise arise on General Fund Balances from accruing for compensated absences earned but not taken in the year e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on General Fund Balances is neutralised by transfers to or from the Account.*

	2018/19 £000	2017/18 £000
<b>Balance at 1 April</b>	<b>3,977</b>	<b>3,720</b>
Settlement or cancellation of accrual made at the end of the preceding year	(3,977)	(3,720)
Amounts accrued at the end of the current year	3,220	3,977
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(757)	257
<b>Balance at 31 March</b>	<b>3,220</b>	<b>3,977</b>

#### 10h Financial Instruments Adjustment Account

*The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Account is used to manage premiums paid on the early redemption of loans.*

	2018/19 £000	2017/18 £000
<b>Balance at 1 April</b>	<b>633</b>	<b>531</b>
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	101	102
<b>Balance at 31 March</b>	<b>734</b>	<b>633</b>

#### 10i Deferred Capital Receipts Reserve

*The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.*

	2018/19 £000	2017/18 £000
<b>Balance at 1 April</b>	<b>(10)</b>	<b>(11)</b>
Transfer to the Capital Receipts Unapplied Account on receipt of cash	3	1
<b>Balance at 31 March</b>	<b>(7)</b>	<b>(10)</b>

#### 10h Holding in Manchester Airport Group (MAG)

This reserve represents the value of shares at the point of transfer to the Council on the winding up of Greater Manchester Council.



## 11. Transfers to/from Earmarked Reserves

*Transfers to/from Earmarked Reserves are the net amounts set aside from General Fund Balances in earmarked reserves to provide financing for future expenditure plans, and the amounts posted back from earmarked reserves to meet General Fund expenditure in the accounting period.*

	Balance at 1 April 2018 £000	Net Movement 2018/19 £000	Balance at 31 March 2019 £000	Balance at 1 April 2017 £000	Net Movement 2017/18 £000	Balance at 31 March 2018 £000	Purpose of the Earmarked Reserve
Building Schools for the Future (BSF) Affordability Reserve	(9,703)	1,888	(7,815)	(8,452)	(1,251)	(9,703)	For further information please see Note 28.
Capital Investment Reserve	(39,952)	23,665	(16,287)	(69,210)	29,258	(39,952)	To be used to finance the Council's Capital Investment Programme.
Corporate Initiatives Reserve	(871)	0	(871)	(871)	0	(871)	To fund the implementation of projects that support the Council's cross-cutting corporate initiatives.
Early Exit Costs Reserve	(5,069)	0	(5,069)	(5,069)	0	(5,069)	To assist in meeting future years additional pension costs.
Earmarked Reserves with a balance at 31 March 2019 under £0.500m	(4,865)	337	(4,528)	(4,821)	(44)	(4,865)	Various
Hard Facilities Management Service Contract Reserve	(703)	36	(668)	(738)	35	(703)	To fund the affordability gap within the Facilities Management service.
Hattersley Reserve	(1,812)	0	(1,812)	(1,812)	0	(1,812)	To finance highway improvements and regeneration initiatives in Hattersley.
Health Equalities Reserve	(3,005)	399	(2,605)	(3,005)	0	(3,005)	Ringfenced Public Health reserve per section 10 of the Department of Health Grant determination.
Health Integration Reserve	(3,348)	(632)	(3,980)	(3,782)	433	(3,348)	To support the development and implementation of the Care Together Programme.
Insurance Reserves	(6,228)	(4,003)	(10,231)	(6,382)	154	(6,228)	An estimate of claims incurred but not reported. Includes element to cover any expenditure for insurance claims.
Medium Term Financial Strategy Reserve	(37,375)	15,005	(22,370)	(31,025)	(6,351)	(37,375)	To support the delivery of the Medium Term Financial Strategy.
PFI Reserve	(3,222)	(33)	(3,255)	(3,183)	(39)	(3,222)	For further information please see Note 28.
School Funding Reserve	(4,294)	999	(3,295)	(4,771)	477	(4,294)	Balance of Education grants to be utilised on Education and School related services.
Transport Replacement Fleet Reserve	(2,412)	(236)	(2,648)	(2,382)	(31)	(2,412)	To fund future maintenance of vehicles procured via Prudential Borrowing.
Unspent Revenue Grant and Contribution Reserve	(8,487)	341	(8,146)	(4,567)	(3,920)	(8,487)	Unspent revenue grant, with no conditions attached. IFRS require these grants to be classed as reserves.
Waste PFI Reserve	(6,515)	0	(6,515)	(7,810)	1,294	(6,515)	To smooth the impact of future years levy increases and associated managed collection costs.
Winter Gritting Reserve	(26)	26	0	(517)	491	(26)	To fund additional winter maintenance costs in future years.
Collection Fund Reserve	(3,472)	(7,398)	(10,871)	(4,125)	652	(3,472)	Additional business rates income from the 100% retention pilot and a contingency balance to smooth the impact of unexpected deficits
Care Together	(10,800)	0	(10,800)	(15,000)	4,200	(10,800)	To assist any funding risks of the implementation of the Care Together Programme

	Balance at 1 April 2018 £000	Net Movement 2018/19 £000	Balance at 31 March 2019 £000	Balance at 1 April 2017 £000	Net Movement 2017/18 £000	Balance at 31 March 2018 £000	Purpose of the Earmarked Reserve
Service Improvement	(5,000)	(500)	(5,500)	(5,000)	0	(5,000)	To support one off service improvements in future to allow services to balance budgets.
Children's Services	(3,400)	3,400	0	(6,000)	2,600	(3,400)	To support if required future demands on Children's Services and delivery of the Children's Services Improvement Plan.
<b>Total</b>	<b>(160,562)</b>	<b>33,295</b>	<b>(127,267)</b>	<b>(188,521)</b>	<b>27,958</b>	<b>(160,562)</b>	

## **BALANCE SHEET NOTES**

### **NON-CURRENT ASSETS (INCLUDING FINANCIAL INSTRUMENTS)**

#### **12. Property, Plant and Equipment**

##### **Recognition**

*All expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis. Expenditure on the acquisition of an asset, or expenditure which adds to, and not merely maintains, the value of an existing asset, should be capitalised, provided that it yields benefits to the Council and the services it provides for a period of more than one year.*

*Capital expenditure includes:*

- *The acquisition, reclamation, enhancement or laying out of land;*
- *Acquisition, construction, preparation, enhancement or replacement of roads, buildings and other structures; and*
- *Acquisition, installation or replacement of movable or immovable plant, machinery, apparatus, vehicles and vessels.*

*In this context, enhancement means works which are intended to:*

- *Lengthen substantially the useful life of the asset, or*
- *Increase substantially the market value of the asset, or*
- *Increase substantially the extent to which the asset can or will be used for the purposes of or in conjunction with the functions of the Council.*

*Under this definition, improvement works and structural repairs should be capitalised, whereas expenditure to ensure that the non-current asset maintains its previously assessed standard of performance should be recognised in the revenue account as it is incurred.*

*A de-minimis level of £10,000 has been adopted by the Council in relation to capital expenditure.*

##### **Measurement**

*Initially the assets are measured at cost, comprising the purchase price, plus any costs associated with bringing the asset into use. The measurement of an operational asset acquired other than through purchase is deemed to be its current value. The Code requires that non-operational property, plant and equipment classified as surplus assets are measured at fair value.*

*In accordance with 'the Code', Property, Plant and Equipment is further classified as:*

- *Other Land and Buildings \**

- Infrastructure assets
- Vehicles, Plant and Equipment
- Community Assets
- Assets under Construction
- Surplus Assets

Each of these asset classifications are valued on the base recommended by CIPFA and in accordance with the Statements of Asset Valuation Principles and Guidance Notes issued by The Royal Institution of Chartered Surveyors (RICS), as follows:

- Infrastructure, Community Assets and Assets Under Construction – depreciated historical cost (DRC)
- Other assets (excluding non-operational property) – current value, determined as the amount that would be paid for the asset in its existing use (EUV)
- Surplus assets (non-operational property, plant and equipment) – fair value

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

\*These asset categories are revalued on a five year rolling cycle. The programme of revaluations is continuing on this cyclical basis although values of those assets falling between scheduled valuation dates are reviewed annually to ensure that any material changes to asset valuations is adjusted in the interim period, as they occur. Assets where expenditure of £750,000 or above has been incurred, these are added to the preceding year's revaluation list

### **Disposals**

Receipts from the disposal of non-current assets are accounted for on an accruals basis. When an asset is disposed of, the value of the asset in the Balance Sheet is written out to the Comprehensive Income and Expenditure Statement, as is the disposal receipt. These amounts are not a charge or receipt to council tax as the cost of non-current assets is fully provided for under separate arrangements for capital financing. The asset value written out is appropriated to the Capital Adjustment Account, the capital receipt is appropriated to the Capital Receipts Unapplied Account, via the Movement in Reserve Statement. Any revaluation gains that have accumulated in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Usable Capital Receipts have been used to finance capital expenditure based on the policy of the Council.

Academy Schools are written out of the Council's Balance Sheet at the time that they legally transfer to Academy status. The net book value of the school at the time of the transfer is charged to Other Operating Income and Expenditure within the Comprehensive Income and Expenditure Statement as a loss on disposal/de-recognition.

### **Depreciation / Amortisation**

Depreciation is provided for on all non-current assets with a finite useful life (this can be determined at the time of acquisition or revaluation) according to the following policy:

All buildings (but not their land) are depreciated over their remaining useful lives. A land and building split has been determined by the Council's external valuers. Estimates of the useful life are determined for each property and where material for components of those properties as part of the

valuation process. These estimates of economic life may vary considerably from property to property.

Investment Properties are not depreciated, rather an annual review is undertaken of the fair carrying value. Any changes to these values are charged to the Provision of Services within the Comprehensive Income and Expenditure Statement in the period that they occur.

Infrastructure is depreciated over a 40 year period.

Vehicles, Plant, and Equipment is depreciated over 10 years or less depending on the nature of the asset.

Depreciation is calculated on a straight-line basis. Depreciation is not charged in the year of asset acquisition. Depreciation is charged to the Comprehensive Income and Expenditure Statement but does not impact on council tax and is written out to the Capital Adjustment Account via the Movement in Reserves Statement. Where non-current assets have been re-valued the current value depreciation will be higher than the historic cost depreciation, this increased depreciation charge is written out against the Revaluation Reserve with an offsetting entry to the Capital Adjustment Account.

### **Impairment of Non-current Assets**

Assets have been reviewed for any impairment loss in respect of the consumption of economic benefit (e.g. physical damage). Where an impairment loss occurs this would be charged to the service revenue account, with a corresponding entry made to reduce the value of the asset in the Balance Sheet.

To remove the impact of the impairment loss on the budget, a credit entry is made in the Movement in Reserves Statement as a charge to the Capital Adjustment Account.

Impairments reflecting a general fall in prices would be recognised in the Revaluation Reserve, up to the value of revaluation for the individual asset, and any further impairment would be treated as a consumption of economic benefit and charged to the service revenue account.

### **Revaluations**

Revaluation of property is undertaken on at least a five year "rolling programme" to ensure all property is measured at current value or fair value as appropriate. A desk top valuation exercise can take place more frequently, however, if the valuer believes that market changes within the year are more significant, an interim valuation will be undertaken. Investment Properties are revalued annually to determine any material change in the carrying value.

A Revaluation Reserve for non-current assets (other than Investment Properties) is held in the Balance Sheet made up of unrealised revaluation gains relating to individual non-current assets, with movements in valuations being managed at an individual non-current asset level.

Movement in the valuation of Investment Properties are charged or credited to the Comprehensive Income Expenditure Statement. Gains arising from the revaluation of Investment Properties are not held within a revaluation reserve.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of the reserves formal implementation. Gains arising before that date were subsequently consolidated into the Capital Adjustment Account. Movements in the valuations of non-current assets do not impact on General Fund Balances and are not a charge or credit to council tax levies.

### **Charges to revenue for non-current assets**

The Cost of Services includes the following amounts to record the real cost of holding non-current assets throughout the year:

- 
- *Depreciation attributable to the assets used by the relevant service*
  - *Impairment losses attributable to non-current assets used by the service in excess of the balances held in the Revaluation Reserve*
  - *Amortisation of Intangible Assets attributable to the service*

*The Council does not raise council tax to cover depreciation, impairment loss or amortisations. The Council does, however, make an annual provision from revenue to reduce its borrowing requirement, (see note 8). Depreciation, impairment losses, amortisation and gains or losses on the disposal of non-current assets are therefore written out in the Movement in Reserves Statement, by way of an adjusting transaction within the Capital Adjustment Account.*

12a. Details of movements in Property, Plant and Equipment in 2018/19:

	Land and Buildings £000	Vehicles, Plant and Equipment £000	Infrastructure £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000	PFI Assets Included in Property, Plant and Equipment £000
<b>Cost or Valuation</b>								
At 1 April 2018	263,246	37,856	140,447	18,308	5,017	47,716	512,589	78,432
Additions	4,221	2,895	9,157	37	0	21,191	37,501	106
Upward revaluation of assets recognised in the Revaluation Reserve	12,992	0	0	0	48	0	13,040	10,369
Upward revaluation of assets reversing prior year loss to Surplus/Deficit on the Provision of Services	3,854	0	0	0	55	0	3,909	133
Revaluation losses recognised in the Revaluation Reserve	(5,750)	0	0	0	(23)	0	(5,774)	(340)
Revaluation losses recognised in the Surplus/Deficit on the Provision of Services	(23,381)	0	0	0	(124)	0	(23,504)	0
Derecognition/disposal of non-current assets	(12,204)	(165)	0	0	0	0	(12,369)	0
Assets reclassified in year	52,356	(1,759)	1,835	16	0	(52,458)	(11)	0
Other movements	0	0	0	0	0	0	0	0
<b>At 31 March 2019</b>	<b>295,333</b>	<b>38,827</b>	<b>151,439</b>	<b>18,361</b>	<b>4,973</b>	<b>16,449</b>	<b>525,380</b>	<b>88,701</b>
<b>Accumulated Depreciation and Impairment</b>								
At 1 April 2018	(23,342)	(22,357)	(29,202)	(3,590)	(128)	0	(78,618)	(4,152)
Depreciation charge	(5,688)	(1,637)	(3,631)	0	0	0	(10,956)	(1,211)
Upward revaluation of assets written out to the Revaluation Reserve	3,702	0	0	0	0	0	3,702	2,799
Upward revaluation of assets written out to the Surplus/Deficit on the Provision of Services	1,938	0	0	0	0	0	1,938	0
Revaluation losses recognised in the Revaluation Reserve	1,805	0	0	0	0	0	1,805	0
Revaluation losses recognised in the Surplus/Deficit on the Provision of Services	4,806	0	0	0	0	0	4,806	0
Derecognition/disposal of non-current assets	759	165	0	0	0	0	924	0
<b>At 31 March 2019</b>	<b>(16,020)</b>	<b>(23,829)</b>	<b>(32,833)</b>	<b>(3,590)</b>	<b>(128)</b>	<b>0</b>	<b>(76,399)</b>	<b>(2,564)</b>
<b>Net Book Value</b>								
<b>At 31 March 2019</b>	<b>279,313</b>	<b>14,998</b>	<b>118,606</b>	<b>14,771</b>	<b>4,845</b>	<b>16,449</b>	<b>448,980</b>	<b>86,136</b>
<b>At 31 March 2018</b>	<b>239,905</b>	<b>15,499</b>	<b>111,245</b>	<b>14,718</b>	<b>4,889</b>	<b>47,716</b>	<b>433,971</b>	<b>74,281</b>
<b>Nature of asset owned at 31 March 2019</b>								
Owned	193,175	14,998	118,606	14,771	4,845	16,449	362,845	0
Finance Lease	0	0	0	0	0	0	0	0
PFI	86,136	0	0	0	0	0	86,136	86,136
	<b>279,312</b>	<b>14,998</b>	<b>118,606</b>	<b>14,771</b>	<b>4,845</b>	<b>16,449</b>	<b>448,981</b>	<b>86,136</b>

12b. Details of the prior year movements in Property, Plant and Equipment:

	Land and Buildings £000	Vehicles, Plant and Equipment £000	Infrastructure £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000	PFI Assets Included in Property, Plant and Equipment £000
<b>Cost or Valuation</b>								
At 1 April 2017	271,379	32,293	133,597	18,198	5,705	26,742	487,912	78,650
Additions	12,194	7,744	6,850	110	0	20,974	47,872	53
Upward revaluation of assets recognised in the Revaluation Reserve	(197)	0	0	0	823	0	626	(270)
Upward revaluation of assets reversing prior year loss to Surplus/Deficit on the Provision of Services	47	0	0	0	142	0	189	0
Revaluation losses recognised in the Revaluation Reserve	(241)	0	0	0	(32)	0	(273)	0
Revaluation losses recognised in the Surplus/Deficit on the Provision of Services	(1,945)	0	0	0	(8)	0	(1,953)	0
Derecognition/disposal of non-current assets	(17,993)	(2,181)	0	0	(1,612)	0	(21,786)	0
Assets reclassified in year	0	0	0	0	0	0	0	0
Other movements	0	0	0	0	0	0	0	0
<b>At 31 March 2018</b>	<b>263,244</b>	<b>37,856</b>	<b>140,447</b>	<b>18,308</b>	<b>5,017</b>	<b>47,716</b>	<b>512,587</b>	<b>78,432</b>
<b>Accumulated Depreciation and Impairment</b>								
At 1 April 2017	(19,498)	(21,432)	(25,793)	(3,590)	(535)	0	(70,848)	(2,760)
Depreciation charge	(7,451)	(3,106)	(3,409)	0	0	0	(13,966)	(1,975)
Upward revaluation of assets written out to the Revaluation Reserve	928	0	0	0	407	0	1,335	583
Upward revaluation of assets written out to the Surplus/Deficit on the Provision of Services	3	0	0	0	0	0	3	0
Revaluation losses recognised in the Revaluation Reserve	112	0	0	0	0	0	112	0
Revaluation losses recognised in the Surplus/Deficit on the Provision of Services	869	0	0	0	0	0	869	0
Derecognition/disposal of non-current assets	1,697	2,181	0	0	0	0	3,878	0
<b>At 31 March 2018</b>	<b>(23,341)</b>	<b>(22,357)</b>	<b>(29,202)</b>	<b>(3,590)</b>	<b>(128)</b>	<b>0</b>	<b>(78,617)</b>	<b>(4,152)</b>
<b>Net Book Value</b>								
<b>At 31 March 2018</b>	<b>239,904</b>	<b>15,499</b>	<b>111,245</b>	<b>14,718</b>	<b>4,889</b>	<b>47,716</b>	<b>433,970</b>	<b>74,281</b>
<b>At 31 March 2017</b>	<b>251,881</b>	<b>10,861</b>	<b>107,804</b>	<b>14,608</b>	<b>5,170</b>	<b>26,742</b>	<b>417,064</b>	<b>75,890</b>
<b>Nature of asset owned at 31 March 2018</b>								
Owned	165,622	15,499	111,245	14,718	4,889	47,716	359,690	0
Finance Lease	0	0	0	0	0	0	0	0
PFI	74,281	0	0	0	0	0	74,281	74,281
	<b>239,903</b>	<b>15,499</b>	<b>111,245</b>	<b>14,718</b>	<b>4,889</b>	<b>47,716</b>	<b>433,971</b>	<b>74,281</b>

12c. The effective date of revaluation for non-current assets is 1<sup>st</sup> April of each financial year. An analysis of the Council's rolling programme of revaluations is set out below:

	Land and Buildings £000	Vehicles, Plant and Equipment	Infrastructure £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total £000
<b>Historical Cost</b>	<b>13,156</b>	<b>38,827</b>	<b>151,439</b>	<b>18,361</b>	<b>220</b>	<b>16,449</b>	<b>238,452</b>
Fair Value at year end:							0
31 March 2015	20,027	0	0	0	0	0	20,027
31 March 2016	26,172	0	0	0	0	0	26,172
31 March 2017	53,097	0	0	0	0	0	53,097
31 March 2018	12,639	0	0	0	0	0	12,639
31 March 2019	170,241	0	0	0	0	0	170,241
<b>Total Cost or Valuation</b>	<b>295,333</b>	<b>38,827</b>	<b>151,439</b>	<b>18,361</b>	<b>220</b>	<b>16,449</b>	<b>520,628</b>

#### 12d. Assets Held for Sale

	2018/19 £000	2017/18 £000
<b>Balance at start of the year</b>	<b>1,230</b>	<b>1,502</b>
Assets newly classified as held for sale	0	0
Disposals in year	0	(272)
<b>Balance at end of the year</b>	<b>1,230</b>	<b>1,230</b>

#### 13. Heritage Assets

*Heritage Assets are held for their cultural, environmental or historical associations. With the exception of "Statues and Other Monuments", which by their nature are located across the Borough, they are mainly held in the Council's art galleries and museums.*

*This collection of Heritage Assets has been secured over many years from a variety of sources, being mainly bequeaths, donations and long term loans. Assets acquired from these sources may have conditions attached which govern how the assets may be managed in the future. Any assets with conditions attached are recognised in Donated Assets as a long term liability in the Balance Sheet until any outstanding conditions cease.*

*Any acquisitions of Heritage Assets are initially recognised at cost and donations are recognised at valuation with valuations provided by external valuers. The Council's collections of Heritage Assets are accounted for as follows:*

- *Art Collection;*
- *Militaria;*
- *Civic Regalia and Silver; and*
- *Statues and Other Monuments.*



	Civic Regalia £000	Art Collection £000	Militaria £000	Statues and Other Monuments £000	Total Heritage Assets £000
<b>Cost or Valuation</b>					
At 31 March 2018	578	9,507	1,475	911	12,471
At 31 March 2019	578	9,507	1,475	911	12,471

#### 14. Investment Properties

*Investment Property is held solely to earn rental income or for capital appreciation or both. Investment Property is initially recognised at cost, but is subject to valuation at fair value at the end of each accounting period. Losses or gains are recognised in the Comprehensive Income and Expenditure Statement.*

The following items of income and expense have been accounted for in the Comprehensive Income and Expenditure Statement.

	2018/19 £000	2017/18 £000
Rental income from investment property	(625)	(1,888)
Direct operating expenses arising from investment property	899	1,841
Gains in fair value of investment property	(2,014)	(2,542)
Losses in the fair value of investment property	1,351	770
<b>Net position</b>	<b>(389)</b>	<b>(1,819)</b>

The following table summarises the movement in the fair value of investment properties:

	2018/19 £000	2017/18 £000
<b>Balance at start of the year</b>	<b>30,700</b>	<b>29,534</b>
Additions	32	50
Movements in the fair value of investment property	663	1,773
Derecognition/disposal of non-current assets	(198)	(657)
Assets reclassified in year	11	0
<b>Balance at end of the year</b>	<b>31,207</b>	<b>30,700</b>

#### 15. Intangible Assets

*Intangible Assets represent non-current assets that do not have physical substance, but are identifiable and are controlled by the Council through custodial or legal rights. All purchased Intangible Assets are capitalised at historical cost in line with 'the Code'. The Council's Intangible Assets consist of computer software and licences.*

*In line with other non-current assets, their useful economic life is determined based on the length of time that the benefit will accrue to the Council. Based on the best estimate of the useful economic life, the Intangible Asset is charged to the Comprehensive Income and Expenditure Statement over this period.*

	2018/19 £000	2017/18 £000
Gross carrying amount	1,963	1,963
Accumulated amortisation	(1,930)	(1,930)
<b>Balance at start of the year</b>	<b>33</b>	<b>33</b>
In year amortisation	0	0
<b>Balance at end of the year</b>	<b>33</b>	<b>33</b>

## 16. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in a decrease in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed.

Revenue Expenditure Funded from Capital under Statute represents expenditure which may be properly capitalised, but which does not result in the creation of any non-current asset to the Council. In line with the guidance contained in 'the Code', this expenditure is written off to the Comprehensive Income and Expenditure Statement in the year the expenditure is incurred, because the Council does not control the economic benefits arising from this expenditure

	2018/19 £000	2017/18 £000
<b>Opening CFR plus PFI added in Year</b>	<b>285,138</b>	<b>292,789</b>
<u>Capital Investment</u>		
Property, Plant and Equipment	37,501	47,872
Investment Properties	32	50
Revenue Expenditure Funded from Capital under Statute	2,733	3,464
Other Long Term Investments	11,278	0
<u>Sources of Finance</u>		
Capital Receipts	0	(7,728)
Government Grants and Other Contributions	(11,778)	(13,073)
Capital expenditure charged against General Fund Balances	(36,561)	(30,808)
Minimum Revenue Provision	(7,753)	(7,429)
<b>Closing CFR</b>	<b>280,590</b>	<b>285,138</b>

Explanation of movements in year:

	2018/19 £000	2017/18 £000
Change in Underlying Need to Borrow	(1,673)	(5,063)
Principal Element of Finance Lease Repayments	(4)	(4)
Principal Element of PFI Lease Repayments	(2,871)	(2,584)
<b>Increase / (decrease) in CFR</b>	<b>(4,548)</b>	<b>(7,651)</b>

## 17. Capital Commitments

At the Balance Sheet date, the Council had two contractual commitments for the construction or enhancement of Property, Plant and Equipment in 2019/20 and future years which are shown below:

	31 March 2019 £000
Tameside Wellness Centre	10,584
Vision Tameside	791
<b>Total</b>	<b>11,375</b>

## 18. Long Term Debtors

*Long Term Debtors comprise amounts owed to the Council that are not investments and that are not expected to be realised within 12 months of the Balance Sheet date.*

	2018/19 £000	2017/18 £000
Inspiredspaces Tameside (Holdings 1) Ltd	1,765	1,796
Inspiredspaces Tameside (Holdings 2) Ltd	3,134	3,224
Manchester Airport	19,955	8,677
Tameside Sports Trust	3,074	3,751
Other Long Term Debtors	128	134
<b>Total</b>	<b>28,056</b>	<b>17,581</b>

Inspiredspaces Tameside (Holdings 1) Ltd and Inspiredspaces Tameside (Holdings 2) Ltd – Loan stock held by the Council.

Manchester Airport – The Council's share of loan debt relating to the construction of Terminal 2 and the Council's share of debt owing to the Greater Manchester Metropolitan Debt Administration Fund by the Airport. The Airport pays annual fixed interest of 12% on both and will repay the loans by 2055. During 2018/19, the Council entered into a shareholder loan with MAG, to the value of £11.3m which is reflected in the increased balance above. This loan will earn a return of 10% per annum.

Tameside Sports Trust – Loans to finance the purchase of equipment and the refurbishment of three leisure centres. The Trust reimburses the Council with the full cost of servicing this debt. This is due to be repaid by 2025.

## 19. Financial Instruments

*A Financial Instrument is defined as "any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another". Although this covers a wide range of items, the main implications are in terms of investments and borrowings.*

*As reflected in 'the Code', accounting standards on Financial Instruments IFRS9, IAS 32 and IFRS7 cover the concepts of recognition, measurement, presentation and disclosure. The adoption of IFRS9 in 2018/19 results in some changes to the treatment of financial assets that are classed as financial instruments.*

A financial asset or liability should be recognised in the Balance Sheet when, and only when, the holder becomes a party to the contractual provision of the instrument.

Financial liabilities and assets are initially measured at fair value less transaction costs and carried at their amortised cost. Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable and willing parties in an arm's length transaction. Annual charges to the Comprehensive Income and Expenditure Statement for interest payable and receivable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For the borrowings and investments of the Council, this means that the amount included in the Balance Sheet is the outstanding principal repayable plus accrued interest to the end of the financial year. Interest charged to the Comprehensive Income and Expenditure Statement is the effective amount payable for the year in the loan agreement (which is not necessarily the cash amount payable).

When long term borrowing is reviewed for rescheduling opportunities, the early repayment results in gains and losses (discounts and premiums) which are credited or debited to the Comprehensive Income and Expenditure Statement. If the Council decides to write off these gains or losses on early repurchase/settlement then this can be done over ten years or over the life of the new loan or over a shorter more prudent time scale. The Comprehensive Income and Expenditure Statement is charged with one year related costs with the rest being taken to the Financial Instruments Adjustment Account in the Balance Sheet via the Movement in Reserves Statement. The accounting policy is to charge gains and losses to Net Operating Expenditure in the year of repurchase/settlement.

- **Financial Instrument Balances**

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments:

	31 March 2019		31 March 2018	
	Long Term £000	Current £000	Long Term £000	Current £000
Financial Liabilities Principal Amount	111,359	19,491	111,692	19,351
Adjustment for Amortised Cost	734	1,055	995	1,437
Financial Liabilities at amortised cost	112,093	20,546	112,687	20,788
<b>Total Borrowing</b>	<b>112,093</b>	<b>20,546</b>	<b>112,687</b>	<b>20,788</b>
Loans and Receivables Principal Amount	16,500	88,806	6,000	121,081
Adjustment for amortised cost	78	325	1	205
Amounts treated as Cash Equivalents	0	(25,810)	0	(33,081)
Loans and Receivables at amortised cost	<b>16,578</b>	<b>63,321</b>	<b>6,001</b>	<b>88,206</b>
Other Investments	43	0	8	0
<u>Available for Sale</u>				
Inspiredspaces Thameside (Holdings 1) Ltd	0	0	852	0
Inspiredspaces Thameside (Holdings 2) Ltd	0	0	1,509	0
Manchester Airport Group (MAG)	0	0	51,900	0
<u>Fair Value through Other Comprehensive Income</u>				
Inspiredspaces Thameside (Holdings 1) Ltd	722	0	0	0
Inspiredspaces Thameside (Holdings 2) Ltd	1,306	0	0	0
Manchester Airport Group (MAG)	52,700	0	0	0
<b>Total Investments</b>	<b>71,349</b>	<b>63,321</b>	<b>60,270</b>	<b>88,206</b>

There are material changes to the Fair Values disclosed in these notes, some based on the category of their initial valuation:

- Level 1 Inputs – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date.
- Level 2 Inputs – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 Inputs – unobservable inputs for the asset or liability.

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. There have been no transfers between valuation levels, additions, disposals or recognised gains or losses.

#### Financial Assets Measured at Fair Value

Recurring fair value measurements	Input level	Valuation Technique	31 March 2019 £'000	31 March 2018 £'000
<b>Available for Sale</b>				
Inspiredspaces Tameside (Holdings 1) Ltd	Level 3	Discounted cash flow (see below)	0	852
Inspiredspaces Tameside (Holdings 2) Ltd	Level 3	Discounted cash flow (see below)	0	1,509
Manchester Airport Group (MAG)	Level 2	Market Value	0	51,900
<b>Fair Value through Other Comprehensive Income</b>				
Inspiredspaces Tameside (Holdings 1) Ltd	Level 3	Discounted cash flow (see below)	722	0
Inspiredspaces Tameside (Holdings 2) Ltd	Level 3	Discounted cash flow (see below)	1,306	0
Manchester Airport Group (MAG)	Level 2	Market Value	52,700	0
<b>Total</b>			<b>54,728</b>	<b>54,261</b>

With the adoption of IFRS9 the 'Available for Sale Financial Asset' category is no longer available. The new standard requires that investments in equity are reclassified as fair value through profit and loss unless there is an irrevocable election to designate the asset as fair value through other comprehensive income. The Council has elected to reclassify its holdings in Inspiredspaces Tameside and Manchester Airport group to Fair Value Through Other Comprehensive Income. As a result of this any changes will have no impact on the revenue budget and any gains or losses in the value of the shareholding will be transferred to the Financial Instrument Revaluation Reserve.

Inspiredspaces Tameside (Holdings1) Ltd and Inspiredspaces Tameside (Holdings2) Ltd – The Council's external valuers have advised of a decrease of £0.333 m in the fair value of this

shareholding during the accounting period. This change in fair value is recognised in the Financial Instruments Revaluation Reserve.

MAG – The Council’s shareholding in Manchester Airport Group (MAG) remains at 3.22%. These shares are not traded and an external valuation is obtained on behalf of all Greater Manchester Authorities. This valuation uses an earnings based method, which takes into account the profitability of the company, assessing its historic earnings and arriving at a view of ‘maintainable’ or ‘prospective’ earnings. The valuers have advised of an increase of £0.8m in the fair value of the Council’s shareholding during the accounting period from £51.9m at 31 March 2018 to £52.7m at 31 March 2019. In 2018/19 the Council received dividend income of £5.6m from this investment, which is included in Financing and Investment Income and Expenditure. The shareholding was transferred to the Council on the winding up of the Greater Manchester Council in 1986, and is held for strategic reasons rather than to trade. The income is also a key item in the Council’s MTFP and as such the Council does not expect to dispose of this shareholding.

• **Fair Value of Financial Assets and Liabilities Carried at Amortised Cost**

Financial assets and liabilities represented by loans and receivables are carried on the Balance Sheet at amortised cost. Their fair value (level 2) can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

Where an instrument has a maturity of less than twelve months the fair value is taken to be the principal outstanding;

- The fair value of receivables is taken to be the invoiced or billed amount;
- Short term debtors and creditors are carried at cost.

The fair values for financial liabilities have been determined by reference to the PWLB redemption rules and prevailing PWLB redemption rates at the Balance Sheet date, and include accrued interest. The fair value of non-PWLB debt has also been calculated using the same procedures and interest rates. The fair values are as follows:

	31 March 2019		31 March 2018	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
PWLB Debt	72,226	128,278	72,685	127,085
Non PWLB Debt	59,674	90,994	59,392	92,669
	<b>131,901</b>	<b>219,272</b>	<b>132,076</b>	<b>219,755</b>

The fair value 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 in the market 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.

However, the Council has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets. A supplementary measure of the additional interest that the authority will pay as a result of its PWLB commitments for fixed rate loans is to compare the terms of these loans with the new borrowing rates available from the PWLB. If a value is calculated on this basis, the carrying amount of £72.226m would be valued at £107.776m. But, if the authority were to seek to avoid the projected loss by repaying the loans to the PWLB, the PWLB would raise a penalty

charge for early redemption in addition to charging a premium for the additional interest that will not now be paid. The exit price for the PWLB loans would include the penalty charge of £35.550m, principal of £71.692m and accrued interest of £0.534m, totalling £107.776m.

The Council's financial assets are as follows:

	31 March 2019		31 March 2018	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
<b>Money Market Loans</b>				
Less Than 1 Year	89,138	89,138	164,728	164,728
Greater Than 1 Year	16,578	16,578	0	0
Long Term Debtors	28,056	28,056	19,469	19,469
<b>Total Loans and Receivables</b>	<b>133,771</b>	<b>133,771</b>	<b>184,197</b>	<b>184,197</b>

#### • Mark to Model Valuation for Financial Instruments

As at 31 March the Council held £133.772m financial assets and £131.736m financial liabilities for which Level 2 valuations will apply. All the financial assets are with Money Market Funds, Local Authorities and Notice Accounts and are held at amortised cost. The financial liabilities are held with PWLB and Market lenders. All of these investments and borrowings were not quoted on an active market and a Level 1 valuation is not available. To provide a fair value which provides a comparison to the carrying amount, we have used a financial model valuation provided by Link Asset Services. This valuation applies the Net Present Value approach, which provides an estimate of the value of payments in the future in today's terms as at the balance sheet date. This is a widely accepted valuation technique commonly used by the private sector. Our accounting policy uses early repayment rates to discount the future cash flows.

## 20. Nature and Extent of Risks Arising from Financial Instruments

### Key Risks

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;
- 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 required 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 rate movements.

### Overall Procedures for Managing Risk

The Council's overall risk management procedures focus on the unpredictability of financial markets, and are structured to implement suitable controls to minimise these risks. The procedures for risk management are set out through a legal framework in the Local Government Act 2003 and the associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and Investment Guidance issued through the Act. Overall these procedures require the Council to manage risk in the following ways:

- By formally adopting the requirements of the Code of Practice;
- By the adoption of a Treasury Policy Statement and treasury management clauses within its constitution;

- By approving annually in advance prudential indicators for the following three years limiting:
- The Council's overall borrowing;
  - Its maximum and minimum exposures to fixed and variable rates;
  - Its maximum and minimum exposures to the maturity structure of its debt; and
  - Its maximum annual exposures to investments maturing beyond a year.
  - By approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance.

These are required to be reported and approved at or before the Council's annual budget setting meeting. These items are reported with the annual Treasury Management Strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported bi-annually to Members.

The 2018/19 Budget Report, which incorporates the prudential indicators, was approved by Council on 27 February 2018 and is available on the Council website. The key indicators were:

Indicator	Limit	Outturn
Ratio of financing costs to net revenue stream	0.05	0.05
Capital financing requirement	£191,071,120.46	£191,071,000.00
Capital expenditure in year	£158,961,000.00	£51,543,515.11
Incremental impact on capital investment decisions	£15.68	£0.00
Authorised limit for external debt	£215,662,457.17	£111,837,559.22
Operational boundary for external debt	£195,662,457.17	£111,837,559.22
Upper limit for fixed interest rate exposure	£191,071,120.46	£17,185,896.39
Upper limit for variable interest rate exposure	£63,684,004.45	(£75,155,437.04)
Upper limit for total principal sums invested for over 364 days	£30,000,000.00	£16,500,000.00

These policies are implemented by the Treasury Management team. The Council maintains written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash through Treasury Management practices. These Treasury Management practices are a requirement of the Code and are reviewed periodically.

### Credit Risk

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

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard and Poor Ratings Services. The Annual Investment Strategy also imposes a maximum amount and time limits in respect of each financial institution. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above. Additional selection criteria are also applied after this initial criterion is applied.

The Council applies the creditworthiness service provided by Link Asset Services. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard and Poor's. The credit ratings of counterparties are supplemented with the following overlays:

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



The full Investment Strategy for 2018/19 was approved by Full Council on 27 February 2018 and is available on the Council's website.

The Council's maximum exposure to credit risk in relation to its investments in banks and financial institutions of £35.800m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of recoverability applies to all of the Council's deposits, but there was no evidence at the Balance Sheet date that this was likely to crystallise.

The following analysis summarises the Council's potential maximum exposure to credit risk, based on experience of default, adjusted to reflect current market conditions.

	<b>Amount at 31 March 2019</b>	<b>Historical experience of default</b>	<b>Adjustment for market conditions at 31 March 2019</b>	<b>Estimated maximum exposure to default</b>
	<b>£000</b>	<b>%</b>	<b>%</b>	<b>£000</b>
	(a)	(b)	(c)	(a * c)
Deposits with banks and financial institutions (principal amount)	35,800	0.04	0.04	15

No breaches of the Council's counterparty criteria occurred during the year and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits.

The Council does not generally allow credit for its trade debtors. At the Balance Sheet date a balance of £13.308m was outstanding and is analysed by age below:

	<b>2018/19 £000</b>	<b>2017/18 £000</b>
Less than three months	3,765	4,490
Three to four months	249	254
More than four months	9,295	7,469
<b>Total</b>	<b>13,308</b>	<b>12,213</b>

### Liquidity Risk

The Council manages its liquidity position through the risk management procedures above, as well as through a comprehensive cash flow management system, as required by the Code. This seeks to ensure that cash is available when it is needed.

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

The maturity analysis of financial assets (principal amount) is as follows:

	2018/19 £000	2017/18 £000
Less than one year	88,806	121,081
Greater than one year	16,578	6,000
<b>Total</b>	<b>105,384</b>	<b>127,081</b>

### 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 prudential indicator limits for the maturity structure of debt and the limits placed on investments of greater than one year in duration are the key parameters used to address this risk.

The Council's approved Treasury Management and Investment Strategies address the main risks and the Treasury Management team address the operational risks within the approved parameters. These include:

- 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 (principal amount) is as follows, with the maximum and minimum limits for fixed interest rates maturing in each period:

	Approved maximum limits %	Approved minimum limits %	31 March 2019 £000	31 March 2018 £000
Less than one year	15	0	19,491	19,351
Between one and two years	15	0	350	333
Between two and five years	30	0	4,983	1,941
Between five and ten years	40	0	3,550	6,943
More than ten years	100	50	102,475	102,475
<b>Total</b>			<b>130,850</b>	<b>131,043</b>

### 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 CIES will rise;
- Borrowings at fixed rates – the fair value of the borrowing liability will fall (no impact on revenue balances);

- Investments at variable rates – the interest income credited to the CIES will rise;
- 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 CIES. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the CIES and affect General Fund Balances, subject to influences from Government grants. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in the CIES.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Council's prudential indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a prudential indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposure. The Treasury Management team will monitor the 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 rate borrowing would be postponed.

If all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

	<b>31 March 2019 £000</b>	<b>31 March 2018 £000</b>
Decrease in the fair value of fixed rate borrowings liabilities (no impact on CIES)	36,961	37,505

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 Note 19 – Fair value of Financial Assets and Liabilities Carried at Amortised Cost. If using new borrowing rates rather than redemption rates, the equivalent change in fair value would be £31.947m.

Price Risk - The Council, excluding the Greater Manchester Pension Fund, does not generally invest in equity shares but does in common with all Greater Manchester Districts have a 3.22% shareholding in Manchester Airports Group (except Manchester City Council which holds 35.5%). The shares are shown in the Balance Sheet at an estimated fair value of £52.7m. Whilst this holding is generally illiquid, the Council is exposed to losses arising from movements in the price of the shares.

As the shareholding has arisen from the acquisition of a specific interest, the Council is not in a position to limit its exposure to price movements by diversifying its portfolio. Instead the Council monitors factors that might cause a fall in the value of its shareholding.

Foreign Exchange Risk - The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

## CURRENT ASSETS

### **21. Inventories**

*Materials or supplies that will be consumed in producing goods or providing services or will be sold or distributed as part of the Council's ordinary business. Inventories are valued at the lower of cost and net realisable value.*

	2018/19 £000	2017/18 £000
Balance outstanding at start of year	425	484
Purchases	1,313	1,310
Recognised as an expense in the year	(1,165)	(1,369)
Balance outstanding at year end	<b>572</b>	<b>425</b>

## 22. Short Term Debtors

*Short Term Debtors comprise amounts due to the Council that are not investments and that have not been received at the Balance Sheet date.*

*The Council maintains an allowance for bad or doubtful debts for any potential non-payment of debtors. Assessment is made based on the risk of the debtors' ability to pay future cash flows due under the contractual terms. This risk is estimated based on historical loss experience, credit rating for a debtor and other impacting factors. The allowance for bad or doubtful debts is offset against the debtor amount shown, the movement in the allowance is charged against the relevant service line in the CIES.*

	2018/19 £000	2017/18 £000
Central Government Bodies	4,960	5,673
NHS Bodies	59	459
Other Local Authorities	182	277
Other Entities and Individuals	56,771	52,700
Public Corporations and Trading Funds	0	(51)
Allowance for Bad or Doubtful Debts	(15,685)	(14,715)
	<b>46,287</b>	<b>44,343</b>
Capital Debtors	713	464
Payments In Advance	2,661	2,646
Transferred Services	32	32
<b>Total</b>	<b>49,693</b>	<b>47,485</b>

## 23. Cash and Cash Equivalents

*Cash and 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. The Council has deemed that deposits held within money market funds are categorised as cash equivalents.*

	2018/19 £000	2017/18 £000
Cash held by the Council	21	22
Short Term Investments	25,810	33,080
Bank Current Accounts	10,645	7,156
Bank Overdraft	0	0
<b>Total</b>	<b>36,476</b>	<b>40,258</b>

## CURRENT LIABILITIES

### 24. Short Term Creditors

Short Term Creditors comprise amounts owed by the Council for work done, goods received or services rendered, for which payment has not been received at the Balance Sheet date.

	2018/19 £000	2017/18 £000
Central Government Bodies	(6,525)	(4,613)
NHS Bodies	(136)	(592)
Other Local Authorities	(436)	(279)
Other Entities and Individuals	(27,639)	(23,918)
Public Corporations and Trading Funds	(475)	(670)
<b>Total</b>	<b>(35,211)</b>	<b>(30,072)</b>
Capital Creditors	(821)	(4,922)
Deposits and Receipts in Advance	(4,227)	(1,268)
Short Term Accumulating Compensated Absences	(3,220)	(3,977)
<b>Total</b>	<b>(43,479)</b>	<b>(40,239)</b>

### 25. Other Long Term and Short Term Liabilities

Other Long Term and Short Term Liabilities comprise amounts due to individuals or organisations which will have to be paid at some time in the future. Long term liabilities are usually payable more than one year from the Balance Sheet date.

	Note	Long Term £000	Short Term £000	Total £000
<b>2018/19</b>				
Pension Liability	30	(345,134)	0	(345,134)
PFI	28	(99,564)	(2,745)	(102,309)
Finance Leases	27	(2,605)	(5)	(2,609)
Former Transferred Debt		(3,263)	0	(3,263)
Donated Assets		(10,658)	0	(10,658)
Rent Deposit on Leased Buildings		(37)	0	(37)
<b>Total</b>		<b>(461,260)</b>	<b>(2,750)</b>	<b>(464,010)</b>
<b>2017/18</b>				
Pension Liability	30	(258,092)	0	(258,092)
PFI	28	(102,309)	(2,872)	(105,181)
Finance Leases	27	(2,613)	0	(2,614)
Former Transferred Debt		(4,247)	0	(4,247)
Donated Assets		(10,658)	0	(10,658)
Rent Deposit on Leased Buildings		(37)	0	(37)
<b>Total</b>		<b>(377,956)</b>	<b>(2,872)</b>	<b>(380,829)</b>

**Former Transferred Debt** – The debt associated with the non-current assets of the former Greater Manchester and Lancashire County Councils, passed to the successor authorities with debt administration being managed by the Council. Further information can be found on pages 140-144.

**Donated Assets** – Assets donated to the Council with conditions attached are recognised until any conditions cease.

## 26. Provisions

*Provision has been made in the Balance Sheet for liabilities that have been incurred by the Council, but where the amounts or dates on which they will arise are uncertain.*

*Provisions are required to be recognised when the Council has a present obligation, as a result of a past event, where it is probable that an outflow of resources embodying economic benefit or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When expenditure is incurred to which the provision relates, it is charged directly against the provision in the Balance Sheet and not against the CIES.*

	<b>Business Rate Appeals £000</b>	<b>Pay Provision £000</b>	<b>Insurance Fund £000</b>	<b>Other Provisions £000</b>	<b>Total £000</b>
<b>Balance at 1 April 2018</b>	<b>(6,958)</b>	<b>(4,028)</b>	<b>(5,106)</b>	<b>(166)</b>	<b>(16,258)</b>
Additional provisions made in the period	(1,981)	0	(1,037)	(228)	<b>(3,245)</b>
Provision - written back	0	4,028	0	0	<b>4,028</b>
Amounts used	0	0	4,069	127	<b>4,196</b>
<b>Provision Balance at 31 March 2019</b>	<b>(8,939)</b>	<b>0</b>	<b>(2,074)</b>	<b>(266)</b>	<b>(11,279)</b>
Long Term Provision	0	0	(2,074)	(266)	<b>(2,340)</b>
Short term Provision	(8,939)	0	0	0	<b>(8,939)</b>
<b>Total</b>	<b>(8,939)</b>	<b>0</b>	<b>(2,074)</b>	<b>(266)</b>	<b>(11,279)</b>

The provision for Business Rate Appeals is required for forecast losses on business rates as a result of appeals.

An additional provision was created in 2017/18 for future liabilities arising from changes to legislation in respect of pay. This provision has been reviewed in year and the probability is now considered to be low. This provision has therefore been unwound to the Medium Term Financial Strategy reserve.

The Insurance fund mainly covers the third party and employer's liability claims that are settled for amounts less than the excess on the policy for that year. External insurers continue to cover claims for amounts above the excess. The level of insurance provision and reserve is based on an assessment undertaken by an independent external insurance actuary.

## 27. Leases

*The Council recognises a lease to be any agreement which transfers the right to use an asset for an agreed period in exchange for payment, or a series of payments. This includes; leases, hire purchase, rental, contracts of service, service level agreements and any other arrangement where the ability to use an asset is conveyed.*

### Finance Leases

*A finance lease is where substantially all of the risks and rewards relating to ownership transfer to the lessee. Tests to give an indication of the transfer of risk and reward are:*

- *If the lessee will gain ownership of the asset at the end of the lease term (e.g. hire purchase)*

- *If the lessee has an option to purchase the asset at a sufficiently favourable price that it is reasonably certain, at the inception of the lease, that it will be exercised*
- *If the lease term is for the major part of the economic life of the asset even if the title is not transferred. Measures to identify this are:*
  - *The economic life of the asset is deemed to be that which is consistent with the class of asset in the depreciation policy.*
  - *The Council recognises 'major part' to be 75% of the life of the asset, unless on an individual case basis this would not give a true representation of the substance of the transaction.*
- *At the inception of the lease, the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset. Measures to identify this are:*
  - *Fair value of the leased asset is assessed by a RICS qualified valuer.*
  - *The present value of the minimum lease payments is calculated by discounting at the rate inherent in the lease.*
  - *If this rate cannot be determined the incremental borrowing rate applicable for that year is used.*
  - *The Council recognises 'substantially all' to be 75% of the value of the asset, unless on an individual case basis this would not give a true representation of the substance of the transaction.*
- *The leased assets are of such a specialised nature that only the lessee can use them without major modifications.*
- *If the lessee cancels the lease, the losses of the lessor, associated with the cancellation are borne by the lessee.*
- *Gains or losses from the fluctuation in the fair value of the residual accrue to the lessee (e.g. in the form of a rent rebate equalling most of the sales proceeds at the end of the lease).*
- *The lessee has the ability to continue the lease for a secondary period at a rent that is substantially lower than market rent.*

*A suitably experienced accountant, with assistance from qualified valuers, will make a judgement based on the level of risk and reward held by the Council as to whether an asset is operating or finance.*

#### *Lessor Accounting for a Finance Lease*

*Where the Council is the lessor for a finance lease, the asset is not recognised in the asset register; however a long term debtor at the present value of minimum lease payments is recognised. Income received is split between capital – credited against the debtor, and finance income – credited to the Comprehensive Income and Expenditure Statement as interest receivable.*

#### *Lessee Accounting for a Finance Lease*

*Where the Council is tenant in a property, or is, by definition of IFRIC 4, leasing an asset which is deemed under IAS 17 to be a finance lease the Council will recognise that asset within the asset register, and account for that asset as though it were an owned asset.*

*The initial recognition of the asset is at the fair value of the property, or if lower, the present value of the minimum lease payments. A liability is also recognised at this value, which is reduced as lease payments are made.*

The Council had three assets under finance leases in the year. The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

	2018/19 £000	2017/18 £000
Other Land and Buildings	0	2
<b>Total</b>	<b>0</b>	<b>2</b>

The Council 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 Council, and finance costs that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

	2018/19 £000	2017/18 £000
Finance lease liabilities (net present value of minimum lease payments):		
- current	(5)	(4)
- non-current	(2,605)	(2,609)
Finance costs payable in future years	(15,834)	(16,053)
<b>Minimum lease payments</b>	<b>(18,444)</b>	<b>(18,666)</b>

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

	Minimum Lease Payments 2018/19 £000	Finance Lease Liabilities 2018/19 £000	Minimum Lease Payments 2017/18 £000	Finance Lease Liabilities 2017/18 £000
Not later than one year	(223)	(5)	(223)	(4)
Later than one year and not later than five years	(892)	(23)	(892)	(21)
Later than five years	(17,329)	(2,582)	(17,552)	(2,588)
	<b>(18,444)</b>	<b>(2,610)</b>	<b>(18,667)</b>	<b>(2,613)</b>

## Operating Leases

*The Council recognises an operating lease to be a lease which is not a finance lease. Where the Council is the lessor for an operating lease, normally the asset is classified as an Investment Property. Any rental income is credited to the relevant service income.*

The Council had nine assets under operating leases in the year, with typical lives of 1-5 years. The future minimum lease payments due under non-cancellable leases in future years are:

	2018/19 £000	2017/18 £000
Not later than one year	2	4
Later than one year and not later than five years	4	4
	<b>6</b>	<b>8</b>

The expenditure charged to Cost of Services in the CIES during the year in relation to these leases was:



	2018/19 £000	2017/18 £000
Minimum lease payments	11	12

### Council as Lessor

During the year the Council continued to lease land and buildings by means of operating leases. The future minimum lease payments due under non-cancellable leases in future years are:

	2018/19 £000	2017/18 £000
Not later than one year	947	950
Later than one year and not later than five years	3,432	3,488
Later than five years	63,714	63,309
	<b>68,093</b>	<b>67,747</b>

### 28. Service Concession Agreements (Private Finance Initiatives (PFI) and Similar Contracts)

*PFI and similar schemes are accounted for in a manner that is consistent with the adaptation of IFRIC 12 Service Concession Arrangements. They are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. PFI and similar contracts are assessed to determine whether the risks and rewards incidental to ownership lie with the Council or the contractor.*

*Those which lie with the contractor – payments made during the life of the contract are chargeable to revenue as incurred.*

*Those which lie with the Council – are recognised as an asset in the Balance Sheet for the construction costs of the asset. Once recognised this asset is treated in line with all non-current assets. A corresponding long term liability is also recognised at the construction value. Payments made during the life of the contract are split into finance costs, capital costs and service costs. Determining the split of payments is calculated at the inception of the contract and is based on the inherent interest rate within the original agreement. Finance costs are chargeable to the Comprehensive Income and Expenditure Statement (CIES) as interest payable. Capital costs reduce the level of liability in the Balance Sheet. Service costs are chargeable Cost of Services within the CIES. Pre-payments reduce the level of liability at the start of the contract.*

*PFI credits are treated as revenue grants and included in Cost of Services within the CIES.*

### General

The Council has entered into three PFI contracts to construct, finance, maintain and operate various schools across the Borough. These contracts are:

- Hattersley Schools PFI Project;
- Inspiredspaces Tameside (Project Co 1) Ltd;
- Inspiredspaces Tameside (Project Co 2) Ltd.

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### **Hattersley Schools PFI Project**

The Council entered into a 30 year PFI contract on 19 June 2002 to deliver new schools and facilities management services for Arundale Primary and Nursery School, Pinfold Primary School and Alder Community High School. Services commenced at the primary schools on 9 September 2002 and at the high school in April 2003.

The Council pays an annual unitary charge for the provision of accommodation and facilities management at the schools of £2.548m in 1 April 2001 prices. 44% of the unitary charge is subject to inflation at RPI which mirrors the proportion of cost base that is variable, i.e. operational costs, versus the proportion that is fixed, i.e. relating to funding / capital costs.

The Council has set up an interest bearing equalisation reserve effective for the period of the contract, to ensure that future estimated unitary charge payments are provided for over the remaining term of the contract. The affordability of future unitary charge payments will be assessed on an annual basis.

The Council does not hold an equity share in this contract.

### **Inspiredspaces Tameside (Project Co 1) Ltd – Mossley Hollins & St Damians PFI Contract**

The Council entered into a 25 year Building Schools for the Future (BSF) PFI agreement to deliver new schools and facilities management services for Mossley Hollins and St Damians High Schools on 4 February 2009. Services commenced at Mossley Hollins in February 2011 and St Damians in April 2011.

The Council pays an annual unitary charge for the provision of accommodation and facilities management at the schools of £5.405m in 1 April 2008 prices. 40% of the unitary charge is subject to inflation at RPIx which mirrors the proportion of cost base that is variable, i.e. operational costs, versus the proportion that is fixed, i.e. relating to funding / capital costs.

The Council has a 46% equity share in this contract.

### **Inspiredspaces Tameside (Project Co 2) Ltd – Five School PFI Contract**

A second 25 year BSF PFI contract was signed in April 2010, to deliver new facilities and services for Hyde Community College, Thomas Ashton School, Denton Community College, White Bridge College and Elmbridge School. The first school, White Bridge College, was completed and services commenced in September 2011, with the remaining four being completed with services commencing in January 2012.

The Council pays an annual unitary charge for the provision of accommodation and facilities management at the schools of £9.409m in 1 April 2010 prices. 27% of the unitary charge is subject to inflation at RPIx which mirrors the proportion of cost base that is variable, i.e. operational costs, versus the proportion that is fixed, i.e. relating to funding / capital costs.

The Council has a 46% equity share in this contract.

### **Affordability**

The affordability of the PFI contracts was tested on the basis of predetermined, sensitivities of projected budgets, inflation and interest rates as determined by HM Treasury, prior to the contracts being agreed by the Government.

The cost of the unitary charge is met by pre-agreed payments as follows:

- An annual PFI grant from the Government;

- Pre agreed capital contributions;
- Annual contributions from the schools from the Dedicated Schools Grant;
- Contributions from individual school budgets;
- Accumulation of interest, equity returns and directors fees.

However, there have been significant changes in the way that the Department for Education allocate revenue funding to schools in recent years, meaning that more and more funding is allocated to schools through a formula and there is less opportunity to provide support for individual schools. Inflation and interest rates have also been significantly different from that projected.

Details of movements in PFI assets in the accounting period are below:

	<b>Pyramid Schools (Tameside) Limited £000</b>	<b>Inspiredsp aces Tameside (Hold Co 1) Ltd £000</b>	<b>Inspiredsp aces Tameside (Hold Co 2) Ltd £000</b>	<b>Total £000</b>
<b><u>Cost or Valuation</u></b>				
1st April 2018	16,589	22,638	39,207	78,434
* Adjustment to correct opening balance	(234)	1	(2)	(235)
Revised 1 April 2018	16,355	22,639	39,205	78,199
Additions	0	0	0	0
Revaluation losses	0	0	0	0
<b>At 31 March 2019</b>	<b>16,355</b>	<b>22,639</b>	<b>39,205</b>	<b>78,199</b>
<b><u>Accumulated Depreciation and Impairment</u></b>				
At 1st April 2018	(690)	(1,209)	(2,254)	(4,153)
* Adjustment to correct opening balance	40	(29)	370	381
Revised 1 April 2018	(650)	(1,238)	(1,885)	(3,772)
Depreciation charge	(353)	(453)	(784)	(1,590)
Revaluation losses	0	0	0	0
<b>At 31 March 2019</b>	<b>(1,003)</b>	<b>(1,690)</b>	<b>(2,669)</b>	<b>(5,362)</b>
<b><u>Net Book Value</u></b>				
<b>At 31 March 2019</b>	<b>15,352</b>	<b>20,948</b>	<b>36,536</b>	<b>72,837</b>
<b>Adjusted 1 April 2018</b>	<b>15,705</b>	<b>21,401</b>	<b>37,320</b>	<b>74,427</b>
<b>At 31 March 2018</b>	<b>15,899</b>	<b>21,429</b>	<b>36,953</b>	<b>74,281</b>

Details of the comparative movements in PFI assets are below:

	<b>Pyramid Schools (Tameside) Limited £000</b>	<b>Inspiredsp aces Tameside (Hold Co 1) Ltd £000</b>	<b>Inspiredsp aces Tameside (Hold Co 2) Ltd £000</b>	<b>Total £000</b>
<b><u>Cost or Valuation</u></b>				
At 1 April 2017	16,536	22,638	39,477	78,650
Additions	53	0	0	53
Revaluation losses recognised in the Revaluation Reserve	0	0	(270)	(270)
Assets reclassified in year				
<b><u>Accumulated Depreciation and Impairment</u></b>				
At 1 April 2017	(338)	(770)	(1,652)	(2,760)
Depreciation charge	(351)	(438)	(1,185)	(1,975)
Revaluation losses recognised in the Revaluation Reserve	0	0	583	583
<b>At 31 March 2018</b>	<b>(690)</b>	<b>(1,209)</b>	<b>(2,254)</b>	<b>(4,153)</b>
<b><u>Net Book Value</u></b>				
<b>At 31 March 2018</b>	<b>15,899</b>	<b>21,429</b>	<b>36,953</b>	<b>74,281</b>
<b>At 31 March 2017</b>	<b>16,198</b>	<b>21,868</b>	<b>37,825</b>	<b>75,890</b>

Details of movements in PFI liabilities in the accounting period are below:

	<b>Pyramid Schools (Tameside) Limited £000</b>	<b>Inspiredsp aces Tameside (Hold Co 1) Ltd £000</b>	<b>Inspiredsp aces Tameside (Hold Co 2) Ltd £000</b>	<b>Total £000</b>
Liability outstanding at 1 April 2018	(12,538)	(34,052)	(58,590)	(105,181)
Payments made During the year	511	908	1,452	2,871
<b>Liability outstanding at 31 March 2019</b>	<b>(12,027)</b>	<b>(33,144)</b>	<b>(57,138)</b>	<b>(102,310)</b>
Short term Finance Lease liability (2019-20)	(337)	(814)	(1,594)	(2,745)
Long term finance lease liability (Future Years)	(11,690)	(32,331)	(55,544)	(99,565)
	<b>(12,027)</b>	<b>(33,144)</b>	<b>(57,138)</b>	<b>(102,310)</b>

Details of comparative movements in PFI liabilities are below:

	<b>Pyramid Schools (Tameside) Limited £000</b>	<b>Inspiredsp aces Tameside (Hold Co 1) Ltd £000</b>	<b>Inspiredsp aces Tameside (Hold Co 2) Ltd £000</b>	<b>Total £000</b>
Liability outstanding at 1 April 2017	(12,997)	(34,901)	(59,867)	(110,196)
Payments made During the year	459	849	1,277	2,431
<b>Liability outstanding at 31 March 2018</b>	<b>(12,538)</b>	<b>(34,052)</b>	<b>(58,590)</b>	<b>(107,765)</b>
Short term Finance Lease liability (2018-19)	(511)	(908)	(1,452)	(2,584)
Long term finance lease liability (Future Years)	(12,027)	(33,144)	(57,138)	(105,181)
	<b>(12,538)</b>	<b>(34,052)</b>	<b>(58,590)</b>	<b>(107,765)</b>

The fair value of the Council's PFI liabilities can be calculated based on the prevailing PWLB new loan rates, making this a level 2 fair value calculation. The following table shows the fair value of these liabilities:

	<b>31 March 2019</b>		<b>31 March 2018</b>	
	<b>Carrying Value</b>	<b>Fair Value</b>	<b>Carrying Value</b>	<b>Fair Value</b>
PFI Liabilities	102,310	185,960	105,181	188,689
<b>Total PFI Liabilities</b>	<b>102,310</b>	<b>185,960</b>	<b>105,181</b>	<b>188,689</b>

The table below summarises the estimated basic contract payment values for each PFI contract:

	<b>Payments</b>					<b>Indexation</b>	<b>Contract Expiry</b>
	<b>Liability</b>	<b>Finance</b>	<b>Contingent</b>	<b>Service</b>	<b>Total</b>		
<b>Pyramid Schools (Tameside)</b>							
Payments within 1 year	337	1,290	468	1,530	3,624	RPI	2033
Payments within 2 to 5 years	1,777	4,777	2,194	6,415	15,163		
Payments within 6 to 10 years	4,652	4,414	3,852	7,256	20,175		
Payments within 11 to 15 years	5,261	1,472	3,540	6,681	16,954		
	<b>12,027</b>	<b>11,953</b>	<b>10,053</b>	<b>21,882</b>	<b>55,916</b>		
<b>Inspiredspaces Tameside</b>							
Payments within 1 year	814	2,991	605	2,327	6,738	RPIX	2036
Payments within 2 to 5 years	4,607	11,140	3,078	9,207	28,032		
Payments within 6 to 10 years	8,267	11,153	5,147	13,598	38,165		
Payments within 11 to 15 years	10,993	7,015	6,357	18,366	42,730		
Payments within 16 to 20 years	8,464	1,033	4,044	8,264	21,804		
	<b>33,144</b>	<b>33,332</b>	<b>19,231</b>	<b>51,762</b>	<b>137,469</b>		
<b>Inspiredspaces Tameside (ProjectCo2) Limited</b>							
Payments within 1 year	1,594	5,675	611	2,798	10,678	RPIX	2038
Payments within 2 to 5 years	6,684	21,167	2,979	13,607	44,437		
Payments within 6 to 10 years	12,680	21,793	5,208	19,626	59,308		
Payments within 11 to 15 years	17,619	14,770	6,718	25,801	64,907		
Payments within 16 to 20 years	18,561	4,181	5,927	18,383	47,053		
	<b>57,138</b>	<b>67,586</b>	<b>21,443</b>	<b>80,214</b>	<b>226,382</b>		

## 29. Pension Schemes Accounted for as Defined Contribution Schemes

### Pensions Costs

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

**Teachers' Pension Scheme** is a defined benefit scheme administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE). The assets and liabilities of the Teachers' Pension Scheme are not attributable to the Council, therefore the Council accounts for the scheme as if it were a defined contribution scheme. This means that the Children and Education Services line in the CIES will include the Council's contributions payable to the scheme.

**NHS Pension Scheme** is a defined benefit scheme administered by EA Finance NHS Pensions. The assets and liabilities of the NHS Pension Scheme are not attributable to the Council, therefore the Council accounts for the scheme as if it were a defined contribution scheme. This means that the Public Health Services line in the CIES will include the Council's contributions payable to the scheme.

**Greater Manchester Local Government Pension Scheme** is administered by the Council and is accounted for as a defined benefit scheme. The liabilities of the scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, and projections of future earnings for current employees.

Pension liabilities are measured using the projected unit method, discounted using the rate on high quality corporate bonds of equivalent term to the liabilities. The discount rate is the weighted average of "spot yields" on AA rated corporate bonds.

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

Service cost comprising:

**Current service cost** – the increase in liabilities as a result of years of service earned this year – allocated in the CIES to the services for which the employees worked.

**Past service cost** – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years will be debited to the Surplus or Deficit on the Provision of Services in the CIES.

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

Re-measurement comprising:

**The return on plan assets** – excluding amounts included in net interest on the net defined benefit liability – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

**Actuarial gains and losses** – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

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*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. Adjustments are therefore made in the Movement in Reserves Statement.*

*Early Retirement, Discretionary Payments*

*The Council has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies which are applied to the Local Government Pension Scheme.*

Teachers' Pension Scheme

In 2018/19 the Council paid £7.100m to the Teachers' Pension Agency in respect of the employers' contribution rate for teacher's pensions (£7.316m in 2017/18). These contributions are based on a national rate of 16.48% throughout the financial year.

In addition, the Council is responsible for all pension payments relating to added years that it has awarded (plus annual related increases). The Council is also responsible for apportioned pension costs for supported early retirements (teachers taking early retirement between the ages of 50 to 60), together with the related increases. In 2018/19 these costs amounted to £1.748m (£1.789m in 2017/18). All the above figures exclude teachers' pay and pension contributions for the academies that have retained responsibility for their own payrolls.

The Council is responsible for 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 and detailed in Note 30.

NHS Staff Pension Scheme

In 2018/19, the Council paid £0.035m (£0.049m in 2017/18) to the NHS Pension Scheme in respect of former NHS staff retirement benefits. These contributions are based on a national rate of 14.3% throughout the financial year.

The Council is responsible for the costs awarded upon early retirement outside the terms of the NHS scheme; however no such additional benefits have been awarded in 2018/19.

**30. Defined Benefit Pension Schemes**

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

All employees (except those mentioned in Note 29) are, unless they have opted out, members of The Greater Manchester Pension Fund which is administered by the Council and operates in accordance with the rules of the Local Government Pension Scheme. This is a funded scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

In 2018/19 the Council paid an employer's contribution of £15.407m (£14.811m in 2017/18) into the Fund representing 19.8% (19.8% in 2017/18) of pensionable pay. The Council also paid £1.446m in 2018/19 (£1.452m in 2017/18) for pension payments relating to added years that it has awarded, together with related increases for these representing 1.9% (1.9% in 2017/18) of pensionable pay.

The following transactions have been made in the CIES and General Fund Balances via the MiRS during the year:

#### Transactions Relating to Post-employment Benefits

The cost of retirement benefits is recognised in the reported Cost of Services when they are earned by the employees rather than when they are eventually paid as pensions. However, the charge made 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 General Fund Balances through the MiRS. The following transactions have been made in the CIES and General Fund Balances through the MiRS during the year:

	2018/19 £000	2017/18 £000
<b>Service Cost</b>		
- Current service costs	30,225	30,099
- Past service costs (including curtailments)	341	191
<b>Total Service Cost</b>	<b>30,566</b>	<b>30,290</b>
<b>Financing and Investment Income and Expenditure</b>		
- Interest income on scheme assets	(25,226)	(23,098)
- Interest cost on defined benefit obligation	32,557	31,110
<b>Total Net Interest</b>	<b>7,331</b>	<b>8,012</b>
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>37,897</b>	<b>38,302</b>
<b>Remeasurements of the Net Defined Liability</b>		
- Return on plan assets excluding amounts included in net interest	(44,257)	(5,144)
- Actuarial losses arising from changes in financial assumptions	97,267	(22,133)
- Actuarial losses arising from changes in demographic assumptions	0	0
- Other experience	448	(1,314)
<b>Total Remeasurements Recognised in Other Comprehensive Income and Expenditure</b>	<b>53,458</b>	<b>(28,591)</b>
<b>Total Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement</b>	<b>91,355</b>	<b>9,711</b>
<b>Movement in Reserves Statement</b>		
- Reversal of net charges made to the surplus or deficit on provision of services	(37,897)	(38,302)
- Employers' Contribution payable to the scheme	18,563	18,009

#### **a. Pensions Assets and Liabilities Recognised in the Balance Sheet**

The amount included in the Balance Sheet arising from the Council's obligation in respect of its defined benefit scheme is as follows:



	2018/19 £000	2017/18 £000
Fair value of employers assets	992,523	947,811
Present value of funded liabilities	(1,294,569)	(1,161,809)
Present value of unfunded liabilities	(43,097)	(44,094)
<b>Net liability arising from Defined Benefit obligation</b>	<b>(345,143)</b>	<b>(258,092)</b>

Reconciliation of the Movements in Fair Value of Scheme Assets:

	2018/19 £000	2017/18 £000
Opening fair value of scheme assets	<b>947,811</b>	<b>901,572</b>
Interest income	25,226	23,098
<u>Remeasurement gain</u>	0	
- Return on plan assets excluding amounts included in net interest	44,257	5,144
Contributions from employer	4,307	46,521
Contributions from employees into the scheme	4,987	4,801
Benefits paid	(34,062)	(33,325)
<b>Closing fair value of scheme assets</b>	<b>992,526</b>	<b>947,811</b>

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

	2018/19 £000	2017/18 £000
<b>Opening fair value of scheme liabilities</b>	<b>(1,205,903)</b>	<b>(1,196,474)</b>
Current service cost	(30,225)	(30,099)
Interest cost	(32,557)	(31,110)
Contributions from scheme participants	(4,987)	(4,801)
<u>Remeasurement gain</u>	0	
- Actuarial losses arising from changes in financial assumptions	(97,267)	22,133
- Actuarial losses arising from changes in demographic assumptions	0	0
- Other experience	(448)	1,314
Past service cost	(341)	(191)
Benefits paid	34,062	33,325
<b>Closing fair value of scheme liabilities</b>	<b>(1,337,666)</b>	<b>(1,205,903)</b>

Fair Value of Employer Assets:

Asset Category	31 March 2019				31 March 2018			
	Quoted Prices in Active Markets £000	Prices Not Quoted in Active Markets £000	Total £000	%	Quoted Prices in Active Markets £000	Prices Not Quoted in Active Markets £000	Total £000	%
<b>Equity Securities:</b>								
Consumer	54,821	0	54,821	6%	54,083	0	54,083	6%
Manufacturing	57,357	0	57,357	6%	64,881	0	64,881	7%
Energy and Utilities	55,776	0	55,776	6%	51,374	0	51,374	5%
Financial Institutes	78,548	0	78,548	8%	78,063	0	78,063	8%
Health and Care	29,308	0	29,308	3%	24,225	0	24,225	3%
Information Technology	17,720	0	17,720	2%	15,192	0	15,192	2%
Other	10,875	0	10,875	1%	9,271	0	9,271	1%
<b>Debt Securities:</b>								
Corporate Bonds (investment grade)	37,124	0	37,124	4%	35,133	0	35,133	4%
Corporate Bonds (non-investment grade)	0	0	0	0%	0	0	0	0%
UK Government	6,536	0	6,536	1%	8,213	0	8,213	1%
Other	25,174	0	25,174	3%	26,375	0	26,375	3%
<b>Private Equity:</b>								
All	0	46,483	46,483	5%	0	31,717	31,717	3%
<b>Real Estate:</b>								
UK Property	0	47,142	47,142	5%	0	32,450	32,450	3%
<b>Investment funds and Unit Trusts:</b>								
Equities	224,369	0	224,369	23%	256,470	0	256,470	27%
Bonds	123,461	0	123,461	12%	122,894	0	122,894	13%
Infrastructure	0	47,583	47,583	5%	0	24,540	24,540	3%
Other	19,341	85,611	104,952	10%	24,960	53,302	78,262	8%
<b>Derivatives:</b>								
Other	503	0	503	0%	0	0	0	0%
<b>Cash and Cash Equivalents:</b>								
All	24,791	0	24,791	2%	34,668	0	34,668	4%
<b>Totals</b>	<b>765,704</b>	<b>226,819</b>	<b>992,523</b>	<b>100%</b>	<b>805,801</b>	<b>142,010</b>	<b>947,811</b>	<b>100%</b>

## b. Basis for Estimating Assets and Liabilities

The Council's liabilities in respect of the Greater Manchester Pension Fund have been assessed under IAS19 (Employee Benefits) by Hymans Robertson, an independent firm of actuaries, using the projected unit credit method. The liabilities have been estimated based on the results of the Fund's 31 March 2016 actuarial valuation.

The significant assumptions used by the actuary in his assessment are as follows:

	2018/19	2017/18
<b>Mortality assumptions *</b>		
Longevity at 65 for current pensioners:		
Men	21.5 years	21.5 years
Women	24.1 years	24.1 years
Longevity at 65 for future pensioners:		
Men	23.7 years	23.7 years
Women	26.2 years	26.2 years
Rate of inflation	1.90%	2.40%
Rate of increase in salaries	2.60%	2.50%
Rate of increase in pensions	2.50%	2.40%
Rate for discounting scheme liabilities	2.40%	2.70%

\* The mortality assumptions included in the table above are measured using VitaCurves, which is a method of measuring mortality to specifically fit the membership profile of the Fund.

An allowance is included for future retirements to elect to take 55% of the maximum additional tax free cash up to the HRMC limits for pre-April 2008 service and 80% of the maximum tax-free cash for post-April 2008 service.

## c. Sensitivity Analysis

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out above. The sensitivity analysis below has been determined based on reasonably 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 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 are consistent with that adopted in the previous year.

Change in Assumptions at 31 March 2019	Approximate % change to Employer Liability	Approximate Monetary Amount £000
0.5% decrease in Real Discount Rate	10%	134,342
0.5% increase in the Salary Increase Rate	1%	16,971
0.5% increase in the Pension Increase Rate	9%	115,347

## d. Impact on the Council's Cash Flows

As the Administering Authority of Greater Manchester Pension Fund (the Fund), the Council has prepared a Funding Strategy Statement (FSS) which sets out the funding objectives for the Fund.

The main valuation objectives within the FSS are to hold sufficient assets to meet the cost of members' accrued pension benefits on the target funding basis and to set employer contribution rates which ensure the long term solvency and cost efficiency of the Fund.

The most recent actuarial of the Fund was as at 31 March 2016 which revealed that the Fund's assets, which were valued at £17,325 million, were sufficient to meet 93% of the liabilities (i.e. present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2016 valuation was £1,371 million.

Each employer had contribution requirements set at the valuation, with the aim of achieving full funding within a time horizon and probability measure as per the FSS.

The 31 March 2019 valuation is currently in process and will be completed by 31 March 2020. The FSS is being reviewed as part of this process.

The Council made an advance payment of three years' employer's contributions totalling £42.768m commencing in the financial year 2017/18. Further details behind this can be found in the report sent to the Executive Cabinet on 8 February 2017. The weighted average duration of the defined benefit obligation for scheme members is 17.1 years.

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

## **CASH FLOW STATEMENT NOTES**

### **31. Operating Activities**

The cash flows for operating activities include the following items:

a) Adjust net surplus or deficit on the provision of services for non-cash movements	2018/19 £000	2017/18 £000
Depreciation and amortisation of non-current assets	(10,956)	(13,966)
(Increase)/Decrease in inventories	147	(59)
(Increase)/Decrease in Creditors	(7,484)	(7,293)
Increase/(Decrease) in Debtors	2,387	8,251
Pensions Liability	(19,334)	(20,293)
Revaluation Losses	(12,851)	(892)
Carrying value on disposal of non-current assets	(11,644)	(18,838)
Other non-cash adjustments	(8,620)	(6,876)
	<b>(68,355)</b>	<b>(59,966)</b>

b) Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities	2018/19 £000	2017/18 £000
Proceeds from the sale of non-current assets	550	4,336
Capital grants received	11,200	16,099
	<b>11,750</b>	<b>20,435</b>

c) Interest received, interest paid and dividends received	2018/19 £000	2017/18 £000
Interest received	(2,357)	(2,159)
Interest paid	16,195	18,363
Dividends received	(5,635)	(4,813)
	<b>8,203</b>	<b>11,391</b>

### 32. Investing Activities

	2018/19 £000	2017/18 £000
Purchase of property, plant and equipment, investment property and intangible assets	41,633	47,833
Pension contributions advanced payment	0	27,957
Purchase of short term and long term investments	86,577	162,000
Other movements in investing activities	11,278	(773)
Proceeds from the sale of non-current assets	(553)	(4,337)
Proceeds from short term and long term investments	(101,000)	(167,500)
Other receipts from investing activities	(11,750)	(17,994)
<b>Net cash flows from investing activities</b>	<b>26,185</b>	<b>47,185</b>

### 33. Financing Activities

	2018/19 £000	2017/18 £000
Cash receipts of short term and long term borrowing	(130)	(6,241)
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	2,748	2,873
Repayments of short term and long term borrowing	966	6,038
Billing Authority - Council Tax and NDR adjustments	(170)	1,830
<b>Net cash flows from financing activities</b>	<b>3,414</b>	<b>4,500</b>

## OTHER NOTES

### 34. Member's Allowances

	2018/19 £000	2017/18 £000
Payments to Members	1,164	1,134

### 35. Termination Benefits

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

*Where termination benefits involve the enhancement of pensions, statutory provisions require General Fund Balances to be charged with the amount payable by the Council to the Pension*

*Fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the Pension Fund and pensioners and any such amounts payable but unpaid at the year-end.*

Exit package cost band (including special payments)	Number of Compulsory Redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band £000	
	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18
£0-£20,000	0	0	34	21	34	21	175	179
£20,001-£40,000	0	0	3	1	3	1	75	26
£40,001-£60,000	0	0	0	1	0	1	0	48
£60,001-£80,000	0	0	1	0	1	0	60	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>38</b>	<b>23</b>	<b>38</b>	<b>23</b>	<b>311</b>	<b>253</b>

### 36. Officer's Remuneration

The remuneration paid to the Council's Senior Officers is as follows:

Post Holder Information	2018/19				
	Salary Entitlement Full Time	Salary, Fees and Allowances Paid	Compensation for Loss of Office	Employer's Pensions Contribution	Total
	£	£	£	£	£
Chief Executive - Steven Pleasant (i)	173,690	173,690	0	36,475	<b>210,165</b>
Director of Adults	97,749	97,749	0	20,527	<b>118,276</b>
Director of Children's Services (ii)	125,000	69,792	0	14,656	<b>84,448</b>
Director of Growth (iii)	100,000	25,000	0	5,250	<b>30,250</b>
Director of Operations and Neighbourhoods	96,900	96,900	0	20,349	<b>117,249</b>
Director of Governance & Pensions (Borough Solicitor) - Sandra Stewart (iv)	129,025	129,025	0	27,095	<b>156,120</b>
Director of Population Health (v)	0	0	0	0	<b>0</b>
Director of Place (vi)	117,600	19,992	0	64,454	<b>84,446</b>
Director of Finance (Section 151 Officer) (vii)	8,160	8,160	0	0	<b>8,160</b>

- (i) The Chief Executive holds a joint role, also covering the role of Chief Accountable Officer for Tameside and Glossop Clinical Commissioning Group (CCG). The salary is paid in full by the Council and there is no recharge to the CCG.
- (ii) The Director of Children's Services was filled by an interim officer between 1 April and 20 September 2018 at a cost of £115,280. The permanent Director of Children's Services commenced in post on 10 September 2018.
- (iii) The post of Director of Growth replaced the Executive Director of Place on 31 May 2018. The post was filled by an interim officer from 31 May to 31 December 2018 at a cost of £99,895. The permanent Director of Growth commenced in post on 1 January

2019. Executive Director of Place role was split from 1 January 2018 - with a new role of Director of Operations and Neighbourhoods being created.

- (iv) There is no direct charge to Greater Manchester Pension Fund (GMPF) for the services of the Director of Governance & Pensions, however 50% on the salary and oncosts are recharged to GMPF. This is also the case for the Chief Executive and the Director of Finance, but a contribution towards their cost is recharged to GMPF as part of charges for central support costs and overheads incurred by the Council on behalf of GMPF. Further information is provided in Note 45 (Related Party Transactions).
- (v) The post of Director of Population Health has been vacant since 28 February 2018. The post has been filled via a secondment from Haringey Council since 31 July 2018 at a cost of £80,730 for the period to 31 March 2019.
- (vi) The Director of Place left the Council on 31 May 2018. This post was replaced with the Director of Growth.
- (vii) The role of Director of Finance (Section 151 Officer) is a joint post with the Tameside and Glossop CCG. The total cost paid by the CCG for the period 1 April 2018- 31 March 2019 was £126,071 (Salary £110,223 and Pension Contributions £15,848). The Council paid an additional amount of £8,160 for the year.

The Single Leadership Team includes two further posts, both paid for in full by the CCG:

- (viii) The Director of Quality and Safeguarding salary is paid by the CCG. The total cost paid by the CCG for the period 1 April 2018 to 31 March 2019 was £113,071 (Salary £98,856 and Pension Contributions £14,215).
- (ix) The Interim Director of Commissioning salary is paid by the CCG. The total cost paid by the CCG for the period 1 April 2018 to 31 March 2019 was £125,811 (Salary £111,000 and Pension Contributions £14,811).

Post Holder Information	2017/18				
	Salary Entitlement Full Time	Salary, Fees and Allowances	Compensation for Loss of Office	Employer's Pensions Contribution	Total
	£	£	£	£	£
Chief Executive - Steven Pleasant (i)	170,284	170,284	0	35,760	<b>206,044</b>
Executive Director of People (ii)	126,292	63,146	0	13,261	<b>76,407</b>
Executive Director of Adults (ii)	95,832	47,916	0	10,062	<b>57,978</b>
Executive Director of Childrens (iii)	0	0	0	0	<b>0</b>
Executive Director of Place (iv)	117,600	117,600	0	24,696	<b>142,296</b>
Director of Operations and Neighbourhoods (iv)	95,000	23,750	0	4,659	<b>28,409</b>
Executive Director of Governance & Pensions (Borough Solicitor)	126,495	126,495	0	26,564	<b>153,059</b>
Director of Population Health (v)	99,437	90,305	0	12,986	<b>103,291</b>
Executive Director of Finance (Section 151 Officer) (vi)	8,000	4,000	0	0	<b>4,000</b>

- (i) The Chief Executive holds a joint role, also covering the role of Chief Accountable Officer for Tameside and Glossop CCG. The salary is paid in full by the Council and there is no recharge to the CCG.

- (ii) The Executive Director of People covered Adults, Childrens Social Care and Education for the period 1 April 2017 to 21 September 2017. Between 22 September 2017 and 31 March 2018 the postholder was Executive Director of Adults only.
- (iii) The Executive Director of People covered Adults, Childrens Social Care and Education between 1 April 2017 and 21 September 2017. The post of Executive Director of Childrens (covering Childrens Social Care and Education) was created on 22 September 2017 and was filled by an Interim Officer between 9 October 2017 and 31 March 2018. The cost of the Interim Officer for this period was £112,750.
- (iv) Executive Director of Place role was split from 1 January 2018 - with a new role of Director of Operations and Neighbourhoods being created.
- (v) The Director of Population Health was only in post 1 April 2017 to 28 February 2018.
- (vi) The role of Section 151 Officer was filled by an Interim Officer between 1 April 2017 and 30 September 2017. The cost of the Interim Officer for this period was £76,707. The role of Executive Director of Finance is a joint post with the Tameside and Glossop CCG and the salary paid by the CCG for the period 1 October 2017 to 31 March was £53,513. The Council paid a further £4,000 for this period.

The Single Leadership Team includes two further posts, both paid for in full by the CCG. The role of Director of Quality and Safeguarding is a post within the CCG and the total cost paid by the CCG for the period 1 April 2017 to 31 March 2018 was £90,766. The role of Interim Director of Commissioning is a post within the CCG and the total cost paid by the CCG for the period 1 April 2017 to 31 March 2018 was £100,273.

### Employees' Remuneration

The Council's other employees (excluding the Chief Executive and members of the Executive Team) receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts:

Remuneration Band	Number of employees (excluding severance payments) 2018/19	Number of employees (including severance payments) 2018/19	Number of employees (excluding severance payments) 2017/18	Number of employees (including severance payments) 2017/18
£50,000 - £54,999	43	44	33	33
£55,000 - £59,999	48	48	49	50
£60,000 - £64,999	25	26	24	23
£65,000 - £69,999	8	9	9	9
£70,000 - £74,999	3	3	8	8
£75,000 - £79,999	13	13	8	8
£80,000 - £84,999	2	3	2	4
£85,000 - £89,999	2	2	3	3
£90,000 - £94,999	5	5	0	0
£95,000 - £99,999	2	2	0	0
£100,000 - £104,999	1	1	0	0
£105,000 - £109,999	0	0	3	3
£125,000 - £129,999	1	1	1	1
<b>Total</b>	<b>153</b>	<b>157</b>	<b>140</b>	<b>142</b>

A number of employees in the accounting period received one off severance payments and left the organisation. The figures above have been presented both excluding and including this payment.



### 37. Contingent Liabilities

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

The Council has the following contingent liabilities at the Balance Sheet date:

#### Guarantees

The Council is guarantor for Tameside Sports Trust in respect of the Pulse Fitness Agreements.

#### Droylsden Canalside Development

The Council received grant income of £5.86m from the North West Development Agency (NWDA) on 15 May 2006. The funding agreement contains a potential claw back provision that would require the Council to return funding in certain events. The end date of the claw back period is 6 years from completion of the development.

### 38. Contingent Assets

*A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent assets are not recognised in the Balance Sheet but have been disclosed below where it is probable that there will be an inflow of economic benefits or service potential.*

The Council has no material contingent assets at 31 March 2019.

### 39. External Audit Costs

The Council has incurred the following costs in relation to services provided by the Council's external auditors:

	2018/19 £000	2017/18 £000
Fees payable with regard to external audit services	81	105
Fees payable for the certification of grant claims and returns	10	30
Fees payable in respect of other services	0	15
Audit fees rebate from Public Sector Audit Appointments	(16)	0
<b>Total</b>	<b>75</b>	<b>151</b>

### 40. Events after the Balance Sheet Date

*Events after the Balance Sheet date are reflected up to the date when the Statement of Accounts is authorised for issue. This date and who gave that authorisation is disclosed in the notes to the accounts, including confirmation that this is the date up to which events after the Balance Sheet date have been considered.*

*Where a material event is identified after the Balance Sheet date, whether favourable or unfavourable, for which it can be shown that the conditions already existed at the Balance Sheet date, it is an adjusting event and the amounts in the accounts would be adjusted accordingly.*

*However, where a material event is identified which occurred after the Balance Sheet date but it cannot be shown that the conditions existed before the Balance Sheet date, then it is a non-adjusting event and the accounts would not be adjusted (although a disclosure would be made in the notes to the accounts).*

The draft Statement of Accounts was authorised for issue by the Director of Finance (Section 151 Officer) on 28 May 2019. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2019, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

#### **41. Accounting Policies**

*The accounting policies adopted by the Council determine the accounting treatment that is applied to transactions during the financial year and in the preparation of the Statement of Accounts at the year end. They determine the specific principles, bases, conventions, rules and practices that will be applied by the Council in preparing and presenting its financial statements.*

##### **1. ACCOUNTING PRINCIPLES**

###### **a) Going Concern**

The Council prepares its accounts on the basis that it remains a going concern; that is that there is the assumption that the functions of the Council will continue in operational existence. In the case of a pending local government reorganisation, where assets and liabilities are due to be redistributed, the Council would still account on the basis of going concern as the provision of services would continue in another Council.

###### **b) Accruals Concept**

The Council accounts for income and expenditure in the period to which the service has taken place, rather than when cash payments are received or made. Where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Equally, where cash has been received or paid which is not yet recognised as income or expenditure, a creditor (income in advance) or debtor (payment in advance) is recorded in the Balance Sheet.

###### **c) Cost of Services**

The cost of services analysis within the Comprehensive Income and Expenditure Statement (CIES) is shown by Council Directorates in line with the revenue monitoring reports to Executive Cabinet and internal reporting. The CIES reports income and expenditure in accordance with generally accepted accounting practice. The Expenditure and Funding Analysis is then intended to demonstrate how the funding available to the Council (i.e. government grants, rents, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices.

###### **d) Value Added Tax (VAT)**

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Income and expenditure transactions exclude any amounts relating to VAT as currently all VAT collected is payable to HM Revenue and Customs and all VAT paid is recoverable from them.

e) Changes in Accounting Policy

Where there is a known future change in accounting policy required by the CIPFA Code, the Council will disclose the following in the notes to the accounts:

- The nature of the change in accounting policy;
- The reasons why applying the new accounting policy provides reliable and more relevant information;
- For both the current reporting period, and the previous year comparatives reported, the extent to which the change in accounting policy would have impacted on the financial statements if it had been adopted in that year;
- The amount of adjustment relating to years previous to those reported in the set of financial statements, had the proposed policy been adopted retrospectively;

If retrospective application is impracticable for a particular period, the circumstances that led to the existence of that condition and a description of how and from when the change in accounting policy has been applied. The Council will also disclose information relating to an accounting standard which has been issued but not yet adopted.

f) Previous Year Adjustments

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the Council's financial position or financial performance. Where a change is made it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied. Material errors discovered in prior period figures are corrected retrospectively by way of a prior period adjustment and an appropriate disclosure in the notes to the accounts. A change to the accounting policy may also require that the basis of estimates is changed. This will be disclosed in accordance with the policy on changes to accounting estimates.

g) Events after the Balance Sheet Date

Events after the Balance Sheet date are reflected up to the date when the Statement of Accounts is authorised for issue. This date and who gave that authorisation is disclosed in the notes to the accounts, including confirmation that this is the date up to which events after the Balance Sheet date have been considered.

Where a material event is identified after the Balance Sheet date, whether favourable or unfavourable, for which it can be shown that the conditions already existed at the Balance Sheet date, it is an adjusting event and the amounts in the accounts would be adjusted accordingly. However, where a material event is identified which occurred after the Balance Sheet date but it cannot be shown that the conditions existed before the Balance Sheet date, then it is a non-adjusting event and the accounts would not be adjusted (although a disclosure would be made in the notes to the accounts).

h) Exceptional and Extraordinary Items

When items of income and expenditure are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

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i) Contingent Assets and Liabilities

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

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

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

## 2. CAPITAL ACCOUNTING

a) Recognition

All expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis. Expenditure on the acquisition of an asset, or expenditure which adds to, and not merely maintains, the value of an existing asset, should be capitalised, provided that it yields benefits to the Council and the services it provides for a period of more than one year.

Capital expenditure includes:

- the acquisition, reclamation, enhancement or laying out of land;
- acquisition, construction, preparation, enhancement or replacement of roads, buildings and other structures;
- acquisition, installation or replacement of movable or immovable plant, machinery, apparatus, vehicles and vessels.

In this context, enhancement means works which are intended to:

- Lengthen substantially the useful life of the asset, or
- Increase substantially the market value of the asset, or
- Increase substantially the extent to which the asset can or will be used for the purposes of or in conjunction with the functions of the Council.

Under this definition, improvement works and structural repairs should be capitalised, whereas expenditure to ensure that the non-current asset maintains its previously assessed standard of performance should be recognised in the revenue account as it is incurred.

A de-minimis level of £10,000 has been adopted by the Council in relation to capital expenditure.

b) Measurement

Initially the assets are measured at cost, comprising the purchase price, plus any costs associated with bringing the asset into use. The measurement of an operational asset acquired other than through purchase is deemed to be its current value. The Code requires that non-operational property, plant and equipment classified as surplus assets are measured at fair value. In accordance with 'the Code', Property, Plant and Equipment is further classified as:

- Other Land and Buildings \*

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- Infrastructure assets
  - Vehicles, Plant and Equipment
  - Community Assets
  - Assets under Construction
  - Surplus Assets

Each of these asset classifications are valued on the base recommended by CIPFA and in accordance with the Statements of Asset Valuation Principles and Guidance Notes issued by The Royal Institution of Chartered Surveyors (RICS), as follows:

- Infrastructure, Community Assets and Assets Under Construction – depreciated historical cost (DRC)
- Other assets (excluding non-operational property) – current value, determined as the amount that would be paid for the asset in its existing use (EUUV)
- Surplus assets (non-operational property, plant and equipment) – fair value

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

\*These asset categories are revalued on a five year rolling cycle. The programme of revaluations is continuing on this cyclical basis although values of those assets falling between scheduled valuation dates are reviewed annually to ensure that any material changes to asset valuations is adjusted in the interim period, as they occur. For assets where expenditure of £750,000 or above has been incurred, these are added to the preceding year's revaluation list

#### c) Revaluation

Revaluation of property is undertaken on at least a five year "rolling programme". A desk top valuation exercise can take place more frequently, however, if the valuer believes that market changes within the year are more significant, an interim valuation will be undertaken. Investment Properties are revalued annually to determine any material change in the carrying value.

A Revaluation Reserve for non-current assets (other than Investment Properties) is held in the Balance Sheet made up of unrealised revaluation gains relating to individual non-current assets, with movements in valuations being managed at an individual non-current asset level.

Movement in the valuation of Investment Properties are charged or credited to the Comprehensive Income Expenditure Statement. Gains arising from the revaluation of Investment Properties are not held within a revaluation reserve.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of the reserves formal implementation. Gains arising before that date were subsequently consolidated into the Capital Adjustment Account. Movements in the valuations of non-current assets do not impact on General Fund Balances and are not a charge or credit to council tax levies.

#### d) Disposals

Receipts from the disposal of non-current assets are accounted for on an accruals basis. When an asset is disposed of, the value of the asset in the Balance Sheet is written out to the Comprehensive Income and Expenditure Statement, as is the disposal receipt. These amounts are not a charge or receipt to council tax as the cost of non-current assets is fully provided for under separate arrangements for capital financing. The asset value written out is appropriated to the Capital Adjustment Account, the capital receipt is appropriated to the Capital Receipts Unapplied Account, via the Movement in Reserve Statement. Any revaluation gains that have

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accumulated in the Revaluation Reserve are transferred to the Capital Adjustment Account.

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement element of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the CIES (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council to finance the costs of acquisition, construction and enhancement. The Account contains accumulated gains and losses on Investment Properties that have yet to be consumed by the Council. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before April 2007, the date that the Revaluation Reserve was created to hold such gains.

Usable Capital Receipts have been used to finance capital expenditure based on the policy of the Council.

Academy Schools are written out of the Council's Balance Sheet at the time that they legally transfer to Academy status. The net book value of the school at the time of the transfer is charged to Other Operating Income and Expenditure within the Comprehensive Income and Expenditure Statement as a loss on disposal/de-recognition.

e) Heritage Assets

Heritage Assets are held for their cultural, environmental or historical associations. With the exception of "Statues and Other Monuments", which by their nature are located across the Borough, they are mainly held in the Council's art galleries and museums.

This collection of Heritage Assets has been secured over many years from a variety of sources, being mainly bequeaths, donations and long term loans. Assets acquired from these sources may have conditions attached which govern how the assets may be managed in the future. Any assets with conditions attached are recognised in Donated Assets as a long term liability in the Balance Sheet until any outstanding conditions cease.

Any acquisitions of Heritage Assets are initially recognised at cost and donations are recognised at valuation with valuations provided by external valuers. The Council's collections of Heritage Assets are accounted for as follows:

- Art Collection;
- Militaria;
- Civic Regalia and Silver; and
- Statues and Other Monuments.

f) Investment Properties

Investment Property is held solely to earn rental income or for capital appreciation or both. Investment Property is initially recognised at cost, but is subject to valuation at fair value at the end of each accounting period. Losses or gains are recognised in the Comprehensive Income and Expenditure Statement.

g) Intangible Assets

Intangible Assets represent non-current assets that do not have physical substance, but are identifiable and are controlled by the Council through custodial or legal rights. All purchased Intangible Assets are capitalised at historical cost in line with 'the Code'.

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In line with other non-current assets, their useful economic life is determined based on the length of time that the benefit will accrue to the Council. Based on the best estimate of the useful economic life, the Intangible Asset is charged to the Comprehensive Income and Expenditure Statement over this period.

h) Depreciation / Amortisation Methodology

Depreciation is provided for on all non-current assets with a finite useful life (this can be determined at the time of acquisition or revaluation) according to the following policy:

- In accordance with the Service Reporting Code of Practice, all buildings (but not their land) are depreciated over their remaining useful lives. A land and building split has been determined by the Council's external valuers. Estimates of the useful life are determined for each property and where material for components of those properties as part of the valuation process. These estimates of economic life may vary considerably from property to property.
- Investment Properties are not depreciated, rather an annual review is undertaken of the fair carrying value. Any changes to these values are charged to the Provision of Services within the Comprehensive Income and Expenditure Statement in the period that they occur.
- Infrastructure is depreciated over a 40 year period.
- Vehicles, Plant, and Equipment is depreciated over 10 years or less depending on the nature of the asset.

Depreciation is calculated on a straight-line basis. Depreciation is not charged in the year of asset acquisition. Depreciation is charged to the Comprehensive Income and Expenditure Statement but does not impact on council tax and is written out to the Capital Adjustment Account via the Movement in Reserves Statement. Where non-current assets have been re-valued the current value depreciation will be higher than the historic cost depreciation, this increased depreciation charge is written out against the Revaluation Reserve with an offsetting entry to the Capital Adjustment Account.

i) Charges to revenue for non-current assets

Service revenue accounts, support services and trading accounts are charged with the following amounts to record the real cost of holding non-current assets throughout the year:

- Depreciation attributable to the assets used by the relevant service
- Impairment losses attributable to non-current assets used by the service in excess of the balances held in the Revaluation Reserve
- Amortisation of Intangible Assets attributable to the service

The Council does not raise council tax to cover depreciation, impairment loss or amortisations. The Council does, however, make an annual provision from revenue to reduce its borrowing requirement, (see section m). Depreciation, impairment losses, amortisation and gains or losses on the disposal of non-current assets are therefore written out in the Movement in Reserves Statement, by way of an adjusting transaction within the Capital Adjustment Account.

j) Revenue Expenditure Funded from Capital under Statute

Revenue Expenditure Funded from Capital under Statute represents expenditure which may be properly capitalised, but which does not result in the creation of any non-current asset to the Council. In line with the guidance contained in 'the Code', this expenditure is written off to the Comprehensive Income and Expenditure Statement in the year the expenditure is incurred, because the Council does not control the economic benefits arising from this expenditure.

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k) Impairment of Non-current Assets

Assets have been reviewed for any impairment loss in respect of the consumption of economic benefit (e.g. physical damage). Where an impairment loss occurs this would be charged to the service revenue account, with a corresponding entry made to reduce the value of the asset in the Balance Sheet.

To remove the impact of the impairment loss on the budget, a credit entry is made in the Movement in Reserves Statement as a charge to the Capital Adjustment Account.

Impairments reflecting a general fall in prices would be recognised in the Revaluation Reserve, up to the value of revaluation for the individual asset, and any further impairment would be treated as a consumption of economic benefit and charged to the service revenue account.

l) Capital Receipts

Capital receipts (in excess of £10,000) arising from the sale of non-current assets are credited to Capital Receipts Unapplied Account.

Any capital receipts relating to the repayment of former Housing Revenue Account (HRA) mortgages (principal amounts) are subject to provisions included within the Local Government Act 2003. The Council is required to pay a specified amount from these receipts to the national pool. All other capital receipts are usable.

Usable capital receipts are shown separately in the Balance Sheet and can be used either to finance new capital investment, to repay grant received in relation to the asset disposed of, to finance the premium sum arising from the rescheduling of debt, or set aside to reduce the Council's underlying need to borrow.

m) Redemption of Debt (Minimum Revenue Provision)

Where capital expenditure has been financed by borrowing there is a provision for the repayment of debt to be made in accordance with the Minimum Revenue Provision requirements of the Local Authorities ('MRP' - as set out in Capital Financing and Accounting (Amendment) Regulations 2009).

Since 2015/16 the Council has adopted the following policy in relation to calculating the Minimum Revenue Provision

- i) Borrowing taken up prior to 01/04/2015 will be provided for using a straight-line method of calculating 'MRP'. A total of £185,215,128 will be provided for in equal instalments over 50 years which will result in an annual charge of £3.704m. The debt will be extinguished in full by 31 March 2065. If the Council elects to make additional voluntary MRP then the annual charge will be adjusted accordingly.
- ii) The following will be required in relation to borrowing taken up on or after 01/04/2015.
  - For borrowing taken up on or after 1 April 2015, MRP is to be provided for based upon the average expected useful life of the assets funded by borrowing in the previous year. The debt will be repaid on a straight-line basis over the average useful life calculated, meaning the debt will be fully extinguished at the end of period. If the Council elects to make additional voluntary MRP then the annual charge will be adjusted accordingly.
  - For certain investment projects it may be deemed more prudent to use the asset life annuity method in order to calculate MRP. In this case the Council will use the annuity method, with the MRP based on the prevailing PWLB interest rate for a loan with a term equal to the estimated life of the project. If the Council uses capital receipts to



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repay borrowing for the year then the value of MRP which would have otherwise been set aside to repay borrowing will be reduced by the this amount. The level of capital receipts to be applied to redeem borrowing will be determined annually by the Section 151 Officer, taking into account forecasts for future expenditure and the generation of further receipts.

- For any finance leases and any on-balance sheet Public Finance Initiative (PFI) schemes, the MRP charge will be equal to the principle repayment during the year, calculated in accordance with proper practices.
- There will be no MRP charge for any cash backed Local Authority Mortgage Scheme (LAMS) that the Council operates. As for this type of scheme, any future debt liability would be met from the capital receipt arising from the deposit maturing after a five year period. Any repossession losses for this type of scheme would be charged to a LAMS reserve.
- The Council has considered the Statutory Guidance, which recommends a 25 year repayment charge for loans to third parties, and concluded that this provision is not necessary where there is a realistic expectation that the loan will be repaid. The Council considers an MRP charge is not necessary in respect of any loans made to third parties as the debt liability is covered by the existence of a debtor; typically long term depending on the life of the loan. The only expenditure consequence of a loan for an authority is the interest on its cash shortfall whilst the loan is outstanding, so provision for the principal amount would be over-prudent until such time as the assumption has to be made that the loan will not be repaid.

#### n) Capital Grants and Contributions

The Council recognises capital grants and contributions as being related to capital assets and uses them to fund capital expenditure on those assets. Grants, contributions and donations are recognised as income at the date that the Council has satisfied the conditions of entitlement, and there is reasonable assurance that the monies will be received.

Any grant received before these recognition criteria were satisfied would be held as a creditor. Any grant which had met the recognition criteria but had not been received would be shown as a debtor. This is in line with the Accruals Concept Policy.

Once the recognition criteria above have been satisfied, capital grants are recognised as income in the Comprehensive Income and Expenditure Statement.

In order to not impact on the level of Council Tax, the Council removes the credit from the General Reserves through the Movement in Reserves Statement, and makes a credit to the Capital Grants Unapplied Reserve.

Once expenditure has been incurred on the related asset, the credit is removed from the Capital Grants Unapplied Reserve and credited to the Capital Adjustment Account.

#### o) Capital Reserves

The Council holds Capital Reserves for the purpose of financing capital expenditure. Reserves will be disclosed as either usable (available to fund capital expenditure) or unusable (reserves held as a result of timing differences associated with recognition of capital expenditure and related financing).

Movements in capital reserves are accounted through the Movement in Reserves Statement.

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p) Leases

In line with IFRIC 4, the Council recognises a lease to be any agreement which transfers the right to use an asset for an agreed period in exchange for payment, or a series of payments.

This includes; leases, hire purchase, rental, contracts of service, service level agreements and any other arrangement where the ability to use an asset is conveyed.

q) Defining a Finance Lease

A finance lease is where substantially all of the risks and rewards relating to ownership transfer to the lessee.

Tests to give an indication of the transfer of risk and reward are:

- If the lessee will gain ownership of the asset at the end of the lease term (e.g. hire purchase)
- If the lessee has an option to purchase the asset at a sufficiently favourable price that it is reasonably certain, at the inception of the lease, that it will be exercised
- If the lease term is for the major part of the economic life of the asset even if the title is not transferred. Measures to identify this include:
  - The economic life of the asset is deemed to be that which is consistent with the class of asset in the depreciation policy.
  - The Council recognises 'major part' to be 75% of the life of the asset, unless on an individual case basis this would not give a true representation of the substance of the transaction.
- At the inception of the lease, the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset. Measures to identify this include:
  - Fair value of the leased asset is assessed by a RICS qualified valuer.
  - The present value of the minimum lease payments is calculated by discounting at the rate inherent in the lease.
  - If this rate cannot be determined the incremental borrowing rate applicable for that year is used.
  - The Council recognises 'substantially all' to be 75% of the value of the asset, unless on an individual case basis this would not give a true representation of the substance of the transaction.
- The leased assets are of such a specialised nature that only the lessee can use them without major modifications.
- If the lessee cancels the lease, the losses of the lessor, associated with the cancellation are borne by the lessee.
- Gains or losses from the fluctuation in the fair value of the residual accrue to the lessee (e.g. in the form of a rent rebate equalling most of the sales proceeds at the end of the lease).
- The lessee has the ability to continue the lease for a secondary period at a rent that is substantially lower than market rent.

A suitably experienced accountant, with assistance from qualified valuers, will make a judgement based on the level of risk and reward held by the Council as to whether an asset is operating or finance.

r) Defining an Operating Lease

The Council recognises an operating lease to be a lease which is not a finance lease. Where the Council is the lessor for an operating lease, normally the asset is classified as an Investment Property. Any rental income is credited to the relevant service income.

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s) Lessee Accounting for a Finance Lease

Where the Council is tenant in a property, or is, by definition of IFRIC 4, leasing an asset which is deemed under IAS 17 to be a finance lease the Council will recognise that asset within the asset register, and account for that asset as though it were an owned asset.

The initial recognition of the asset is at the fair value of the property, or if lower, the present value of the minimum lease payments. A liability is also recognised at this value, which is reduced as lease payments are made.

t) Lessor Accounting for a Finance Lease

Where the Council is the lessor for a finance lease, the asset is not recognised in the asset register; however a long term debtor at the present value of minimum lease payments is recognised. Income received is split between capital – credited against the debtor, and finance income – credited to the Comprehensive Income and Expenditure Statement as interest receivable.

u) Lessor Accounting for an Operating Lease

Where the Council is the lessor for an operating lease, normally the asset is classified as an Investment Property. Any rental income is credited to the relevant service income.

v) Service Concession Agreements (Private Finance Initiative (PFI) and other similar contracts)

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. PFI and similar contracts are assessed against criteria within IFRIC 12 Service Concession Arrangements to determine whether the risks and rewards incidental to ownership lie with the Council or the contractor.

Those which lie with the contractor – payments made during the life of the contract are chargeable to revenue as incurred.

Those which lie with the Council – are recognised as an asset in the Balance Sheet for the construction costs of the asset. Once recognised this asset is treated in line with all capital assets. A corresponding long term liability is also recognised at the construction value. Payments made during the life of the contract are split into finance costs, capital costs and service costs.

Determining the split of payments is calculated at the inception of the contract and is based on the inherent interest rate within the original agreement. Finance costs are chargeable to the Comprehensive Income and Expenditure Statement as interest payable. Capital costs reduce the level of liability in the Balance Sheet. Service costs are chargeable to the relevant revenue service expenditure. Pre-payments reduce the level of liability at the start of the contract. PFI credits are treated as general revenue government grants.

### 3. REVENUE ACCOUNTING

a) Recognition of Revenue Expenditure

The Council recognises revenue expenditure as expenditure which is not capital.

b) Employee Costs

In accordance with IAS 19, the Council accounts for the total benefit earned by employees during

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the financial year.

Employee Costs are split into 3 categories; short term benefits, termination benefits and pensions costs.

#### Short Term Employee Benefits

- Salaries and Wages – The total salary and wages earned by employees during the financial year are charged to the Comprehensive Income and Expenditure Statement. Where the amount accrued exceeds the amount paid at the 31 March, a creditor will be reflected in the accounts.
- Leave Owed, Accumulating Absences – The Council allows employees to earn time off in one period with the resulting cost to the Council in a later period when that time is either taken off or paid to the employee. Examples of this accumulating leave are annual leave, flexi-time and time off in lieu.

If an employee were to leave the Council, cash payment would be made for entitlements such as annual leave; this leave is termed vesting. Where no cash payment would be due, the leave is termed non-vesting.

In order to correctly reflect the cost of time owed to staff, a charge has been made to the Comprehensive Income and Expenditure Statement and a creditor accrual has been reflected in the Balance Sheet. This charge is reflective of the estimated time cost value of all accumulating leave owed to employees. Vesting leave will be charged in full; however non-vesting leave has been adjusted to reflect the turnover of staff.

- Non-accumulating Absences – are periods of leave that cannot be carried forward for use in future periods. Examples include Maternity Leave, Special Leave, Sick Leave and Jury Service. The Council does not recognise non-accumulating compensated absences until the time that the absence occurs.
- Non-monetary Benefits – Where employees have non-monetary benefits (e.g. retirement benefits or life insurance), the associated cost of providing that benefit has been charged to the Comprehensive Income and Expenditure Statement.

#### Termination benefits

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

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

#### Pensions Costs

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

- Teachers Pension Scheme is a defined benefit scheme administered by Capita

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Teachers' Pensions on behalf of the Department for Education (DfE).

The assets and liabilities of the Teachers Pension Scheme are not attributable to the Council, therefore the Council accounts for the scheme as if it were a defined contribution scheme. This means that the Children and Education Services line in the Comprehensive Income and Expenditure Statement will only include the Council's contributions payable to the scheme.

- NHS Pension Scheme is a defined benefit scheme administered by EA Finance NHS Pensions.

The assets and liabilities of the NHS Pension Scheme are not attributable to the Council, therefore the Council accounts for the scheme as if it were a defined contribution scheme. This means that the Public Health Services line in the Comprehensive Income and Expenditure Statement will only include the Council's contributions payable to the scheme.

- The Greater Manchester Local Government Pension Scheme, administered by the Council, is accounted for as a defined benefit scheme. The liabilities of the scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method - i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, and projections of future earnings for current employees.

Pension liabilities are measured using the projected unit method, discounted using the rate on high quality corporate bonds of equivalent term to the liabilities. The discount rate is the weighted average of "spot yields" on AA rated corporate bonds.

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

Service cost comprising:

1. 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.
2. Past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years will be debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
3. Net interest on the net defined benefit liability i.e. net interest expense for the Council - the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period, taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.

Re-measurement comprising:

4. The return on plan assets – excluding amounts included in net interest on the net defined benefit liability – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
5. Actuarial gains and losses – changes in the net pensions liability that arise because

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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.

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. Adjustments are therefore made in the Movement in Reserves Statement.

#### 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 debit balance on the Pensions Reserve therefore shows a shortfall in the benefits earned by past and current employees and the resources the Council 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.

#### Early Retirement, Discretionary Payments

The Council has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies which are applied to the Local Government Pension Scheme.

#### c) Lessee Accounting for an Operating Lease

Costs associated with operating leased assets where the Council is the lessee are charged immediately to the Comprehensive Income and Expenditure Statement within the Net Cost of Services on an accruals basis.

#### d) Revenue Grants and Contributions

Grants, contributions and donations (referred to as grants for the purposes of this policy) are recognised as income at the date that the Council has satisfied the conditions of entitlement, and there is reasonable assurance that the monies will be received. Any grant received before these recognition criteria were satisfied would be held as a creditor (income in advance). Any grant which had met the recognition criteria but had not been received would be shown as a debtor.

Revenue grants will either be received to be used only for a specific purpose, or can be used for general purpose. Those for a specific purpose are recognised in the Comprehensive Income and Expenditure Statement within the Net Cost of Services. Those which are for general purpose are shown within Other Operating (Income) and Expenditure in the Comprehensive Expenditure and Income Statement.

The Council recognises capital grants and contributions as being related to capital assets and uses them to fund capital expenditure on those assets. Grants, contributions and donations are recognised as income at the date that the Council has satisfied the conditions of entitlement, and there is reasonable assurance that the monies will be received.

Any grant received before these recognition criteria were satisfied would be held as a creditor. Any grant which had met the recognition criteria but had not been received would be shown as a debtor. This is in line with the Accruals Concept.

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Once the recognition criteria above have been satisfied, capital grants are recognised as income in the Comprehensive Income and Expenditure Statement.

In order to not impact on the level of Council Tax, the Council removes the credit from the General Reserves through the Movement in Reserves Statement, and makes a credit to the Capital Grants Unapplied Reserve.

Once expenditure has been incurred on the related asset, the credit is removed from the Capital Grants Unapplied Reserve and credited to the Capital Adjustment Account.

e) Provisions

Provision has been made in the Comprehensive Income and Expenditure Statement for liabilities that have been incurred by the Council, but where the amounts or dates on which they will arise are uncertain.

Provisions are required to be recognised when the Council has a present obligation, as a result of a past event, where it is probable that an outflow of resources embodying economic benefit or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation, (IAS 37 – Provisions, Contingent Liabilities and Contingent Assets). When expenditure is incurred to which the provision relates, it is charged directly against the provision in the Balance Sheet and not against the Comprehensive Income and Expenditure Statement.

The Council has made a provision for the costs of settling claims for back pay arising from discriminatory payments incurred before the Council implemented its equal pay strategy. However, statutory arrangements allow settlements to be financed from General Fund Balances in the year that payments actually take place, not when the provision is established. The provision is therefore balanced by an entry within the Capital Adjustment Account (CAA) created from amounts credited to the General Fund Balance in the year the provision was made or modified. The balance within the CAA will be debited back to the General Fund Balance in the Movement in Reserves Statement in future financial years as payments are made.

f) Revenue Reserves

The Council holds usable revenue reserves for the purpose of funding future expenditure. The General Fund Balance represents the balance of reserves to meet short term, unforeseeable expenditure and to enable significant changes in resources or expenditure to be properly managed over the period of the Medium Term Financial Strategy. Earmarked Reserves represent balances where approval has been received to use the reserve for a specific purpose.

Unusable revenue reserves represent timing differences such as those associated with the recognition of retirement benefits, Council tax income and financial instruments.

Movement in reserves are accounted through the Movement in Reserves Statement.

g) Council Tax and Business Rates Recognition

Council Tax and Business Rates income included in the Comprehensive Income and Expenditure Statement includes the Council's share of accrued income recognised by billing authorities in the production of the Collection Fund Statements.

The difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Reserve is taken to the Collection Fund Adjustment Account and reported in the Movement in Reserves Statement. Billing authorities act as agents, collecting council tax and business rates on behalf of the major

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preceptors and, as principals, collecting council tax and business rates for themselves. Billing authorities are required by statute to maintain a separate fund (the Collection Fund) for the collection and distribution of amounts due in respect of council tax and business rates. Under the legislative framework for the Collection Fund, billing authorities and major preceptors share proportionately the risks and rewards that the amount of council tax and business rates collected could be less or more than predicted.

The council tax and business rates income included in the Comprehensive Income and Expenditure Statement is the Council's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the Council's General Fund. Therefore The difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Reserve is taken to the Collection Fund Adjustment Account and reported in the Movement in Reserves Statement.

The Balance Sheet includes the Council's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

#### h) Inventories and Work in Progress

Work in progress is valued at the lower of cost (including all related overheads) or net realisable value.

No amounts are included for such items as small stores at Community Services residential homes, or stocks at special schools and outdoor education centres as these are not regarded as having material value due to their size. It is considered that this difference in treatment (together with the exclusion of certain types of stock) does not have a material effect on the values stated.

#### i) Provisions for bad and doubtful debts

The Council maintains a bad debt provision for any potential non-payment of debtors at each Balance Sheet date. Assessment is made based on the risk of debtors' ability to pay future cash flows due under the contractual terms. This risk is estimated where possible based on historical loss experience, credit rating for a debtor and other impacting factors.

Provisions for bad debts are offset against the debtor amount shown as an asset, the movement in the provision is charged against the relevant service line in the Comprehensive Income and Expenditure Statement.

## 4. TREASURY MANAGEMENT

### a) Financial Instruments

#### Financial Assets

Financial Assets e.g. investments and debtors are classified into three types – amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVPL).

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

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

#### Amortised Cost



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

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

### **Fair Value through Other Comprehensive Income (FVOCI)**

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

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

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

### **Fair Value through Profit and Loss (FVPL)**

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

Dividends received are accounted for at the point they are declared.

Charges in fair value are charged to the surplus / deficit on the net provision of services as they occur.

Under capital accounting regulations where these assets were treated as capital expenditure the gain or loss is reversed through the Movement in Reserves Statement and charged to an unusable reserve - the Capital Adjustment Account. . An equity instrument that has been classed as FVPL can be designated as FVOCI if it is not held for trading (e.g. a strategic investment). Once this designation has been made it cannot be reversed. This designation would mean that any gains and losses would be held in the Financial Instruments Revaluation Reserve.

### **Credit loss**

The Council will recognise a loss allowance for expected credit losses, if applicable, on assets where cash flows are solely principal and interest (i.e. financial instruments measured at amortised cost or FVOCI unless they have been designated as such). This does not apply where the counterparty is central government or another local authority.

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

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

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

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## Financial Liabilities

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

Charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability multiplied by the effective rate of interest for the instrument. (The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised).

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

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

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

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

Where premiums and discounts (amounts paid or received on the rescheduling of a loan) have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact of premiums on the General Fund balance to be spread over the longer of the outstanding period of the replaced loan or the period of the replacement loan or any other shorter period that the Council wishes to choose. Discounts are required to be credited to revenue over a maximum period equal to the outstanding term of the replaced loan or ten years (if shorter). The difference between the amount charged to the Comprehensive Income and Expenditure Statement and the net charge against the General Fund balance is transferred to or from the Financial Instruments Adjustment Account in the Movement of Reserves Statement.

### b) Cash and cash equivalents

Cash equivalents are short term investments that are of a highly liquid nature. The Council has

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deemed that deposits held within money market funds are categorised as cash equivalents.

### c) **Interests in Companies and Other Entities**

Where the Council has material interests in companies and other entities that have the nature of subsidiaries, associates and joint arrangements, it is required to prepare group accounts. In the Council's own single-entity accounts, the interests in companies and other entities are recorded as investments, i.e. at cost, less any provision for losses. *The Council has identified Inspired Spaces Tameside as an associate but group accounts have not been prepared on the grounds of materiality. Information on financial transactions between the Council and this associate are disclosed as related party transactions.*

## **42. Accounting Policies Issued but not yet adopted**

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard which has been issued but is yet to be adopted by the 2018/19 Code.

The Code also requires that changes in accounting policy are to be applied retrospectively unless transitional arrangements are specified, this would result in an impact on disclosures spanning two financial years.

Accounting changes that are introduced by the 2019/20 code are:

- Amendments to IAS 40 Investment Property: Transfers of Investment Property
- Annual Improvements to IFRS Standards 2014-2016 Cycle
- IFRIC 22 Foreign Currency Transactions and Advance Consideration
- IFRIC 23 Uncertainty over Income Tax Treatments
- Amendments to IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation.

These changes are not expected to have a material impact on the Council's financial statements.

## **43. Critical Judgements in Applying Accounting Policies**

The following are critical management judgements in applying the accounting policies of the Council that have the most significant effect on the financial statements. Critical estimation uncertainties are described in Note 44.

### **Accounting for Schools – Consolidation**

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

### **Accounting for Schools – Balance Sheet Recognition of Schools**

The Council recognises schools in line with the provisions of the Code. Schools are recognised on the Balance Sheet only if the future economic benefits or service potential associated with the school will flow to the Council. The Council regards that the economic benefits or service potential of a school flows to the Council where the Council has the ability to appoint the employees of the school and is able to set the admission criteria.

There are generally five categories of schools:

- Community schools
- Voluntary Controlled (VC) schools
- Voluntary Aided (VA) schools
- Foundation/Trust schools
- Academies

Employees at community schools are appointed by the Council and the Council sets the admission criteria. These schools are therefore recognised on the Council's Balance Sheet.

In order to comply with the Code of Practice on Local Authority Accounting the Council wrote to each of the diocese who occupy schools within the borough of Tameside in order to establish the accounting arrangements.

Diocese of Salford, The Church of England Diocese of Chester, The Church of England Diocese of Manchester and Diocese of Shrewsbury have all responded in writing to confirm that the schools occupy the school premises under the direction of the trustees and that the legal ownership resides with the religious body. The Council has also had confirmation that the religious bodies referred to above account for the school buildings within their Balance Sheets.

The legal ownership of Voluntary Controlled School buildings belong to a charity, normally a religious body, therefore the Council does not recognise these non-current assets on the Balance Sheet. However the adjoining school playing fields remain in Council ownership and are therefore included on the Council's Balance Sheet.

Foundation Trust, Voluntary Aided and Academy school employees are appointed by the schools' governing body, which also set the admission criteria. As a consequence the Council does not receive the economic benefit or service potential of these schools and does not recognise them on the Council's Balance Sheet. However the playing fields surrounding Voluntary Aided schools remain in Council ownership and are therefore included on the Council's Balance Sheet.

Type of School	No of Primary School	No of Secondary School	No of Special School	Total	Land on the Balance Sheet £000s	Buildings on the Balance Sheet £000s
Community	25	4	5	34	36,201	83,124
Voluntary Controlled (VC)	7	0	0	7	1,608	0
Voluntary Aided (VA)	20	2	0	22	7,651	13,123
Foundation	0	0	0	0	0	0
Foundation Trust	0	0	0	0	0	0
<b>Maintained Schools</b>	<b>52</b>	<b>6</b>	<b>5</b>	<b>63</b>	<b>45,461</b>	<b>96,247</b>
Free Schools	0	1	0	1	0	0
Academies	24	9	1	34	0	0
<b>Total</b>	<b>76</b>	<b>16</b>	<b>6</b>	<b>98</b>	<b>45,461</b>	<b>96,247</b>

#### Accounting for schools - Transfers to Academy status

When a school that is held on the Council's Balance Sheet transfers to Academy status the Council accounts for this as a disposal for nil consideration on the date that the school converts to Academy status, rather than as an impairment on the date that approval to transfer to Academy status is announced.

Where the Council has entered into construction contracts for replacement schools on behalf of an Academy, the Council charges the cost of construction against Assets Under Construction (part of

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Property, Plant and Equipment), whilst the Academy is constructed. Once the construction is complete the asset is transferred to Property, Plant and Equipment on the date of transfer to Academy status. The Council accounts for this as a disposal for nil consideration.

### Investment Properties

Investment Properties have been identified using criteria under 'the Code', and are those assets held solely for rental income or for capital appreciation, or both. The assessment of Investment Properties using these criteria is subject to interpretation.

### Leases

The Council has examined its leases, and classified them as either operational or finance leases. In some cases the lease transaction is not always conclusive and the Council uses judgement in determining whether the lease is a finance lease arrangement that transfers substantially all the risks and rewards incidental to ownership. In assessing leases the Council has estimated the implied interest rate within the lease to calculate interest and principal payments.

### Funding

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

## **44. Assumptions made about the future and other major sources of estimated uncertainty**

### Property, Plant and Equipment

An asset is depreciated over a useful life that is dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to the individual asset. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance bringing into doubt the useful life assigned to assets. If the useful life of an asset is reduced, the depreciation charge increases and the carrying amount of the asset falls.

An important estimation contained in the accounts is that of the useful economic life of non-current assets (or useful remaining economic life where assets are revalued). This is important as it determines the depreciation charge posted to the Comprehensive Income and Expenditure Statement.

Depreciation is provided for on all non-current assets with a finite useful life (this can be determined at the time of acquisition or revaluation) according to the following policy:

<b>Asset Category</b>	<b>Useful Economic Life</b>
Buildings	2-70 years
Infrastructure assets (such as roads)	40 years
Other non-current assets (such as vehicles, plant and equipment)	10 years or less
Investment properties	Not depreciated - revalued each year
Surplus assets	Not depreciated - revalued each year

All assets held at current value are revalued as a minimum every five years. Specific assets may be valued more frequently depending on the wider economic context, particularly if it is expected that there has been a material reduction in their value during the year.

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Depreciation could also be calculated by adopting a fixed policy regarding economic life for each identified class of asset. However, it has been determined by the Council that a 'catch-all' policy cannot be as accurate as the case-by-case review that is employed, because of the wide variety of assets held.

### Business Rates

Since the introduction of the Business Rates Retention Scheme effective from 1 April 2013, Local Authorities are liable for the cost of successful appeals against business rates charged to businesses in their proportionate share. Appeals are managed by the Valuation Office (VOA) on a case by case basis. The Council cannot be fully aware, at all times, of all changes to businesses and to business premises, and it is the responsibility of the individual business to seek adjustments for their business rates bill where this is appropriate. Therefore, a provision is recognised in the accounts for the best estimate of the possible liability to the Council for business rates appeals, to 31 March 2019. This is calculated using the VOA's latest list of appeals, which includes information on the average levels of successful and unsuccessful claims.

### Debt Impairment

All debts due to the Council are regarded as collectible, unless firm evidence transpires that they are uncollectible and so are 'bad' debts. However, some debts which are proving difficult to collect may be properly termed 'doubtful'. The Council has included an impairment allowance for doubtful debts in the accounts based on a review of the Council's significant short term debtor balances. In the current economic climate it is not certain that the impairment allowance for doubtful debts would be sufficient. If collection rates were to deteriorate an increase in the impairment allowance would be required.

### PFI and similar arrangements

PFI and similar arrangements have been considered to have an implied finance lease within the agreement. In reassessing PFI leases the Council has estimated the implied interest rate within the leases to calculate interest and principal payments. In addition the future RPI increase within the contracts has been estimated as remaining constant throughout the remaining period of the contract.

### Pensions Fund Liability

The estimation of the Pension Fund liability depends on a number of complex judgements relating to the discounts used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on Pension Fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied. The estimation of the defined benefit obligations is sensitive to the actuarial assumptions. Further information is set out in note 30.

### Manchester Airport Group (MAG)

The Council's shareholding in MAG is valued using the earning based method and discounted cash flow method resulting in the asset being valued at fair value rather than historic cost, therefore requiring an annual valuation. A firm of financial experts and valuers have been engaged by the nine minority local authority shareholders to provide an independent valuation which includes reviewing the financial performance, stability and business assumptions of MAG. 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.

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## Reserves

A number of assumptions are made regarding the required level of Council reserves. The Government has previously criticised the level of reserves held by councils as being too high. However, the professional consensus is that reserves are more necessary in times of greater risk and uncertainty.

The level of financial risk being faced by the Council continues to increase. Reserves provide a way for the Council to ensure that any unforeseen financial impacts can be absorbed without immediately impacting on frontline service delivery. Currently, potential impacts may arise from a number of sources, including:

- The further significant loss of Government funding.
- Significant changes to local government responsibilities and the unknown impact of these.
- Other cost pressures or national policy changes e.g. the impact of an ageing population and pressures within the local health economy.
- Delays in securing further, significant, ongoing savings targets.
- Volatility of the Business Rates base.
- Potential legal judgements and the confirmation of obligations that led the Council to recognise contingent liabilities in the Statement of Accounts.

These and other factors must be borne in mind when estimating the required level of reserves and the anticipated profile of use.

## Minimum Revenue Provision

The Council has adopted the following policy in relation to calculating the Minimum Revenue Provision:

- Borrowing taken up prior to 1 April 2015 will be provided for using a straight-line method of calculating MRP. £185.215m will be provided for in equal instalments over 50 years, which will result in an annual charge of £3.704m. The debt will be extinguished in full by 31 March 2065. If the Council elects to make additional voluntary MRP then the annual charge will be adjusted accordingly.
- For borrowing taken up on or after 1 April 2015, MRP is to be provided for based upon the average expected useful life of the assets funded by borrowing in the previous year. The debt will be repaid on a straight-line basis over the average useful life calculated, meaning the debt will be fully extinguished at the end of period. If the Council elects to make additional voluntary MRP then the annual charge will be adjusted accordingly.
- For certain investment projects it may be deemed more prudent to use the asset life annuity method in order to calculate MRP. In this case the Council will use the annuity method, with the MRP based on the prevailing PWLB interest rate for a loan with a term equal to the estimated life of the project.
- If the Council uses capital receipts to repay borrowing for the year then the value of MRP which would have otherwise been set aside to repay borrowing will be reduced by the this amount. The level of capital receipts to be applied to redeem borrowing will be determined annually by the Section 151 Officer, taking into account forecasts for future expenditure and the generation of further receipts.
- For any finance leases and any on-balance sheet Public Finance Initiative (PFI) schemes, the MRP charge will be equal to the principle repayment during the year, calculated in accordance with proper practices.
- There will be no MRP charge for any cash backed Local Authority Mortgage Scheme (LAMS) that the Council operates. As for this type of scheme, any future debt liability would be met from the capital receipt arising from the deposit maturing after a five year period. Any repossession losses for this type of scheme would be charged to a LAMS reserve.

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- The Council has considered the Statutory Guidance, which recommends a 25 year repayment charge for loans to third parties, and concluded that this provision is not necessary where there is a realistic expectation that the loan will be repaid. The Council considers an MRP charge is not necessary in respect of any loans made to third parties as the debt liability is covered by the existence of a debtor; typically long term depending on the life of the loan. The only expenditure consequence of a loan for an authority is the interest on its cash shortfall whilst the loan is outstanding, so provision for the principal amount would be over-prudent until such time as the assumption has to be made that the loan will not be repaid.



## 45. Related Parties

*The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently, or might have secured the ability to limit another party's ability to bargain freely with the Council. In this context, related parties include Central Government (UK), Members, Officers, other public bodies and entities controlled or significantly influenced by the Council.*

### Central Government (UK)

Central Government (UK) has significant influence over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. Council Tax billing and Housing Benefits). Grants received from government departments are set out in Note 5.

### Elected Members of the Council

Members of the Council have direct control over the Council's financial and operating policies. The total of Members' Allowances paid in 2018/19 is shown in Note 34.

Members' interests outside of the Council are recorded in the register of interests and register of gifts and hospitality maintained by the monitoring officer. A small number of members hold official positions in organisations independent of their role as elected members of the Council. Where the Council has contracts for services and/or has awarded grants to such organisations, the Council's standing orders were fully complied with, ensuring proper consideration of any declaration of interests.

Members hold positions on boards of various community and voluntary organisations in and around Tameside. In 2018/19 there were no material transactions with any individual bodies where a member has a controlling interest in the organisation. Transactions with the individual bodies where a member has an influence in the organisation are as follows:

Related Party	2018/19				2017/18			
	Receipts £000	Payments £000	Creditors £000	Debtors £000	Receipts £000	Payments £000	Creditors £000	Debtors £000
Tameside Sport Trust	-	2,857	23	(32)	-	2,887	50	(21)
Jigsaw Homes (New Charter Housing)	(55)	2,643	152		(191)	1,855	220	

**New Charter Housing Trust (Part of the Jigsaw Homes Group)** – Payments were made by the Council to New Charter during the year in respect of supported accommodation and homelessness. Income was received from New Charter in the form of fees and charges for various services including pest control and trade waste.

**Tameside Sports Trust** – Payments were made by the Council to the Trust during the year in respect of the annual management fee to operate leisure facilities, improvement works to facilities, educational programmes and Adult day care provision. The Council received loan repayments from the Trust. Details of the loan balances outstanding from Tameside Sports Trust are set out in Note 18.

## Other Public Bodies

The Council pays the following levies;

Levying Body	2018/19 £000	2017/18 £000
Greater Manchester Waste Disposal Authority	-	21,918
Greater Manchester Combined Authority - Waste Disposal	7,823	-
Greater Manchester Combined Authority - Transport	22,499	8,355
Environmental Agency - Flood Defense	114	111
Canal & River Trust - British Waterways	94	90

## Greater Manchester Pension Fund (GMPF)

The Council administers the GMPF, but there are separate management and governance arrangements in place to ensure the GMPF is able to act as an independent entity. Further details can be found in the GMPF Statement of Accounts on page 152.

In the course of fulfilling its role as administering authority to the GMPF, the Council incurred costs for services (e.g. salaries and support costs), totalling £7.429m on behalf of the GMPF and paid to HMRC VAT (net) of £0.973m. Total payments due to Tameside MBC therefore, amounted to £8.402m (2017/18 £4.821m). The GMPF reimbursed the Council £6.184m for these charges in year and there is a creditor of £2.218m owing to Tameside MBC at the year-end (2017/18 £1.283m).

## Chief Officers

All Chief Officers have been asked to disclose any relationships or interests with entities that could be a related party of the Council.

Chief Officer	Interests Declared
Chief Executive	<ul style="list-style-type: none"><li>• Joint role as Chief Accountable Officer of NHS Tameside and Glossop CCG. Salary information is disclosed in note 36.</li><li>• Director of the Manchester Institute of Health and Performance</li><li>• Director of Airport City (General Partner) representing Greater Manchester Pension Fund</li><li>• Stamford Park Trust Trustee</li><li>• Director of Inspired Spaces Tameside Ltd</li><li>• Director of Inspired Spaces Tameside (Project Co 1) Ltd and Inspired Spaces Tameside (Project Co 2) Ltd</li><li>• Associate Governor at Broadbottom C of E Primary School</li></ul>
Director of Finance	<ul style="list-style-type: none"><li>• Joint role as the Chief Finance Officer of NHS Tameside and Glossop CCG. Salary information is disclosed in note 36.</li></ul>
Director of Governance and Pensions	<ul style="list-style-type: none"><li>• Director of Greater Manchester Pension Fund</li><li>• Director of Northern Pool General Partner (Number 1) Ltd representing Greater Manchester Pension Fund</li></ul>
Assistant Director of Finance	<ul style="list-style-type: none"><li>• Alternative Director of Inspired Spaces Tameside Ltd</li><li>• Alternative Director of Inspired Spaces Tameside (Project Co 1) Ltd and Inspired Spaces Tameside (Project Co 2) Ltd</li></ul>

Inspired Spaces Tameside Ltd, Inspired Spaces Tameside (Project Co 1) Ltd and Inspired Spaces Tameside (Project Co 2) Ltd have been identified as related parties and further information on transactions and balances is set out below.

## Entities Controlled or Significantly Influenced by the Council

The Council carries out a complex range of activities, often in conjunction with external organisations. Where those organisations are in partnership with or under the ultimate control of the Council a judgement is made by management as to whether they are within the Council's group boundary. A group structure may exist where the Council has a controlling (or significant ability to influence) another entity. A group structure would necessitate the preparation of group accounts. This judgement is made in line with the provisions set out in the Code and relevant accounting standards.

The Council's group boundaries have been assessed using the criteria outlined in 'the Code'. It was determined that the Council has a significant influence over Inspiredspaces Tameside Ltd, Inspired Spaces Tameside (Project Co 1) Ltd and Inspired Spaces Tameside (Project Co 2) Ltd. However, on the basis of materiality the Council has determined that the preparation of group accounts is not required because group accounts would not be materially different to the single entity accounts.

Transactions and balances with Inspiredspaces Tameside Ltd, Inspired Spaces Tameside (Project Co 1) Ltd and Inspired Spaces Tameside (Project Co 2) Ltd were as follows:

Related Party	2018/19				2017/18			
	Receipts £000	Payments £000	Creditors £000	Debtors £000	Receipts £000	Payments £000	Creditors £000	Debtors £000
Inspired SpacesTameside Ltd	-	32,321	33	(49)	-	32,281	224	
Inspired Spaces Tameside (Project Co 1) Ltd	(297)	-	-	(60)	(238)	-	-	(119)
Inspired Spaces Tameside (Project Co 2) Ltd	-	-	-	(687)	(468)	-	-	(221)

As per the provisions of the funding agreement that the special purpose vehicles (SPV) are subject to, the Carillion Plc liquidation has resulted in a temporary 'lock down' of any distributions of dividend payments or repayment of subordinated debt owed to shareholders. The temporary 'lock down' is still in place against Inspiredspaces Tameside (Project Co 2) Ltd. As a result there will be a delay to the Council receiving its payments in relation to the holding in this SPV. It is not anticipated that there will be a reduction to either the level of expected dividends or repayment of the Council's sub-ordinated debt. The temporary 'lock down' for Inspiredspaces Tameside (Project Co 1) Ltd has now been removed; dividend payments and repayment of subordinated debt owed to shareholders have now resumed.

A review of the Council's relationship with other entities has also been undertaken to ensure they are properly reported. Following the current guidance, with the exception of the investments above, it is clear that the Council is not in a further group arrangement, as it does not have the ability to exercise either influence or control at a material level over another entity.

## 46. Agency Services and Pooled Budgets

### Agency Services

	HMP £000	iStandUK £000	i-Network £000	GMPHN £000	NAFN £000	GMHSCP £000	NW ADASS £000	GMEU £000
<b>Balance Brought Forward</b>	<b>(4,139)</b>	<b>(43)</b>	<b>(85)</b>	<b>(638)</b>	<b>(887)</b>	<b>(442)</b>	<b>(299)</b>	<b>(251)</b>
Contributions	(1)	(333)	(403)	(500)	(944)	(777)	(366)	(455)
Interest earned on Balances	(27)	0	(2)	0	(6)	0	0	0
<b>Total Income</b>	<b>(28)</b>	<b>(333)</b>	<b>(405)</b>	<b>(500)</b>	<b>(950)</b>	<b>(777)</b>	<b>(366)</b>	<b>(455)</b>
Employee Expenses	0	9	208	256	434	0	75	319
Payments as per Business Plan	377	0	0	0	0	0	0	0
Project Payments to Authorities	0	0	0	0	0	0	0	0
Supplies and Services Expenses	0	329	138	23	450	96	286	66
<b>Total Expenditure</b>	<b>377</b>	<b>338</b>	<b>345</b>	<b>279</b>	<b>884</b>	<b>96</b>	<b>362</b>	<b>385</b>
<b>Balance Carried Forward</b>	<b>(3,790)</b>	<b>(38)</b>	<b>(146)</b>	<b>(860)</b>	<b>(953)</b>	<b>(1,124)</b>	<b>(304)</b>	<b>(321)</b>

#### Hattersley/Mottram Project (HMP)

HMP involves the regeneration of land previously owned by Manchester City Council and the Council mainly for residential use. In addition, the former Manchester City Council housing stock was transferred and is now owned by Onward. This is being improved and refurbished as part of the latter's business plan, for which £18.5m has been provided from the proceeds from the sale of the land.

The Council's partners in the project are Homes England and Onward. The partners operate under a Collaboration Agreement and, in accordance with this Agreement signed by the principal partners, the Council acts as the accountable body on behalf of the partnership. The Council receives funds from the developer (Base Hattersley) as per the respective development agreement and distributes the funds to the partners in priority ranking as per the Agreement. The balance will be carried forward into 2019/20 and used to fund the remaining elements of the Hattersley Business Plan.

#### iStandUK

iStandUK was established to develop and promote eStandards that support the efficiency, transformation, and transparency of local public services in the UK. The Council is the lead partner and accountable body for the project. The 2018/19 balance will be carried forward into 2019/20 to continue the work of the project.

#### i-Network

iNetwork brings together local authorities, police, fire, health, housing and voluntary sector organisations across the North and Midlands to support innovation and the transformation of local public services. It is chaired by the Chief Executive of the Council, who act as accountable body. iNetwork charges membership fees in order to sustain the partnership and deliver set outcomes. During 2018/19, in partnership with iStand UK, it also facilitated the delivery of national programmes for Government. The 2018/19 balance will be carried forward into 2019/20.

#### Greater Manchester Public Health Network (GMPHN)

GMPHN is a collaborative organisation that works on behalf of the Greater Manchester Directors of Public Health which is funded by contributions from constituent members. The network supports Greater Manchester Local Authorities to fulfil their statutory public health functions under the Health and Social Care Act 2012. The network works with local partners to help reduce the impact

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of ill health on individuals and the Greater Manchester economy. Tameside Council has been the accountable body for the GMPHN since 1 April 2013 and the Council's Chief Executive is the lead Greater Manchester Chief Executive for Health.

#### National Anti Fraud Network (NAFN)

NAFN was created in 1997 hosted by Tameside Metropolitan Borough Council. NAFN is a not-for-profit organisation and recovers its operating costs from grant funding, membership fees and recharges. Membership of NAFN provides local authorities with access to a pool of highly experienced, trained and accredited officers delivering services via a secure website. With 90% Local Authority membership and over 10,000 users the organisation is widely recognised as provider of data and intelligence and is the single point of contact for all local authority acquisition of communications data.

#### Greater Manchester Health Social Care Partnership (GMHSCP)

The Greater Manchester Health and Social Care Partnership was formed to oversee the devolution of Greater Manchester health and social care services. The aim of the partnership is to achieve the biggest and most efficient improvement to the health and wellbeing of the Greater Manchester region. The Partnership membership includes Greater Manchester NHS organisations and Local Authorities, as well as members from NHS England and NHS Improvement, the emergency services, the voluntary sector, Healthwatch and others including the mayor of Greater Manchester. One of the key aims of the partnership is to improve the way health and social care public funding is spent, making sure that major decisions are being made together to meet residents needs. The Partnership is resourced by equal contributions from each Greater Manchester Local Authority together with Greater Manchester Transformation Funding. Tameside Council is the accountable body for the Partnership.

#### North West Association of Directors of Adult Social Services

North West ADASS incorporates the regions of Cheshire, Cumbria, Lancashire, Merseyside and Greater Manchester. The region encompasses tremendous diversity and relative poor health. The component 23 local authorities are at the forefront of innovation through devolution programmes and participation in a range of integration programmes via Sector Led Improvement priorities. Tameside Council is the accountable body for NW ADASS with each component local authority contributing an equal annual funding contribution to the financing of the association infrastructure and agreed work programme priorities. In addition the association receives various non-recurrent grant funding allocations to support the delivery of specified programmes.

#### Greater Manchester Ecology Unit (GMEU)

The Greater Manchester Ecology Unit (GMEU) provides specialist advice to, and on behalf of, the ten district councils that make up Greater Manchester on biodiversity, nature conservation and wildlife issues. Although hosted by Tameside MBC, GMEU works across the whole of Greater Manchester.

The Ecology Unit prepares and helps to implement the Greater Manchester Biodiversity Action Plan. It comments on the ecological impact of development proposals on behalf of planning departments, and provides advice on safeguarding wildlife on development sites.

### **47. Building Control**

The Council sets charges for work carried out in relation to building regulations with the aim of covering all costs incurred. The Council aims to ensure that, taking one financial year with the next, Building Control fees are set to cover costs without generating a material surplus or loss.

However, certain activities performed by the Building Control Unit cannot be charged for, such as providing general advice and liaising with other statutory authorities, including pre-application advice of up to one hour duration. The total net cost of operating the Building Control Unit was £0.126m in 2018/19, which was made up of a deficit on chargeable activities of £0.089m and a deficit on non-chargeable activities of £0.037m.

	2018/19		
	Chargeable	Non-Chargeable	Total
	£000	£000	£000
<b>Expenditure:</b>			
Employee Expenses	126	54	180
Premises	11	5	16
Transport	0	0	0
Supplies and Services	8	3	11
Central and Support Service Charges	27	11	38
	<b>172</b>	<b>73</b>	<b>245</b>
<b>Income:</b>			
Building Regulation Charges	(83)	(36)	(119)
Miscellaneous Income	0	0	0
	<b>(83)</b>	<b>(36)</b>	<b>(119)</b>
<b>(Surplus)/Deficit for year</b>	<b>89</b>	<b>37</b>	<b>126</b>

#### 48. Integrated Commissioning Fund (ICF)

Tameside Council and Tameside & Glossop Clinical Commissioning Group (CCG) are partners in the provision of services to support health and social care integration within the locality. The table summarises the ICF in its totality (of which the Section 75 forms part). The Better Care Fund is included with the Section 75 element of the ICF.

From 1 April 2018 the ICF includes the total revenue budget allocations of both the Council and the CCG. The single fund is monitored and reported to members of the Strategic Commissioning Board and Executive Cabinet on a monthly basis.

The component sections of the ICF are;

##### Section 75 Services

This relates to the legislation that allows the establishment of pooled funds between NHS bodies and local authorities at a local level.

##### Aligned Services

Funding contributions for services that cannot be delegated for formal joint provision.

##### In Collaboration Services

Services which cannot be included within Section 75 arrangements without a change in the legislation.

The Integrated Commissioning Fund supports the Tameside and Glossop Locality Plan which has the following key objectives:

- to improve health and wellbeing of residents with a focus on prevention and public health, and providing care closer to home;
- to make urgent progress on addressing health inequalities;
- to promote integration of health and social care as a key component of public sector reform;
- to contribute to growth, in particular through employment support and early years services

- to build partnerships between health, social care, and knowledge sectors for the benefit of the population.

In March 2017, the Executive Cabinet and CCG Governing Body agreed a two year risk share arrangement for the period 2017/18 and 2018/19, with any amounts being repayable over the following two years 2019/20 and 2020/21. This effectively meant the risk share arrangement was locked into a four year period regardless of whether the risk share arrangement had been fully utilised.

Under the risk share arrangements, each organisation shares financial risk in proportion to the respective net budget contributions they make into the Integrated Commissioning Fund (ICF), excluding any CCG expenditure associated with the residents of Glossop as the Council has no legal powers to contribute to such expenditure.

The risk share arrangement is in two parts. Part A comprises an additional contribution of up to £5 million per annum in 2017/18 and 2018/19 from the Council to the ICF which would create an obligation on the CCG to increase its contribution to the ICF in 2019/20 and 2020/21 to the same values respectively.

Part B of the risk share is applied after Part A and is based on the proportion of each Organisation's contribution to the ICF up to a capped threshold.

- a cap of £2.0 million is placed on CCG related risks that the Council will contribute
- a cap of £0.5 million is placed on Council related risks that the CCG will contribute

In 2017/18 the proportion of contribution to the ICF was based on an 80:20 split. However, for 2018/19 the proportion of contribution was revisited to reflect the net budget values of the ICF which was 68% for T&G CCG and 32% for the Council. For clarity, the risk sharing arrangement applies to the Section 75 pooled fund, the aligned fund and the in collaboration budget of the ICF, i.e. the whole ICF.

In 2017/18, under Part A of the agreement the Council increased its contribution to the ICF by £4.2m and under Part B the CCG made a contribution to the ICF of £0.5m in line with the capped threshold. In 2018/19 there are no transactions required under Part A or Part B of the risk share and the liability from Part A in 2017/18 will be discharged in 2019/20 by the CCG to the ICF.

Funding provided to the pooled budget:	2018/19 £000		
	Council	Tameside & Glossop CCG	Total
Section 75	56,859	257,539	314,398
Wider Aligned Budget	86,813	111,906	198,719
In Collaboration Services	42,842	33,041	75,883
<b>Total</b>	<b>186,514</b>	<b>402,486</b>	<b>589,000</b>

	2018/19 £000		
Expenditure met from the pooled budget:	Council	Tameside & Glossop CCG	Total
Section 75	56,443	259,269	<b>315,711</b>
Wider Aligned Budget	88,945	110,693	<b>199,638</b>
In Collaboration Services	41,098	32,524	<b>73,622</b>
<b>Total</b>	<b>186,486</b>	<b>402,486</b>	<b>588,972</b>



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# Supplementary Financial Statements

This section contains the accounts of the Collection Fund and of the Greater Manchester Metropolitan Debt Administration Fund (GMMDAF).

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# Collection Fund

Section 89 of the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992) for billing authorities to establish and maintain a separate Collection Fund account that holds details of transactions relating to Council Tax, Non-Domestic Rates and Precept Demands (and any Residual Community Charge adjustments), together with details of how any balances have been distributed.

## Income and Expenditure Account for the year ended 31 March 2019

This account reflects statutory requirements for billing authorities to maintain a separate Collection Fund to account for the income from Council Tax and NDR.

	31 March 2019			31 March 2018		
	Council Tax £000	NDR £000	Total £000	Council Tax £000	NDR £000	Total £000
<b>Income</b>						
Income from Council Tax	(104,529)		(104,529)	(97,866)		(97,866)
Income from NDR		(56,569)	(56,569)	0	(55,999)	(55,999)
<b>Total Income</b>	<b>(104,529)</b>	<b>(56,569)</b>	<b>(161,098)</b>	<b>(97,866)</b>	<b>(55,999)</b>	<b>(153,864)</b>
<b>Expenditure</b>						
<u>Council Tax</u>						
The Council	86,068		86,068	80,491		80,491
GMCA Mayoral Police and Crime Commissioner	10,617		10,617	9,703		9,703
GMCA Mayoral General Precept (inc. Fire)	4,139		4,139	3,584		3,584
<u>NDR</u>			0			0
The Council		52,025	52,025		49,702	49,702
Central Government		0	0		0	0
GM Fire and Rescue Authority		526	526		502	502
Allowance for cost of collection		291	291		291	291
Transitional Protection Payments		1,709	1,709		3,184	3,184
Increase/(decrease) in:			0			0
Allowance for non-collection	4	1,584	1,588	(3,002)	(12)	(3,014)
Provision for appeals		2,001	2,001		(712)	(712)
<u>Surplus/deficit (allocated)/paid out in year:</u>			0			0
The Council	1,500	2,368	3,868	3,000	(1,741)	1,259
Central Government		(3,330)	(3,330)		(1,777)	(1,777)
GMCA Mayoral Police and Crime Commissioner	181	0	181	368	0	368
GMCA Mayoral General Precept (inc. Fire)	67	(10)	57	138	(36)	102
<b>Total Expenditure</b>	<b>102,576</b>	<b>57,164</b>	<b>159,740</b>	<b>94,282</b>	<b>49,402</b>	<b>143,684</b>
<b>(Surplus)/deficit for the year</b>	<b>(1,953)</b>	<b>594</b>	<b>(1,359)</b>	<b>(3,583)</b>	<b>(6,597)</b>	<b>(10,180)</b>
Balance brought forward	(15,050)	63	(14,987)	(11,467)	6,660	(4,807)
(Surplus)/deficit for the year	(1,953)	594	(1,359)	(3,583)	(6,597)	(10,180)
<b>Balance carried forward</b>	<b>(17,003)</b>	<b>657</b>	<b>(16,346)</b>	<b>(15,050)</b>	<b>63</b>	<b>(14,987)</b>
<u>Share of (surplus)/deficit</u>						
The Council	(14,472)	651	(13,822)	(12,856)	(1,491)	(14,347)
Central Government	0	0	0	0	1,553	1,553
GMCA Mayoral Police and Crime Commissioner	(1,821)	0	(1,821)	(1,582)	0	(1,582)
GMCA Mayoral General Precept (inc. Fire)	(709)	7	(703)	(613)	1	(612)
	<b>(17,003)</b>	<b>657</b>	<b>(16,346)</b>	<b>(15,050)</b>	<b>63</b>	<b>(14,987)</b>

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## Notes to the Collection Fund

Section 89 of the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992) for billing authorities to establish and maintain a separate Collection Fund account that holds details of transactions relating to Council Tax, Non-Domestic Rates and Precept Demands (and any Residual Community Charge adjustments), together with details of how any balances have been distributed.

### 1. Overview

The Collection Fund is a statement that reflects the statutory obligation of Tameside as the billing authority to maintain a separate Collection Fund. The Collection Fund statement shows the Council's transactions in relation to the collection from taxpayers of Council Tax and Non-Domestic Rates (NDR) and its distribution to the relevant preceptors and Central Government.

The Council has a statutory obligation under section 89 of the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992) to maintain a separate Collection Fund. The purpose of the Collection Fund is to isolate the income and expenditure relating to Council Tax and NDR. The administrative costs associated with the collection process are charged to General Fund Balances.

'The Code' stipulates that a Collection Fund Income and Expenditure account is included in the Council's Statement of Accounts. The Collection Fund Balance Sheet meanwhile is incorporated into the Council's Balance Sheet.

### 2. Council Tax

All domestic properties are placed in one of eight valuation bands. Each year the Council must estimate the number of properties in each band and after allowing for discounts, exemptions and losses on collection, the net number of properties is then converted into a Band D equivalent in order to calculate the Council Tax base for tax setting purposes. The income which the Council requires to be raised is then divided by the Council Tax Base to give the Band D equivalent Council Tax for the year.

The Council Tax level for each of the bands is assessed as a proportion of the tax rate for a Band D property.

#### Council Tax Base for 2018/19

The Council Tax base for 2018/19 was set in January 2018. A copy of the Key Decision can be found on the Council's website at:

<https://tamesideintranet.moderngov.co.uk/documents/s27478/Key%20Decision%20Notice%20and%20Report%20-%20Council%20Tax%20Base%202018-19.pdf>

Table showing the tax base for the whole Council and Council Tax for properties outside the Mossley Parish Council boundary:

Tameside 2018/19 Tax Base (Excluding Mossley Parish)								
	Total Number of Dwellings	Equivalent Number of Dwellings after Discounts applied	Specified ratio for Council Tax	Number of Band D Equivalent Dwellings	Tameside MBC Precept 2018/19 (Excluding Mossley)	Mayoral Police & Crime Commissioner Precept	Mayoral General Precept	2018/19 Council Tax (Excluding Mossley Parish)
Disabled Relief		58	5/9	32				
Band A	52,417	35,133	6/9	23,422	£941.96	£116.20	£45.30	£1,103.46
Band B	18,746	15,644	7/9	12,168	£1,098.96	£135.57	£52.85	£1,287.38
Band C	19,174	16,959	8/9	15,074	£1,255.95	£154.93	£60.40	£1,471.28
Band D	6,672	6,263	9/9	6,263	£1,412.94	£174.30	£67.95	£1,655.19
Band E	3,645	3,481	11/9	4,254	£1,726.92	£213.03	£83.05	£2,023.00
Band F	904	843	13/9	1,217	£2,040.91	£251.77	£98.15	£2,390.83
Band G	413	393	15/9	655	£2,354.90	£290.50	£113.25	£2,758.65
Band H	43	19	18/9	37	£2,825.88	£348.60	£135.90	£3,310.38
<b>Total</b>	<b>102,014</b>	<b>78,792</b>		<b>63,123</b>				
Less Allowance for Losses on Collection				(2,209.4)				
MOD Properties				0				
<b>Total Tameside Tax Base 2018/19</b>				<b>60,914.0</b>				

Table showing the tax base and Council Tax for properties within the Mossley Parish Council:

Tameside 2018/19 Tax Base (Mossley Parish)									
	Total Number of Dwellings	Equivalent Number of Dwellings after Discounts applied	Specified ratio for Council Tax	Number of Band D Equivalent Dwellings	Tameside MBC Precept 2018/19 (Excluding Mossley)	Mossley Precept 2018/19	Mayoral Police & Crime Commissioner Precept	Mayoral General Precept	2018/19 Council Tax (Including Mossley Parish)
Disabled Relief	0	2	5/9	1					
Band A	2,817	2,044	6/9	1,363	£941.96	£6.24	£116.20	£45.30	£1,109.70
Band B	885	773	7/9	602	£1,098.96	£7.28	£135.57	£52.85	£1,294.66
Band C	1,004	893	8/9	794	£1,255.95	£8.32	£154.93	£60.40	£1,479.60
Band D	390	367	9/9	367	£1,412.94	£9.36	£174.30	£67.95	£1,664.55
Band E	179	173	11/9	212	£1,726.92	£11.44	£213.03	£83.05	£2,034.44
Band F	49	47	13/9	68	£2,040.91	£13.52	£251.77	£98.15	£2,404.35
Band G	14	15	15/9	25	£2,354.90	£15.60	£290.50	£113.25	£2,774.25
Band H	1	0	18/9	0	£2,825.88	£18.72	£348.60	£135.90	£3,329.10
<b>Total</b>	<b>5,339</b>	<b>4,315</b>		<b>3,431</b>					
Less Allowance for Losses on Collection				(120.6)					
MOD Properties				0					
<b>Total Mossley Parish Tax Base 2018/19</b>				<b>3,310.0</b>					

### 3. Non-Domestic Rates (NDR)

The Council collects NDR for its area based on local rateable values provided by the Valuation Office Agency (VOA) multiplied by a uniform Business Rate set nationally by Central Government.

For 2018/19, the total Non-Domestic Rateable value at 31 March 2019 is £147.6m (£147.5m in 2017/18). The national multipliers for 2018/19 were 48p for qualifying small businesses, and the standard multiplier being 49.3p for all other businesses (46.6p and 47.9p respectively in 2017/18).

Local authorities retain a proportion of the total collectable rates due. Prior to 2017/18, the local share for Tameside was 49%, with the remainder distributed to the Greater Manchester Fire and Rescue Authority (GMFRA) (1%) and Central Government (50%). Since 2017/18 Tameside has been part of the 100% retention pilot for Greater Manchester. This pilot, which currently runs until the end of 2019/20, means that Tameside retains 99% of total collectable rates, with 1% distributed to the GMFRA. The NDR shares paid in 2018/19, (excluding previous years distribution) were

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£52.025m to the Council and £0.526m to GMFRA. (2017/18 shares paid were £0.502m to GMFRA and £49.702m to the Council).

### **Greater Manchester 100% Business Rates Retention Pilot**

Greater Manchester is one of the regions piloting the full retention of Business Rates from 1 April 2017. The purpose of this Pilot is to develop and trial approaches to manage risk and reward, and to finance from additional Business Rates income new responsibilities and/or existing funding streams including those that support economic growth.

Being part of the Greater Manchester Pilot provides the Council and the Greater Manchester region with potential financial benefits with the guarantee that Authorities will not be worse off as a result of the Pilot. The 'No Detriment' agreement will guarantee that the resources available to the Council under the 100% Pilot will be the same as the 50% retention scheme that exists for non-pilot authorities.

As a result of the Pilot, the Council has not received Revenue Support Grant or Public Health Grant from Government since 2017/18. Instead the Council retains 99% of its Non Domestic (Business) Rates income with 1% distributed to GMFRA. The current pilot arrangements run until the end of 2019/20.

# **Greater Manchester Metropolitan Debt Administration Fund (GMMDAF)**

The Council is the lead council responsible for the administration of the debt of the former Greater Manchester County Council, on behalf of all ten Greater Manchester Metropolitan Authorities. All expenditure of the fund is shared by the authorities on a population basis.

## Income and Expenditure Account for the year ended 31 March 2019

	2018/19 £000	2017/18 £000
<b>Income</b>		
Interest recharged to responsible authorities	(4,002)	(4,433)
Gains/Losses on repurchase of debt	0	0
<b>Total Income</b>	<b>(4,002)</b>	<b>(4,433)</b>
<b>Expenditure</b>		
Interest on loans: Public Works Loan Board	3,747	4,222
Interest on loans: Pre 1974 Transferred Debt	6	10
Interest on loans: Temporary Borrowing	135	102
	3,887	4,334
Charge for future Premiums	54	54
Debt management expenses	61	45
<b>Total Expenditure</b>	<b>4,002</b>	<b>4,433</b>
<b>(Surplus)/Deficit for year</b>	<b>0</b>	<b>0</b>

## The Balance Sheet as at 31 March 2019

	2018/19 £000	2017/18 £000
<b>Debt Outstanding</b>	<b>76,543</b>	<b>76,543</b>
<b>Long Term Liabilities</b>		
External Loans: Public Works Loan Board	38,963	48,963
External Loans: Pre 1974 Transferred	129	161
	39,092	49,124
<b>Current Liabilities</b>		
Creditors: Temporary Loans	9,026	26,771
Charge for future premiums	647	647
	9,674	27,418
<b>Current Assets</b>		
Debtors	0	0
	0	0
Net Current Liabilities	9,674	27,418
	<b>48,765</b>	<b>76,543</b>



**1. Analysis by Responsible Authority**

	<b>2018/19 £000</b>	<b>2017/18 £000</b>
Police and Crime Commissioner of GM	4,095	5,327
GM Fire and Rescue Service	2,004	2,607
GM Integrated Passenger Authority	9,952	12,945
Bolton MBC	3,947	5,134
Bury MBC	2,708	3,522
City of Manchester	7,516	9,777
Oldham MBC	7,955	10,348
Rochdale MBC	3,173	4,127
City of Salford	3,964	5,156
Stockport MBC	4,367	5,680
Tameside MBC	3,313	4,309
Trafford MBC	475	617
Wigan MBC	5,377	6,994
	<b>58,844</b>	<b>76,543</b>

The outstanding debt of £58.844m at 31 March 2019 includes former Manchester Airport debt of £5.145m and former Greater Manchester Probation Service debt of £0.497m.

Debt for Manchester Airport and Greater Manchester Probation Service is allocated over the 10 Greater Manchester Metropolitan Districts on a population basis.

Manchester Airport re-negotiated the terms of its loan arrangement with the 10 Greater Manchester Councils during 2009/10, as a result of this agreement the 10 Councils have taken responsibility to service the former Manchester Airport debt, previously the debt was serviced by the airport itself.

**2. Analysis by Type of Loan**

	<b>2018/19 £000</b>	<b>Year on Year Change £000</b>	<b>2017/18 £000</b>	<b>Year on Year Change £000</b>
Public Works Loan Board	38,963	(10,000)	48,963	(16,000)
Debt administered by other authorities	129	0	161	(30)
Debt falling out in next 12 months	16,539	(1,159)	17,697	14,234
Temporary Loan	9,074	0	9,074	(15,283)
Revenue and other balances temporarily used for capital purposes	647	0	647	54
	<b>65,351</b>	<b>(11,159)</b>	<b>76,543</b>	<b>(17,025)</b>

**3. Financial Instrument Balances**

Under accounting requirements the financial instrument value shown in the Balance Sheet include the principal amount borrowed plus accrued interest.

	31 March 2019		31 March 2018	
	Long Term £000	Current £000	Long Term £000	Current £000
Financial Liabilities Principal Amount	39,092	10,129	49,124	25,074
Adjustment for Amortised Cost	0	6,533	0	1,705
<b>Financial Liabilities at Amortised Cost</b>	<b>39,092</b>	<b>16,661</b>	<b>49,124</b>	<b>26,779</b>
<b>Total Borrowings</b>	<b>39,092</b>	<b>16,661</b>	<b>49,124</b>	<b>26,779</b>

#### 4. Financial Instruments Gains / Losses

The gains and losses recognised in the Income and Expenditure Account in relation to Financial Instruments are made up as follows:

	31 March 2019	31 March 2018
	Financial Liabilities Measured at Amortised Cost £000	Financial Liabilities Measured at Amortised Cost £000
Interest expense	(3,747)	(4,222)
Losses on derecognition	0	0
<b>Interest payable and similar charges</b>	<b>(3,747)</b>	<b>(4,222)</b>
<b>Net loss for the year</b>	<b>(3,747)</b>	<b>(4,222)</b>

#### 5. Fair Value of Financial Assets and Liabilities Carried at Amortised Cost

Financial liabilities and financial assets represented by loans and receivables are carried on the Balance Sheet at amortised cost. Their fair value (level 2) can be assessed by calculating the present value of the cash-flows that take place over the remaining life of the instruments, using the following assumptions:

- Where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values for financial liabilities have been determined by reference to the Public Works Loan Board (PWL) redemption rules and prevailing PWLB redemption rates at the Balance Sheet date, and include accrued interest.

The fair values are as follows:

## Greater Manchester Metropolitan Debt Administration Fund

	31 March 2019		31 March 2018	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
PWLB Debt	48,963	57,503	64,963	76,778
<b>Total Liabilities</b>	<b>48,963</b>	<b>57,503</b>	<b>64,963</b>	<b>76,778</b>

The fair value is greater than the carrying amount because the portfolio of loans relating to the GMMDAF includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the Balance Sheet date. The difference between the carrying amount and the fair value measures the additional interest that the Fund 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.

The Fund has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets. A supplementary measure of the additional interest that the authority will pay as a result of its PWLB commitments for fixed rate loans is to compare the terms of these loans with the new borrowing rates available from the PWLB. If a value is calculated on this basis, the carrying amount of £55.479m would be valued at £56.317m. But, if the Fund were to seek to avoid the projected loss by repaying the loans to the PWLB, the PWLB would raise a penalty charge for early redemption in addition to charging a premium for the additional interest that will not now be paid. The exit price for the PWLB loans would include the penalty charge of £6.031m, principal of £48.962m and accrued interest of £6.156m, totalling £54.994m

The above represents the fair value of PWLB debt managed by the Council on behalf of the GMMDAF. The fair value of transferred debt relating to GMMDAF will be shown by those authorities that manage this element of the debt.

### 6. Nature and extent of risks arising from Financial Instruments

Please see Note 20 within the Council's Notes to the Financial Statements

# **Glossary of Financial Terms**

### **Accruals Basis**

The accruals principle is that income is recorded when it is earned rather than when it is received, and expenses are recorded when goods or services are received rather than when the payment is made.

### **Actuarial Gains and Losses**

Actuaries assess financial and non-financial information provided by the Council to project levels of future pension fund requirements. Changes in actuarial deficits or surpluses can arise leading to a loss or gain because:

- events have not coincided with the actuarial assumptions made for the last valuation;
- the actuarial assumptions have changed.

### **Agency Services**

These are services that are performed by or for another Authority or public body, where the principal (the Authority responsible for the service) reimburses the agent (the Authority carrying out the work) for the costs of the work.

### **Associate Companies**

This is 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.

### **Association of Greater Manchester Authorities (AGMA)**

AGMA represents the ten local authorities in Greater Manchester and works in partnership with Central Government, regional bodies and other Greater Manchester public sector bodies.

### **Billing Authority**

An authority which collects Council Tax, Business Rates and precepts on behalf of itself and other bodies.

### **Capital Expenditure**

This is expenditure on the acquisition of a fixed asset, or expenditure, which adds to, and not merely maintains, the value of an existing fixed asset.

### **Capital Financing Costs**

This is the annual charge to the revenue account in respect of interest and principal repayments and payments of borrowed money, together with leasing rentals.

### **Capital Finance Requirement (CFR)**

Introduced as a result of the Prudential Framework for Capital Accounting and measures the underlying need of the Council to borrow for expenditure of a capital nature.

### **Capital Receipts**

Income received from the sale of land or other capital assets, a proportion of which may be used to finance new capital expenditure.

### **Carrying Amount**

The Balance Sheet value recorded of either an asset or liability.

### **Cash and Cash Equivalents**

Cash is represented by cash in hand and deposits with financial institutions payable without penalty on notice of not more than 24 hours. Cash equivalents are investments which are readily convertible to known amounts of cash with insignificant risk of change in value.

### **Chartered Institute of Public Finance and Accountancy (CIPFA)**

CIPFA is the leading professional accountancy body for public services.

### **Collection Fund**

A fund administered by the Council that shows the transactions of the billing authority, in relation to the collection from taxpayers of Council Tax and NDR and how the income from these sources has been distributed to precepting authorities, Central Government and the Council's General Fund Balances. The Collection Fund is maintained separately, as a statutory requirement.

### **Community Assets**

Non-current assets that an authority intends to hold in perpetuity which have no determinable finite useful life and, in addition, may have restrictions on their disposal. Examples include parks and historical buildings not used for operational purposes.

### **Contingent Liabilities or Assets**

These are amounts potentially due to or from individuals or organisations, which may arise in the future but which at this time cannot be determined accurately, and for which provision has not been made in the Council's accounts.

### **Corporate and Democratic Core**

Corporate and Democratic Core comprises all activities which local authorities engage in specifically because they are elected, multi-purpose authorities.

### **Corporate Governance**

Corporate governance is the Council's accountability for the stewardship of resources, risk management and relationship with the community. It encompasses policies on whistle blowing, fraud and corruption.

### **Council Tax**

This is the main source of local taxation to Local Authorities. Council Tax is levied on households within its area by the Billing Authority and the proceeds are paid into its Collection Fund for distribution to precepting Authorities and for use by its own General Fund Balances.

### **Council Tax Requirement**

This is the estimated revenue expenditure on General Fund services that needs to be financed from the Council Tax after deducting income from fees and charges, certain specific grants and any funding from reserves.

### **Creditors**

Amounts owed by the Council for work done, goods received or services rendered, for which payment has not been made at the date of the Balance Sheet.

### **Current Service Cost**

Current Service Cost is the increase in the present value of a defined benefit pension scheme's liabilities expected to arise from employee service in the current period, i.e. the ultimate pension benefits "earned" by employees in the current year's employment.

### **Debtors**

These are sums of money due to the Council that have not been received at the Balance Sheet date.

### **Deferred Capital Receipts**

These represent capital income still to be received after disposals have taken place and wholly consists of principal outstanding from the sale of council houses.

### **Defined Benefit Scheme**

This is 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).

**Defined Contribution Scheme**

A Defined Contribution Scheme is a pension or other retirement benefit scheme into which an employer pays regular contributions as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

**Department for Communities and Local Government (DCLG)**

A Department of Central Government with an overriding responsibility for determining the allocation of general resources to Local Authorities.

**Derecognition**

This is when financial assets and liabilities are removed from the Balance Sheet once performance under the contract is complete or the contract is terminated.

**Depreciation**

This is the measure of the wearing out, consumption, or other reduction in the useful economic life of a fixed asset.

**Discounts**

Discounts represent the outstanding discount received on the premature repayment of Public Works Loan Board loans. In line with the requirements of 'the Code', gains arising from the repurchase or early settlement of borrowing have been written back to revenue. However, where the repurchase or borrowing was coupled with a refinancing or restructuring of borrowing with substantially the same overall economic effect when viewed as a whole, gains have been recognised over the life of the replacement loan.

**Earmarked Reserves**

The Council holds a number of reserves earmarked to be used to meet specific, known or predicted future expenditure.

**Exceptional Items**

Material items deriving from events or transactions that fall within the ordinary activities of the Council, but which need to be separately disclosed by virtue of their size and/or incidence to give a fair presentation of the accounts.

**External Audit**

The independent examination of the activities and accounts of Local Authorities to ensure the accounts have been prepared in accordance with legislative requirements and proper practices and to ensure the Council has made proper arrangements to secure value for money in its use of resources.

**Expenditure**

This is amounts paid by the Council for goods received or services rendered of either a capital or revenue nature. This does not necessarily involve a cash payment since expenditure is deemed to have been incurred once the goods or services have been received even if they have not been paid for.

**Fair Value**

Fair value is the price at which an asset could be exchanged in an arm's length transaction, less any grants receivable towards the purchase or use of the asset.

**Finance Lease**

A finance lease is a lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee.

### **Financial Instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term 'financial instrument' covers both financial assets and financial liabilities and includes both the most straightforward financial assets and liabilities such as trade receivables and trade payables and the most complex ones such as derivatives and embedded derivatives.

### **General Fund Balances**

The main revenue fund of the Council and includes the net cost of all services financed by local taxpayers and Government grants.

### **Greater Manchester Waste Disposal Authority (GMWDA)**

This is a levying Authority that provides a waste disposal strategy, policy and services to nine of the AGMA Councils.

### **Heritage Asset**

A tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

### **Housing Benefit**

This is an allowance to persons on low income (or none) to meet, in whole or part, their rent. Benefit is allowed or paid by Local Authorities but Central Government refunds part of the cost of the benefits and of the running costs of the services to Local Authorities.

### **Impairment**

A reduction in the value of a non-current asset below its value brought forward in the Balance Sheet. Examples of factors which may cause such a reduction in value include general price decreases, a significant decline in a non-current asset's market value and evidence of obsolescence or physical damage to the asset.

### **Income**

These are amounts due to the Council 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 been received (in which case the recipient is a debtor to the Council).

### **Infrastructure Assets**

Those non-current assets from which benefit can be obtained only by continued use of the asset created e.g. highways, footpaths and bridges.

### **Intangible Assets**

These are non-current assets that do not have physical substance but are identifiable and controlled by the Council. Examples include software, licenses and patents.

### **International Financial Reporting Standards (IFRS)**

Defined Accounting Standards that must be applied by all reporting entities to all financial statements in order to provide a true and fair view of the entity's financial position, and a standardised method of comparison with financial statements of the other entities.

### **Inventories**

Amounts of unused or unconsumed stocks held in expectation of future use.

### **Leasing Costs**

This is where a rental is paid for the use of an asset for a specified period of time. Two forms of lease exist: finance leases and operating leases.



### **Liabilities**

These are amounts due to individuals or organisations which will have to be paid at some time in the future. Current liabilities are usually payable within one year of the Balance Sheet date.

### **Liquid Resources**

Current asset investments that are readily disposable by the Council without disrupting its business and are either readily convertible to known amounts of cash at or close to the amount they are held at on the Balance Sheet, or traded in an active market.

### **Materiality**

The concept that any omission from or inaccuracy of the Statement of Accounts should not be large enough to affect the understanding of those statements by the reader. Materiality must be considered for individual amounts and also all amounts together.

### **Medium Term Financial Plan (MTFP)**

This is a financial planning document that sets out the future years financial forecasts for the Council. It considers local and national policy influences and projects their impact on the general fund revenue budget and capital programme.

### **Minimum Revenue Provision (MRP)**

MRP is the minimum amount which must be charged to a Council's revenue account each year and set aside as provision for credit liabilities, as required by the Local Government and Housing Act 1989.

### **Non-Domestic rates (NDR) (also known as Business Rates)**

Business Rates is the levy on business property, based on a national rate in the pound applied to the 'rateable value' of the property. The Government determines a national rate poundage each year which is applicable to all local authorities.

### **Net Book Value (NBV)**

The amount at which non-current assets are included in the Balance Sheet, i.e. their historical cost or current value less the cumulative amounts provided for by depreciation.

### **Non-current Asset**

Assets that yield benefits to the Council and the services it provides for a period of more than one year.

### **Non Distributed Costs**

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

### **Net Realisable Value (NRV)**

NRV is the open market value of the asset in its existing use (or open market value in the case of non-operational assets) less the expenses to be incurred in realising the asset.

### **Operating Lease**

This is a type of lease, usually of computer equipment, office equipment, furniture, etc. where the balance of risks and rewards of holding the asset remains with the lessor. The asset remains the property of the lessor and the lease costs are revenue expenditure to the Council.

### **Precept**

The amount levied by one authority which is collected on its behalf by another (the billing authority).

### **Premiums**

These are discounts that have arisen following the early redemption of long term debt, which are written down over the lifetime of replacement loans where applicable.

**Prior Period Adjustments**

These are material adjustments which are applicable to an earlier period arising from changes in accounting policies or for the correction of fundamental errors.

**Private Finance Initiative (PFI)**

A Central Government initiative which aims to increase the level of funding available for public services by attracting private sources of finance. The PFI is supported by a number of incentives to encourage authorities' participation.

**Provisions**

Amounts 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 are uncertain.

**Public Works and Loans Board (PWLB)**

An arm of Central Government which is the major provider of loans to finance long term funding requirements of Local Authorities.

**Related Parties**

Related parties are Central Government, other Local Authorities, precepting and levying bodies, subsidiary and associated companies, Elected Members, all Senior Officers from Assistant Director and above and the Pension Fund.

**Reserves**

Amounts set aside for general contingencies, to provide working balances or earmarked to specific future expenditure.

**Revenue Expenditure**

Expenditure incurred on the day-to-day running of the Council. This mainly includes employee costs, general running expenses and capital financing costs.

**Revenue Expenditure Funded from Capital under Statute (REFCUS)**

Expenditure incurred during the year that may be capitalised under statutory provision but that does not result in the creation of a non-current asset that has been charged as expenditure to the CIES.

**Treasury Management**

This is the process by which the Council controls its cash flow and its borrowing and lending activities.

**Treasury Management Strategy**

A Strategy prepared with regard to legislative and CIPFA requirements setting out the framework for treasury management activity for the Council.

**Unsupported (Prudential) Borrowing**

This is borrowing for which no financial support is provided by Central Government. The borrowing costs are to be met from current revenue budgets.

**Useful Economic Life**

The period over which the Council will derive benefits from the use of an asset.

# **Greater Manchester Pension Fund Statement of Accounts 2018/19**

**\*\*\*\*\* DRAFT UNAUDITED \*\*\*\*\***

**Greater Manchester Pension Fund Statement of Accounts 2018/19**

**Fund Account for the Year Ended 31 March 2019**

<b>31 March 2018 £000</b>		<b>Note</b>	<b>31 March 2019 £000</b>
	<b><u>Contributions and benefits</u></b>		
(140,493)	Contributions from employees	5	(145,922)
(599,601)	Contributions from employers	5	(447,440)
(740,094)			(593,362)
(392,049)	Transfers in (bulk)		(313,591)
(23,882)	Transfers in (individual)		(24,031)
(1,156,025)			(930,984)
748,081	Benefits payable	6	803,614
49,369	Payments to and on account of leavers	7	42,967
32,191	Management expenses	8	32,505
829,641			879,086
	<b><u>Returns on investments</u></b>		
(412,092)	Investment income	9	(436,702)
(494,206)	Reduction/(increase) in fair value of investments	11	(868,166)
3,964	Taxation	10	5,192
3,233	(Profit)/loss on foreign currency		4,496
<b>(899,101)</b>	<b>Net (profit)/loss on investments</b>		<b>(1,295,180)</b>
<b>(1,225,485)</b>	Net increase in the Fund during the year		(1,347,078)
<b>(21,271,060)</b>	Net assets of the Fund at start of year		(22,496,545)
<b>(22,496,545)</b>	<b>Net assets of the Fund at end of year</b>		<b>(23,843,623)</b>

## Net Assets Statement at 31 March 2019

31 March 2018 £000		Note	31 March 2019 £000
3,478,118	UK equities		3,611,360
3,273,124	Overseas equities		3,577,832
1,325,276	Bonds	11	1,003,365
157,505	UK index linked government bonds		0
335,354	Overseas index linked government bonds		369,914
755,145	Investment property	11	881,991
7,137	Derivative contracts	11	0
12,491,416	Pooled investment vehicles	11	13,453,499
587,141	Cash and deposits	11	755,437
107,512	Other investment assets	11	212,544
<b>22,517,728</b>	<b>Investment assets</b>		<b>23,865,942</b>
(793)	Derivative contract liabilities	11	0
(42,462)	Other investment liabilities	11	(73,279)
<b>(43,255)</b>	<b>Investment liabilities</b>		<b>(73,279)</b>
45,689	Current assets	11	73,556
(23,617)	Current liabilities	11	(22,596)
<b>22,072</b>	<b>Net current assets</b>		<b>50,960</b>
<b>22,496,545</b>	<b>Net assets of Fund</b>		<b>23,843,623</b>

**Notes to Greater Manchester Pension Fund**

**1a. Notes to the Accounts**

From 1 April 2010 GMPF was required to prepare its financial statements under International Financial Reporting Standards (IFRS). The financial statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 based on IFRS, published by the Chartered Institute of Public Finance and Accountancy (CIPFA). This requires that GMPF accounts should be prepared in accordance with International Accounting Standard (IAS) 26, except where interpretations or adaptations to fit the public sector are detailed in the Code. The financial statements summarise the transactions of GMPF and deal with net assets at the disposal of the Management Panel. They do not take account of obligations to pay pensions and benefits which fall due after the end of the GMPF financial year. Under IFRS, GMPF is required to disclose the actuarial present value of promised retirement benefits. This is disclosed as a separate note (Note 25). The full actuarial position of GMPF which does take account of pension and benefit obligations falling due after the year end is outlined in Note 22. These financial statements should be read in conjunction with that information.

**1b. The Management and Membership of the Greater Manchester Pension Fund**

Tameside MBC is the statutory Administering Authority for the Greater Manchester Pension Fund (GMPF). The administration and investment performance of GMPF is considered and reviewed every quarter by the Management Panel, which consists of 20 elected Members (11 from Tameside MBC, being the Administering Authority, and nine from other Greater Manchester local authorities) and a representative from the Ministry of Justice.

The Management Panel is advised in all areas by the Advisory Panel. Each of the ten Greater Manchester local authorities and the Ministry of Justice are represented on the Advisory Panel and there are six employee representatives nominated by the North West TUC. There are also four External Advisors who assist the Advisory Panel, in particular regarding investment related issues.

As a result of the Public Service Pensions Act 2013 and subsequent Local Government Pension Scheme Regulations, each public sector pension fund has been required to establish a Local Pension Board from 1 April 2015.

The GMPF Local Pensions Board is not a decision making body. However, it is required to assist the Administering Authority in complying with regulations and ensuring that appropriate governance is in place.

GMPF also currently has four Working Groups, which consider particular areas of its activities and make recommendations to the Management Panel. Governance arrangements for GMPF are currently under review. The Working Groups in operation in 2018/19 covered:

- Investment Monitoring, Alternative Investments and Environment, Social and Governance
- Pensions Administration, Employer Funding and Viability
- Property
- Policy and Development

There are three Officers to GMPF:

- Director of Governance & Pensions – administrator of GMPF and link for Panel Members, advisors and investment managers between meetings
- Chief Executive and Director of Governance & Pensions (Solicitor and statutory monitoring officer) – jointly responsible for the provision of legal and secretarial services to the Management and Advisory Panels

- Director of Finance – responsible for preparation of Administering Authority’s accounts, which includes GMPF’s Statement of Accounts

GMPF’s investment strategy is implemented by management arrangements, which include:

- two external investment managers that manage multi asset briefs
- one external manager with a global equity brief
- one external manager with a global credit brief
- two external managers with a direct and indirect UK property brief
- Internal management of cash, private equity, infrastructure, generalist pooled property funds, local and other unquoted investments

GMPF subscribes to an industry performance measurement service run by Portfolio Evaluation Ltd in order to analyse/benchmark GMPF’s performance relative to market returns and relevant industry comparators. In addition to this, GMPF also subscribes to the Local Authority Pension Performance Analytics Service supplied by Pensions Investment Research Consultants Ltd (PIRC) to enable assessment of its performance relative to all other funds that operate under the same regulations.

GMPF is a pension fund which administers the statutory Local Government Pension Scheme (LGPS), set up to provide death and retirement benefits for local government employees other than teachers, fire fighters and police officers for whom separate arrangements exist. In addition, other qualifying bodies, which provide similar services to that of local authorities, have been admitted to GMPF.

GMPF operates a career average scheme whereby as each year goes by members build up a set portion of pay as a pension. It is funded by contributions from employees, which are set out in regulations, and variable contributions from employers, which take account of the relationship of assets held to liabilities accrued (see Actuarial Review of GMPF – Note 22). The benefits of the Scheme are prescribed nationally by Regulations made under the Public Service Pension Schemes Act 2013.

The membership of GMPF as at 31 March 2019 and the preceding year is shown below:

<b>31 March 2018</b>		<b>31 March 2019</b>
110,050	Contributors	111,520
125,604	Pensioners	128,704
133,268	Deferred Members *	135,799
<b>368,922</b>	<b>Total Membership</b>	<b>376,023</b>

\* Includes former contributors who have retained a right to a refund of contributions or a transfer of pension benefits to another scheme.

The contributions received from GMPF employers can be found in Note 20.

Further information is published in the Greater Manchester Pension Fund Annual Report 2018/19 and Funding Strategy Statement (FSS). The FSS is available from [www.gmpf.org.uk](http://www.gmpf.org.uk) and the Annual Report will be published on the website following the July 2019 administering authority Audit Panel.

## 2. Accounting Policies

**Basis of preparation:** The accounts have been prepared on an accruals basis. That is, income and expenditure is recognised as it is earned or incurred including contributions receivable and pension benefits payable. Individual transfer values are recognised on a received or paid basis.

**Financial assets and liabilities:** On initial recognition, GMPF is required to classify financial assets and liabilities into held to maturity investments, available for sale financial assets, held for trading, designated at fair value through the Fund account, or loans and receivables. Financial assets may be designated as at fair value through the Fund account only if such designation (a) eliminates or significantly reduces a measurement or recognition of inconsistency, or (b) applies to a group of financial assets, financial liabilities or both that GMPF manages and evaluates on a fair value basis, or (c) relates to an instrument that contains an embedded derivative which is not evidently closely related to the host contract.

**Contribution income:** Normal contributions, both from the members and from the employer, are accounted for on an accruals basis at the percentage rate recommended by the fund actuary in the payroll period to which they relate. Employer deficit funding contributions are accounted for on the due dates on which they are payable under the schedule of contributions set by the scheme actuary or on receipt if earlier than the due date.

Employers' augmentation contributions and pensions strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long-term financial assets

**Additional Voluntary Contributions (AVC):** GMPF provides an AVC scheme for its contributors, the assets of which are invested separately from GMPF. These AVC sums are not included in GMPF's financial statements because GMPF has no involvement in the management of these assets. Members participating in this arrangement each receive an annual statement confirming the amount held in their account and the movements in the year. Further details are provided in Note 24.

**Additional Voluntary Contributions Income:** Where a member is able and chooses to use their AVC fund to buy scheme benefits, this is treated on a cash basis and is categorised within Transfers In.

**Investment Income:** Interest, property rent and dividends on fixed interest and equity investments and on short-term deposits has been accounted for on an accruals basis.

**Accrued Investment Income:** Accrued investment income has been categorised within investments in accordance with the appropriate Pensions Statement of Recommended Practice (SORP).

**Foreign Income:** Foreign income is translated into sterling at the rate applicable at the date of conversion. Income due at the year-end is translated at the rate applicable at 31 March 2019.

**Foreign Investments:** Foreign investments are translated at the exchange rate applicable at 31 March 2019. Any gains or losses arising on translation of investments into sterling are accounted for as a change in market value of investment.

**Rental income:** Rental income from operating leases on investment properties owned by GMPF is recognised on a straight line basis over the term of the lease. Any lease incentives granted are recognised as an integral part of the total rental income over the term of the lease. Contingent rents are only recognised when contractually due.

**Benefits:** Benefits includes all benefit claims payable by GMPF during the financial year.



**Investment Values:** All financial assets are valued at their fair value as at 31 March 2019 determined as follows:

<b>At 31 March 2019</b>	<b>Valuation basis/technique</b>	<b>Main assumptions</b>
Equities and bonds	Pricing from market data providers based on observable bid price quotations.	Use of pricing source. There are minor variations in the price dependent upon the pricing feed used.
Direct investment property	Independent valuations for freehold and leasehold investment properties at fair value; the main investment property portfolio has been valued by Colliers International Valuation UK LLP, Chartered Surveyors, as at 31 December 2018 subsequently adjusted for transactions undertaken between 1 January 2019 and 31 March 2019. The Greater Manchester Property Venture Fund portfolio has been valued as at 31 March 2019 by Avison Young. In both cases valuations have been in accordance with Royal Institute of Chartered Surveyors (RICS) Red Book which takes into account unobservable pricing inputs such as existing lease terms, independent market research, the nature of tenancies and tenant covenant strength, void levels, estimated rental growth and the discount rate.	Investment properties have been valued on the basis of open market value (the estimated amounts for which a property should exchange between a willing buyer and seller) and market rent (the expected benefits from holding the asset) in accordance with the RICS Appraisal and Valuation Manual. The values are estimates and may not reflect the actual values. Changes in rental growth void levels or the discount rate used will impact on valuations. General changes in property market prices could also affect valuations.
Indirect property (part of Pooled Investment Vehicles)	Independent valuations for freehold and leasehold properties less any debt within the individual property fund plus/minus other net assets.	Freehold and leasehold properties valued on an open market basis. Valuation carried out in accordance with the principles laid down by the RICS Appraisal and Valuation Manual and independent audit review of the net assets within the individual property fund. It is recognised that valuations could be affected by events occurring between the date of financial data provided by fund managers and GMPF's own financial reporting date, and also by post audit changes in the information provided by the fund managers. Changes to expected cash flows can also impact on the accuracy of valuations.

At 31 March 2019	Valuation basis/technique	Main assumptions
Derivatives	<p>Derivative contracts are valued at fair value.</p> <p>Futures contracts' fair value is determined using exchange prices at the reporting date. The fair value is the unrealised profit or loss at the current bid market quoted price. The amounts included in change in market value are the realised gains and losses on closed futures contracts and the unrealised gains and losses on open futures contracts.</p> <p>The fair value of the forward currency contracts is based on market forward exchange rates at the year-end date and determined as the gain or loss that would arise if the outstanding contract was matched at the year end with an equal and opposite contract.</p>	
Private equity, infrastructure and special opportunities portfolios	<p>The funds are valued either in accordance with Accounting Standards Codification 820 or with International Financial Reporting Standards (IFRS). The valuation basis, determined by the relevant Fund Manager, may be any of quoted market prices, broker or dealer quotations, transaction price, third party transaction price, industry multiples and public comparables, transactions in similar instruments, discounted cash flow techniques, third party independent appraisals or pricing models.</p>	<p>In reaching the determination of fair value, the investment managers consider many factors including changes in interest rates and credit spreads, the operating cash flows and financial performance of the investments relative to budgets, trends within sectors and/or regions, underlying business models, expected exit timing and strategy and any specific rights or terms associated with the investment, such as conversion features and liquidation preferences. The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates, and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expense. The estimates and assumptions are reviewed on an on-going basis. It is recognised that valuations could be affected by events occurring between the date of financial data provided by fund managers and GMPF's own financial reporting date, and also by post audit changes in the information provided by the fund managers. Changes to expected cash flows can also impact on the accuracy of valuations.</p>
Cash and other net assets	Value of deposit or value of transaction	Cash and account balances are short-term, highly liquid and subject to minimal changes in value.

**Financial instruments at fair value through the fund account:** Financial assets and liabilities are stated at fair value as per the Net Assets Statement which is prepared in accordance with the Pensions SORP, requiring assets and liabilities to be reported on a fair value basis. Gains and losses on financial instruments that are designated as at fair value through the Fund account are

recognised in the Fund account as they arise. The carrying values are therefore the same as fair values.

**Loans and receivables:** Non-derivative financial assets which have fixed or determinable payments and are not quoted in an active market are classified as loans and receivables.

**Cash and cash equivalents:** Cash comprises of cash in hand and demand deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in values.

**Acquisition costs of investments:** Acquisition costs of non-equity investments are included in the purchase price.

**Management Expenses:** Investment management expenses paid directly by GMPF are included within Management Expenses within the Fund account on page 153. These costs together with other management costs are met from within the employer contribution rate. Certain of GMPF's external securities managers have contracts which include performance fees in addition to the annual management fees. The performance fees are based upon one off, non-rolling, 3 yearly calculations. It is GMPF policy to accrue for any performance fees which are considered to be potentially payable.

In addition certain investments in pooled vehicles, predominantly in private markets, alternatives and property have investment costs deducted directly by the investment managers. These costs are not charged directly to the Fund account nor analysed in Note 8. They are included in the fair value adjustments applied to assets concerned within the Fund account and corresponding notes. The performance of these investments is reported on a net basis. In line with CIPFA recommendations on improving disclosure of investment costs, Note 11a includes an estimate of these costs for this financial year and previous financial year.

Administration Expenses are included within Management Expenses within the Fund account. These costs are accounted for on an accruals basis. The costs of administration are met by employers through their employer contribution rate. All staff costs of the administering authority's pension service are charged direct to GMPF.

**Net (Profit)/Loss on Foreign Currency:** Net (profit)/loss on foreign currency comprise the change in value of short-term deposits due to exchange rate movements during the year.

**Actuarial present value of promised retirement benefits:** The actuarial present value of promised retirement benefits is assessed on an annual basis by the Actuary in accordance with the requirements of IAS19 and relevant actuarial standards. As permitted under IAS26, GMPF has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the Net Asset Statement (see Note 25).

**Derivatives:** GMPF uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities. GMPF does not hold derivatives for speculative purposes. Derivative contract assets are fair valued at bid prices and liabilities are fair valued at offer prices. Changes in fair value of derivative contracts are included in change in fair value.

Future contracts are exchange traded and fair value is determined using exchange prices at their reporting date. Amounts due or owed to the broker are amounts outstanding in respect of initial margin and variation margin.

Forward foreign exchange contracts are over the counter contracts and are valued by determining the gain or loss that would arise from closing out the contract at the reporting date, by entering into an equal and opposite contract at that date.

**Transfers:** Transfer values represent amounts received and paid during the period for individual members who have either joined or left GMPF during the financial year and are calculated in accordance with Local Government Pension Scheme Regulations.

Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged. This reflects when liabilities are transferred and received. Transfers in from members wishing to use the proceeds of their additional voluntary contributions to purchase scheme benefits are accounted for on a receipts basis and are included in transfers in. Bulk (group) transfers are accounted for on an accruals basis.

**Taxation:** GMPF is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a fund expense as it arises.

## **2a. Critical judgements in applying accounting policies**

In applying the policies, GMPF has had to make certain judgements about complex transactions, or those involving uncertainty. Those with most significant effect are:

- GMPF will continue in operational existence for the foreseeable future as a going concern
- No investments are impaired (further detail on the investment strategy and approach to managing risk can be found in Note 4)

Any judgements made in relation to specific assets and liabilities, in addition to information stated in the relevant notes, can also be found in Note 2: Accounting Policies.

Compliance with IFRS requires the assumptions and uncertainties contained within figures in the accounts and the use of estimates to be explained. GMPF accounts contain estimated figures, taking into account historical experience, current trends and other relevant factors, as detailed below:

### **Unquoted equity, infrastructure and special opportunities investments**

Unquoted equities are valued by the investment managers in accordance with Accounting Standards Codification 820 or with International Financial Reporting Standards (IFRS). The value of unquoted equities, infrastructure and special opportunities held via investment in specialist pooled investment vehicles at 31 March 2019 was £2,160,177,000 (£1,564,827,000 at 31 March 2018).

### **Pension Fund Liability**

The present value of GMPF's liabilities is calculated every three years by an appointed actuary. For the purpose of reporting the actuarial present value of promised retirement benefits, this liability value is updated annually in intervening years by the Actuary. The methodology used is in line with accepted guidelines and in accordance with IAS 19. Assumptions underpinning the valuations are agreed with the Actuary and are summarised in Note 25. This estimate is subject to significant variances based on change to the underlying assumptions.

**3. Classification of Financial Instruments**

Accounting policies describe how different asset classes of financial instruments are measured and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the carrying amounts of financial assets and liabilities by category and net assets statement heading. No financial assets were reclassified during the accounting period.

	<b>At 31 March 2019</b>		
	<b>Designated as fair value through profit and loss</b>	<b>Loans and receivables</b>	<b>Financial liabilities at amortised cost</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Financial assets:</b>			
Equities	7,189,192	0	0
Bonds	1,003,365	0	0
Index linked	369,914	0	0
Derivatives	0	0	0
Pooled investment vehicles	13,453,499	0	0
Cash	0	755,437	0
Other investment assets	0	212,544	0
Current assets	0	73,556	0
	<b>22,015,970</b>	<b>1,041,537</b>	<b>0</b>
<b>Financial liabilities:</b>			
Derivatives	0	0	0
Other investment liabilities	0	0	(73,279)
Current liabilities	0	0	(22,596)
	<b>0</b>	<b>0</b>	<b>(95,875)</b>
<b>Total</b>	<b>22,015,970</b>	<b>1,041,537</b>	<b>(95,875)</b>

Note: the above table does not include investment property.

	At 31 March 2018		
	Designated as fair value through profit and loss	Loans and receivables	Financial liabilities at amortised cost
	£000	£000	£000
<b>Financial assets:</b>			
Equities	6,751,242	0	0
Bonds	1,325,276	0	0
Index linked	492,859	0	0
Derivatives	7,137	0	0
Pooled investment vehicles	12,491,416	0	0
Cash	0	587,141	0
Other investment assets	0	107,512	0
Current assets	0	45,689	0
	<b>21,067,931</b>	<b>740,342</b>	<b>0</b>
<b>Financial liabilities:</b>			
Derivatives	(793)	0	0
Other investment liabilities	0	0	(42,462)
Current liabilities	0	0	(23,617)
	<b>(793)</b>	<b>0</b>	<b>(66,079)</b>
<b>Total</b>	<b>21,067,138</b>	<b>740,342</b>	<b>(66,079)</b>

Note: the above table does not include investment property.

### Net Gains and Losses on Financial Instruments

All gains and losses on financial instruments were at fair value through the Fund account. The net profit for the year ending 31 March 2019 was £849,767,000 (£471,118,000 net profit as at 31 March 2018).

### 3a. Valuation of assets carried at fair value

The table below provides an analysis of the assets and liabilities of GMPF that are carried at fair value in the GMPF Net Asset Statement grouped into levels 1 to 3 based on the degree to which fair value is observable. Further details of the values shown can be found in Note 11.

**Greater Manchester Pension Fund Statement of Accounts 2018/19**

	At 31 March 2019			
	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
<b>Financial assets:</b>				
Equities	7,189,192	0	0	7,189,192
Fixed interest	0	1,003,365	0	1,003,365
Index linked	0	369,914	0	369,914
Derivatives	0	0	0	0
Pooled investment vehicles	0	9,496,019	3,957,480	13,453,499
<b>Non-financial assets (at fair value through profit &amp; loss):</b>				
Directly held investment property	0	0	881,991	881,991
<b>Total</b>	<b>7,189,192</b>	<b>10,869,298</b>	<b>4,839,471</b>	<b>22,897,961</b>

	At 31 March 2018			
	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
<b>Financial assets:</b>				
Equities	6,751,242	0	0	6,751,242
Fixed interest	0	1,325,276	0	1,325,276
Index linked	0	492,859	0	492,859
Derivatives	0	6,344	0	6,344
Pooled investment vehicles	0	9,553,574	2,937,842	12,491,416
<b>Non-financial assets (at fair value through profit &amp; loss):</b>				
Directly held investment property	0	0	755,145	755,145
<b>Total</b>	<b>6,751,242</b>	<b>11,378,053</b>	<b>3,692,987</b>	<b>21,822,282</b>

The valuation of assets has been classified into three levels according to the quality and reliability of information used to determine the fair values.

**Level 1**

Inputs to Level 1 are quoted prices on the asset being valued in an active market where there is sufficient transaction activity to allow pricing information to be provided on an ongoing basis. Financial instruments classified as Level 1 predominantly comprise actively traded shares.

**Level 2**

Level 2 prices are those other than Level 1 that are observable e.g. composite prices for fixed income instruments and fund net asset value prices. This is considered to be the most common level for all asset classes other than equities.

**Level 3**

Level 3 prices are those where at least one input, which could have a significant effect on the instrument's valuation, is not based on observable market data. Such instruments would include the GMPF private equity and infrastructure investments which are valued using various valuation techniques that require significant management judgement in determining appropriate assumptions, including earnings multiples, public market comparables and estimated future cash flows.

The valuation techniques used by GMPF are detailed in Note 2.

A reconciliation of fair value measurements in Level 3 is set out below:

<b>31 March 2018</b> <b>£000</b>		<b>31 March 2019</b> <b>£000</b>
2,692,472	Opening balance	3,692,987
1,092,757	Acquisitions	1,200,046
(223,837)	Disposal proceeds	(382,477)
0	Transfer in of Level 3	0
	Total gains/losses included in the Fund account:	
38,871	- on assets sold	86,992
92,724	- on assets held at year end	241,923
<b>3,692,987</b>	<b>Closing balance</b>	<b>4,839,471</b>

GMPF has cash, other investment assets and liabilities. No valuation technique is required in relation to these investments and therefore assignment to a level is not applicable.

#### **4. Financial risk management**

The Management Panel of GMPF recognises that risk is inherent in any investment activity. GMPF has an active risk management programme in place and the measures, which it uses to control key risks are set out in its Funding Strategy Statement (FSS).

The FSS is prepared in collaboration with GMPF's Actuary, Hymans Robertson LLP, and after consultation with GMPF's employers and investment advisors.

The FSS is reviewed in detail every 3 years in line with triennial valuations being carried out. A full review was completed by 31 March 2017.

GMPF's approach to investment risk measurement and its management is set out in its Investment Strategy Statement (ISS). The overall approach is to reduce risk to a minimum where it is possible to do so without compromising returns (e.g. in operational matters), and to limit risk to prudently acceptable levels otherwise (e.g. in investment matters).

The means by which GMPF minimises operational risk and constrains investment risk is set out in further detail in its ISS (available at [www.gmpf.org.uk](http://www.gmpf.org.uk)).

Some risks lend themselves to being measured (e.g. using such concepts as 'Active Risk' and such techniques as 'Asset Liability Modelling') and where this is the case, GMPF employs the relevant approach to measurement. GMPF reviews new approaches to measurement as these continue to be developed.

GMPF's exposures to risks and its objectives, policies and processes for managing and measuring the risks have not changed throughout the course of the year.

#### **Market risk**

Market risk is the level of volatility in returns on investments caused by changes in market expectations, interest rates, credit spreads, foreign exchange rates and other factors.

This is calculated as the standard deviation of predicted outcomes. GMPF is exposed to market risk through its portfolio being invested in a variety of asset classes.

GMPF seeks to limit its exposure to market risk by diversifying its portfolio as explained within its ISS and by restricting the freedom of its fund managers to deviate from benchmark allocations. The asset allocation has been made with regard to the balance between expected returns and



expected volatility of asset classes and using advice from GMPF's investment advisor, Hymans Robertson LLP.

The table below shows the expected market risk exposure or predicted volatilities of GMPF's investments:

<b>Asset Type</b>	<b>Potential Market Movements (+/-)</b>	
	<b>31 March 2018 p.a.</b>	<b>31 March 2019 p.a.</b>
UK equities	16.8%	16.6%
Overseas equities	17.9%	16.9%
Fixed interest - gilts	9.5%	9.7%
Index linked gilts	7.2%	7.2%
Corporate bonds	10.2%	10.1%
High yield debt	6.7%	7.3%
Investment property	14.3%	14.3%
Private equity	28.3%	28.3%
Infrastructure	15.8%	16.0%
Cash and other liquid funds	0.5%	0.5%
<b>GMPF</b>	<b>10.6%</b>	<b>10.4%</b>

The volatilities for each asset class and correlations used to create the total GMPF volatility have been estimated using standard deviations of 5,000 simulated one-year total returns using Hymans Robertson Asset Model, the economic scenario generator maintained by Hymans Robertson LLP.

The overall GMPF volatility has been calculated based on GMPF's target asset split as at 31 March 2018 and 2019. The calibration of the model is based on a combination of historical data, economic theory and expert opinion.

If the market price of GMPF's investments increases or decreases over a period of a year in line with the data within the table above, the change in the market value of the net assets available to pay benefits as at 31 March 2018 and 2019 would have been as shown in the tables below.

Asset Type	31 March 2019 £000	% Change p.a.	Value on increase £000	Value on decrease £000
UK equities	3,932,738	16.6%	4,585,573	3,279,903
Overseas equities	8,622,694	16.9%	10,079,929	7,165,459
Fixed interest bonds	1,281,083	9.7%	1,405,348	1,156,818
Index linked bonds	1,203,621	7.2%	1,290,282	1,116,960
Corporate bonds	1,330,625	10.1%	1,465,018	1,196,232
High yield debt	1,334,743	7.3%	1,432,179	1,237,307
Investment property	1,943,789	14.3%	2,221,751	1,665,827
Private equity	1,737,906	28.3%	2,229,733	1,246,079
Infrastructure	1,157,775	16.0%	1,343,019	972,531
Cash and other liquid funds	1,320,966	0.5%	1,327,571	1,314,361
<b>GMPF</b>	<b>23,865,940</b>	<b>10.4%</b>	<b>26,347,998</b>	<b>21,383,882</b>

Note: the above table does not include investment liabilities and net current assets.

Asset Type	31 March 2018 Restated * £000	% Change p.a.	Value on increase £000	Value on decrease £000
UK equities	4,086,596	16.8%	4,773,144	3,400,048
Overseas equities	8,453,975	17.9%	9,967,237	6,940,713
Fixed interest bonds	1,673,834	9.5%	1,832,848	1,514,820
Index linked bonds	1,080,454	7.2%	1,158,247	1,002,661
Corporate bonds	1,320,887	10.2%	1,455,617	1,186,157
High yield debt	1,117,960	6.7%	1,192,863	1,043,057
Investment property	1,659,869	14.3%	1,897,230	1,422,508
Private equity	1,566,741	28.3%	2,010,129	1,123,353
Infrastructure	466,377	15.8%	540,065	392,689
Cash and other liquid funds	1,090,242	0.5%	1,095,693	1,084,791
<b>GMPF</b>	<b>22,516,935</b>	<b>10.6%</b>	<b>24,903,730</b>	<b>20,130,140</b>

\*Restated due to change in investment classification by GMPF.

Note: the above table does not include investment liabilities and net current assets.

### Interest rate risk

GMPF invests in financial assets for the primary purpose of obtaining a return on investments whilst recognising that there is a risk that returns will not be as expected. Changes in the level of interest rates will contribute to the volatility of returns in all asset classes. The table in the section on market risk shows the expected volatility over one year for GMPF's investment portfolio. One area directly affected by interest rate changes is the level of income expected from floating rate cash instruments. As at 31 March 2019, GMPF had £323,363,000 (2017/18 £360,925,000) invested in this asset via pooled investment vehicles. Therefore, a 1% change in interest rates will increase or reduce GMPF's return by £3,234,000 (2017/18 £3,609,000) on an annualised basis.

## Currency risk

GMPF invests in financial assets for the primary purpose of obtaining a return on investments whilst recognising that there is a risk that returns will not be as expected. Changes in the level of foreign exchange rates will contribute to the overall volatility of overseas assets. GMPF's approach is to consider these risks in a holistic nature. The table in the section on market risk shows the expected volatility over one year for GMPF's investment portfolio including overseas assets which are separately identified.

## Credit risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause GMPF to incur a financial loss. The market values of investments generally reflect an assessment of credit risk in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of GMPF's financial assets and liabilities. The volatility of credit risk is encapsulated within the overall volatility of assets detailed in the table showing market risk.

In essence, GMPF's entire investment portfolio is exposed to some form of credit risk. However, the selection of high quality counterparties, brokers and financial institutions minimises the credit risk that may occur through the failure to settle a transaction in a timely manner.

Contractual credit risk is represented by the net payment or receipt that remains outstanding, and the cost of replacing the derivative positions in the event of counterparty default. The residual risk is minimal due to the various insurance policies held by the exchanges to cover defaulting counterparties.

Deposits are not made with banks and financial institutions unless they are rated independently and meet Tameside MBC's (TMBC), as administering authority, credit criteria. TMBC has also set limits as to the maximum percentage of the deposits placed with any one class of financial institution. In addition, TMBC invests an agreed percentage of its funds in the money markets to provide diversification. Money market funds chosen all had a "AAA" rating from a leading ratings agency.

TMBC believes it has managed its exposure to credit risk, and has had no experience of default or uncollectable deposits. GMPF's cash holding under its Treasury Management arrangements at 31 March 2019 was £724,524,000 (31 March 2018 £484,072,000). This was held with the following institutions:

SUMMARY	RATING	Balance at 31 March 2018 £000	Balance at 31 March 2019 £000
<b>Money market Funds</b>			
Fidelity	AAA	1,800	0
Aberdeen Assets	AAA	0	41,400
Federated	AAA	0	75,000
Insight	AAA	9,100	0
J P Morgan	AAA	0	75,000
IGNIS	AAA	75,000	0
Morgan Stanley	AAA	75,000	75,000
Invesco	AAA	0	75,000
<b>Banks</b>			

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Heleba	A+	10,000	0
Bank of Scotland	A+	0	20,000
Close Brothers	A+	0	10,000
Barclays	AA-	50,000	50,000
Commonwealth Bank of Australia	A	10,000	0
RBS	A+	6,672	4,124
<b>Local authorities &amp; public bodies</b>			
Salford Council	N/A	5,000	5,000
Cambridgeshire County Council	N/A	10,000	0
Telford & Wrekin Council	N/A	3,500	0
Medway Council	N/A	10,000	0
Surrey Heath Borough Council	N/A	15,000	7,000
Eastleigh Council	N/A	18,000	48,000
West Dunbartonshire Council	N/A	10,000	0
Highland Council	N/A	5,000	0
Doncaster Council	N/A	0	5,000
Birmingham City Council	N/A	0	25,000
London Borough of Enfield	N/A	10,000	10,000
North Tyneside Council	N/A	5,000	0
Gloucester City Council	N/A	5,000	0
Fife Council	N/A	5,000	0
GM Combined Authority	N/A	75,000	30,000
Northamptonshire Council	N/A	18,000	10,000
Stockport Council	N/A	27,000	0
Leeds City Council	N/A	25,000	10,000
Eastbourne Council	N/A	0	5,000
Thurrock Council	N/A	0	5,000
Ashford Council	N/A	0	15,000
Kingston Upon Hull Council	N/A	0	10,000
Lancashire PCC	N/A	0	5,000
Rotherham Council	N/A	0	20,000
Tewkesbury Council	N/A	0	11,000
Northumbria PCC	N/A	0	6,000
Redcar Council	N/A	0	7,000
Slough Council	N/A	0	15,000
Surrey Council	N/A	0	10,000
Plymouth Council	N/A	0	10,000
Aberdeenshire Council	N/A	0	10,000
Blackpool Council	N/A	0	5,000
Suffolk Council	N/A	0	5,000
Northumberland Council	N/A	0	10,000
<b>Totals</b>		<b>484,072</b>	<b>724,524</b>

**Liquidity risk**

Liquidity risk represents the risk that GMPF will not be able to meet its financial obligations as they fall due. TMBC therefore take steps to ensure that GMPF has adequate cash resources to meet its commitments. This will particularly be the case for cash from the liability matching mandates from the main investment strategy to meet the pensioner payroll cost; and also cash to meet investment commitments.

TMBC has immediate access to the GMPF cash holdings, with the exception of investments placed with other local authorities – where periods are fixed when the deposit is placed. GMPF had in excess of £724 million cash balances at 31 March 2019.

All financial liabilities at 31 March 2019 are due within one year.

The majority of GMPF assets are liquid - their value could be realised within one week. The table below shows GMPF investments in liquidity terms:

<b>31 March 2018 £000</b>	<b>Liquidity terms</b>	<b>31 March 2019 £000</b>
18,527,448	Assets realisable within 7 days	18,677,471
165,000	Assets realisable in 8-30 days	101,000
28,500	Assets realisable in 31-90 days	75,000
3,795,987	Assets taking more than 90 days to realise	5,012,471
<b>22,516,935</b>	<b>Total</b>	<b>23,865,942</b>

Management prepares periodic cash flow forecasts to understand and manage the timing of GMPF's cash flows. The appropriate strategic level of cash balances to be held is a central consideration when preparing GMPF's annual investment strategy.

The effects of reductions in public expenditure are expected to result in a significant maturing of GMPF's liabilities, with fewer employee members and more pensioner and deferred members. However, when income from investments is taken into account, GMPF is expected to continue to be cash flow positive for the foreseeable future and it will not be a forced seller of investments to meet its pension obligations.

**5. Contributions****By Category**

<b>31 March 2018 £000</b>		<b>31 March 2019 £000</b>
(140,493)	Employees contributions	(145,922)
	Employers:	
(578,028)	Normal contributions	(427,822)
(21,573)	Deficit recovery contributions	(19,618)
(599,601)	Total employers contributions	(447,440)
<b>(740,094)</b>	<b>Total contributions</b>	<b>(593,362)</b>

**By Authority**

<b>31 March 2018 £000</b>		<b>31 March 2019 £000</b>
(502,662)	Part 1 Schedule 2 Scheme Employers	(351,231)
(107,758)	Designating bodies	(119,325)
(111,873)	Community admission bodies	(106,582)
(17,801)	Transferee admission bodies	(16,224)
<b>(740,094)</b>		<b>(593,362)</b>

Scheme employers can be split into those listed in Part 1 of Schedule 2 of the Local Government Pension Scheme (Administration) Regulations 2013 (as amended) (such as local authorities), which participate automatically, and those listed in Part 2 (such as town councils) which can only participate if they choose to do so by designating employees or groups of employees as eligible. Part 2 employers are called designating bodies. Community admission bodies provide a public service in the United Kingdom otherwise than for the purposes of gain and have sufficient links with a Scheme employer. Transferee admission bodies are commercial organisations carrying out work for local authorities under a best value or other arrangement. Further analysis of contributions by employer is contained in Note 20 of these statements.

At the 2016 Actuarial Valuation, GMPF was assessed as 93% funded. Some employers will make contributions in excess of their future service rate in order to help repay the deficit over a period of time.

The contribution rates specified in the Actuarial Valuation are minimum contribution rates. Some employers have made voluntary payments in excess of these minimum rates. In addition, a small number of employers were required to make explicit lump sum deficit payments – details of these can be found in the 2016 Actuarial Valuation report located at [www.gmpf.org.uk](http://www.gmpf.org.uk).

**6. Benefits Payable**

**By Category**

<b>31 March 2018 £000</b>		<b>31 March 2019 £000</b>
624,569	Pensions	670,179
108,343	Commutation & lump sum retirement benefits	115,419
15,169	Lump sum death benefits	18,016
<b>748,081</b>		<b>803,614</b>

**By Authority**

<b>31 March 2018 £000</b>		<b>31 March 2019 £000</b>
577,299	Part 1 Schedule 2 Scheme Employers	602,643
30,634	Designating bodies	33,659
125,445	Community admission bodies	151,301
14,703	Transferee admission bodies	16,011
<b>748,081</b>		<b>803,614</b>

Scheme employers can be split into those listed in Part 1 of Schedule 2 of the Local Government Pension Scheme (Administration) Regulations 2008 (as amended) (such as local authorities) which participate automatically, and those listed in Part 2 (such as town councils) which can only participate if they choose to do so by designating employees or groups of employees as eligible. Part 2 employers are called designating bodies. Community admission bodies provide a public service in the United Kingdom otherwise than for the purposes of gain and have sufficient links with a Scheme employer. Transferee admission bodies are commercial organisations carrying out work for local authorities under a best value or other arrangement. Further analysis of contributions by employer is contained in Note 20 of these statements.

**7. Payments to and on account of leavers**

<b>31 March 2018 £000</b>		<b>31 March 2019 £000</b>
5,922	Group transfers to other schemes	1,526
41,305	Individual transfers to other schemes	39,784
670	Payments for members joining state scheme	48
(70)	Income for members from state scheme	(18)
1,542	Refunds to members leaving service	1,627
<b>49,369</b>		<b>42,967</b>

**8. Management Expenses**

The costs of administration and investment management are met by the employers through their employer contribution rate. In June 2016, CIPFA published guidance on Accounting for LGPS Management Costs. The aim of this guidance is to assist in the improvement of consistent and comparable data across LGPS funds. GMPF Scheme management costs have been categorised in accordance with this guidance in the tables below.

**Investment management expenses:**

<b>31 March 2018 £000</b>		<b>31 March 2019 £000</b>
905	Employee costs	1,311
256	Support services including IT	292
5,656	Transaction costs (public managers) *	5,520
17,424	Management fees	17,683
357	Custody fees	238
<b>24,598</b>		<b>25,044</b>

\* Transaction costs are incremental costs directly attributable to the sale and purchase of UK and Overseas equities. They fall into three distinct categories:

Tax (UK stamp duty)      £3,695,000    (2017/18 £2,487,000)

Market levies                      £224,000    (2017/18 £537,000)

Commissions                      £1,601,000    (2017/18 £2,632,000)

**Administrative costs:**

<b>31 March 2018 £000</b>		<b>31 March 2019 £000</b>
3,703	Employee costs	3,889
2,277	Support services including IT	1,674
142	Printing and publications	186
<b>6,122</b>		<b>5,749</b>

**Oversight and governance costs:**

<b>31 March 2018 £000</b>		<b>31 March 2019 £000</b>
488	Employee costs	559
327	Support services including IT	409
152	Governance and decision making costs	167
40	Investment performance monitoring	27
62	External audit fees *	60
106	Internal audit fees	108
151	Actuarial fees - investment consultancy	130
145	Actuarial fees	252
<b>1,471</b>		<b>1,712</b>

\* Total fee paid to external auditors in 2018/19 is £60,223 (2017/18 £62,337) of which £5,997 (2017/18 £5,996) was paid in relation to work carried out on behalf of GMPF's main scheme employers.



**9. Investment income**

<b>31 March 2018 £000</b>		<b>31 March 2019 £000</b>
(48,535)	Fixed interest (corporate and government bonds)	(41,777)
(261,775)	Equities	(281,532)
(4,419)	Index linked	(2,259)
(64,014)	Pooled investment vehicles	(70,730)
(34,426)	Investment property (gross)	(41,166)
4,188	Investment property non-recoverable expenditure	6,233
(2,399)	Interest on cash deposits	(4,760)
(697)	Stock lending	(711)
(15)	Underwriting	0
<b>(412,092)</b>		<b>(436,702)</b>

In accordance with IAS 12 Income Taxes, investment income includes withholding taxes and irrecoverable withholding tax is analysed separately as a tax charge. Income received by Legal and General pooled funds is automatically reinvested within the relevant sector fund and thus excluded from the above analysis. Similarly, UBS pooled funds for Emerging Market Equities, Stone Harbor pooled funds for global credit , Aviva Investors Property Fund, Standard Life Pooled Property Pension Fund, Standard Life Investments UK Property Development Fund, EID Unit Fund and Darwin Leisure Property Fund in which GMPF invest have income automatically reinvested with that fund.

**10. Taxation**

GMPF is exempt from UK income tax on interest and from capital gains tax on the profits resulting from the sale of investments. GMPF is exempt from United States withholding tax on dividends and can recover all or part of the withholding tax deducted in some other countries. The amount of withholding tax deducted from overseas dividends which GMPF is unable to reclaim in 2018/19 amounts to £5,192,000 (2017/18 £3,964,000) and is shown as a tax charge.

As Tameside MBC is the Administering Authority for GMPF, VAT input tax was recoverable on all GMPF activities including expenditure on investment and property expenses.

**11. Investments at fair value**

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investment during the year.

Change in fair value is reconciled in the table below:

	<b>£000</b>	<b>31 March 2019 £000</b>
Unrealised losses at 31 March 2019	157,270	
Unrealised (profits) at 31 March 2019	(2,346,455)	(2,189,185)
Realised losses 1 April 2018 to 31 March 2019	40,906	
Realised (profits) 1 April 2018 to 31 March 2019	(579,114)	(538,208)
Less:		
Unrealised (profits) at 31 March 2018	2,193,939	
Unrealised losses at 31 March 2018	(334,712)	1,859,227
<b>Reduction/(Increase) in fair value of investments year ending 31 March 2019</b>		<b>(868,166)</b>

	<b>£000</b>	<b>31 March 2018 £000</b>
Unrealised losses at 31 March 2018	334,712	
Unrealised (profits) at 31 March 2018	(2,193,938)	(1,859,226)
Realised losses 1 April 2017 to 31 March 2018	28,697	
Realised (profits) 1 April 2017 to 31 March 2018	(3,804,186)	(3,775,489)
Less:		
Unrealised (profits) at 31 March 2017	(102,485)	
Unrealised losses at 31 March 2017	5,242,994	5,140,509
<b>Reduction/(Increase) in fair value of investments year ending 31 March 2018</b>		<b>(494,206)</b>

The following tables analyse the carrying amounts of the financial assets and liabilities by category.

**Greater Manchester Pension Fund Statement of Accounts 2018/19**

Value at 31 March 2018 £000		Purchases £000	Sales £000	Change in fair value £000	Value at 31 March 2019 £000
	<b>Designated as at fair value through the fund account</b>				
6,751,242	Equities	2,612,587	(2,133,183)	(41,454)	7,189,192
1,325,276	Bonds	34,995	(388,050)	31,144	1,003,365
492,859	Index linked	129,307	(285,710)	33,458	369,914
755,145	Investment property	140,665	(32,218)	18,399	881,991
6,344	Derivatives	14,494	(29,587)	8,749	0
12,491,416	Managed and unitised funds	2,044,387	(1,900,174)	817,870	13,453,499
21,822,282		4,976,435	(4,768,922)	868,166	22,897,961
	<b>Loans and receivables</b>				
587,141	Cash				755,437
87,122	Other investments and net assets				190,225
<b>22,496,545</b>	<b>Total</b>				<b>23,843,623</b>

Value at 1 April 2017 £000		Purchases £000	Sales £000	Change in fair value £000	Value at 31 March 2018 £000
	<b>Designated as at fair value through the fund account</b>				
8,500,608	Equities	2,130,354	(4,111,749)	232,029	6,751,242
1,517,437	Bonds	707,401	(837,695)	(61,867)	1,325,276
514,037	Index linked	144,273	(123,560)	(41,891)	492,859
552,470	Investment property	200,162	(20,575)	23,088	755,145
121	Derivatives	8,598	(12,749)	10,374	6,344
9,192,482	Managed and unitised funds	12,680,491	(9,714,029)	332,472	12,491,416
20,277,155		15,871,279	(14,820,357)	494,206	21,822,282
	<b>Loans and receivables</b>				
868,391	Cash				587,141
125,514	Other investments and net assets				87,122
<b>21,271,060</b>	<b>Total</b>				<b>22,496,545</b>

**Bonds**

31 March 2018 £000		31 March 2019 £000
272,343	UK public sector quoted	43,590
287,324	Overseas public sector quoted	180,358
695,157	UK corporate quoted	704,702
70,452	Overseas corporate quoted	74,715
<b>1,325,276</b>		<b>1,003,365</b>

**Investment Property**

<b>31 March 2018 £000</b>		<b>31 March 2019 £000</b>
636,435	UK - Main investment property portfolio	756,645
118,710	UK - Greater Manchester Property Venture Fund	125,346
<b>755,145</b>		<b>881,991</b>

All investment property is located in England, Wales or Scotland and, in order to reduce risk, is diversified over several sectors that include high street retail, offices, industrial/retail warehousing, leisure, healthcare and student accommodation. Gross and net rental income is shown in Note 9 of these accounts.

With the sole exception of two investment properties, where a rent sharing agreement is in place with the freeholder, no directly held investment property has restrictions on its realisation, remittance of income or disposal proceeds.

Committed expenditure in relation to investment property can be found at Note 17.

In accordance with the Investment Property Strategy, decisions have been taken to sell fifteen investment properties. These were either being prepared for sale, six properties were being marketed or prices had been agreed at 31 March 2019 (combined prices totalled £35,585,000).

The following tables summarise the movement in the fair value of investment properties over the year:

<b>Movement in the fair value of investment properties in 2018/19</b>	<b>£000</b>
Balance at 1 April 2018	755,145
Purchases	136,893
Expenditure during year	3,772
Disposals	(32,218)
Net gains/ (losses) from fair value adjustments	18,399
<b>Balance at 31 March 2019 *</b>	<b>881,991</b>

\* Of which £35,585,000 relates to properties being marketed at 31 March 2019

<b>Movement in the fair value of investment properties in 2017/18</b>	<b>£000</b>
Balance at 1 April 2017	552,470
Purchases	189,734
Expenditure during year	10,428
Disposals	(20,575)
Net gains/ (losses) from fair value adjustments	23,088
<b>Balance at 31 March 2018</b>	<b>755,145</b>

**Future operating lease rentals receivable**

<b>31 March 2018 £000</b>		<b>31 March 2019 £000</b>
29,481	Not later than 1 year	35,455
116,166	Later than 1 year, but not later than 5 years	124,811
152,099	Later than 5 years	167,099
<b>297,746</b>	<b>Total</b>	<b>327,365</b>

The future minimum lease payments due to GMPF under non-cancellable operating leases are stated above.

Where a lease contains a “tenant’s break” clause, it is only up to this point that the aggregation is made.

**Derivatives**

<b>31 March 2018 £000</b>		<b>31 March 2019 £000</b>
	<b>Investment assets:</b>	
1,196	Forward currency contracts	0
5,941	Financial futures	0
7,137		0
	<b>Investment liabilities:</b>	
(416)	Forward currency contracts	0
(377)	Financial futures	0
<b>6,344</b>	<b>Net (liability)/asset</b>	<b>0</b>

Derivative receipts and payments represent the realised gains and losses on futures contracts and forward currency contracts. GMPF’s objective in entering into derivative positions is to decrease risk in the portfolio.

GMPF had no investments in futures contracts or forward currency contracts at 31 March 2019.

**Pooled investment vehicles**

Pooled investment vehicles aggregate capital from multiple investors to pursue specified investment strategies. The table below analyses, by type and underlying asset class, funds in which GMPF invests.

31 March 2018 £000		31 March 2019 £000
467,982	UK Property	460,915
154,417	Overseas property	207,827
1,117,960	Global credit	1,119,969
430,573	Overseas equity	388,939
539,426	UK private equity, infrastructure & debt	741,607
1,056,474	Overseas private equity, infrastructure & debt	1,645,978
272,477	UK special opportunities portfolio	311,634
53,445	Overseas special opportunities portfolio	51,876
<b>4,092,754</b>	<b>Managed funds</b>	<b>4,928,745</b>
351,470	Property	490,085
224	Overseas private equity	4
<b>351,694</b>	<b>Unit trusts</b>	<b>490,089</b>
41,927	Property	47,553
608,478	UK quoted equity	321,378
723,957	UK fixed interest	687,844
554,454	UK index linked securities	811,389
508,106	UK corporate bonds	487,389
360,925	UK cash instruments	323,363
4,750,280	Overseas quoted equity	4,655,924
390,210	Overseas fixed interest	369,292
47,171	Overseas corporate bonds	63,818
33,140	Overseas index linked securities	22,318
0	Global credit	214,774
28,320	Inflation funds	29,623
<b>8,046,968</b>	<b>Insurance policies</b>	<b>8,034,665</b>
<b>12,491,416</b>	<b>Total pooled investment vehicles</b>	<b>13,453,499</b>

Cash

31 March 2018 £000		31 March 2019 £000
533,208	Sterling	729,702
53,933	Foreign currency	25,735
<b>587,141</b>		<b>755,437</b>

## Other investments balances and net assets

31 March 2018 £000		31 March 2019 £000
27,180	Amounts due from broker	69,612
40,884	Outstanding dividends and recoverable withholding tax	57,385
17,165	Gross accrued interest on bonds	15,078
289	Gross accrued interest on loans	1,044
20,684	Investment loans	67,730
1,310	Other accrued interest and tax reclaims	1,695
<b>107,512</b>	<b>Other investment assets</b>	<b>212,544</b>
(36,552)	Amounts due to broker	(72,572)
(5,563)	Variation margin	0
(347)	Irrecoverable withholding tax	(707)
<b>(42,462)</b>	<b>Other investment liabilities</b>	<b>(73,279)</b>
33,770	Employer contributions - main scheme	44,958
353	Employer contributions - additional pensions	418
5,508	Property	19,054
0	Admin & investment management expenses	142
6,058	Other	8,984
45,689	Current assets	73,556
(10,179)	Property	(10,032)
(40)	Employer contributions - main scheme	(5)
(1,795)	Employer contributions - additional pensions	(1,487)
(5,378)	Admin & investment management expenses	(4,180)
(6,225)	Other	(6,892)
(23,617)	Current liabilities	(22,596)
<b>22,072</b>	<b>Net current assets</b>	<b>50,960</b>
<b>87,122</b>	<b>Other investment balances and net assets</b>	<b>190,225</b>

## 11a. Transaction and management costs not charged directly to the Fund Account

## Public managers

Since 1 April 2016 transaction costs in respect of the purchase and sale of equities have been respectively excluded or included in the prices reported in the Net Assets Statement and charged to the Fund Account. Details may be seen at Note 8.

## Directly held property

Transaction costs continue to be capitalised and are implicit within the value of the assets concerned. These amounted to £7,397,000 for 2018/19 (2017/18 £1,389,000).

The CIPFA Code of Practice (and guidance related to the Code) does not require 'bid-offer spread' to be reported as a transaction cost.

**Management Costs**

Certain investments in pooled vehicles predominantly in private markets, alternatives and property have investment costs met within the vehicle rather than an explicit charge paid by GMPF. Thus, costs are not charged directly to the Fund Account nor analysed in Note 8. They are included in the fair value adjustments applied to assets concerned within the Fund Account and corresponding notes. The performance is reported on a net basis.

The table below shows estimates made for these costs during the current and previous financial year using methodology agreed with external advisers on private assets and include potential accrued performance fees.

<b>31 March 2018 £000</b>		<b>31 March 2019 £000</b>
42,924	Private market and alternative investments (performance related)	59,542
47,377	Private market and alternative investments (non-performance related)	58,981
9,283	Indirect investment property	16,756
<b>99,584</b>		<b>135,279</b>

**12. Local investments**

GMPF invests within the North West of England with a focus on the Greater Manchester conurbation in property development and redevelopment opportunities. This programme of investments is delivered through Greater Manchester Property Venture Fund

<b>31 March 2018 £000</b>		<b>31 March 2019 £000</b>
118,710	Greater Manchester Property Venture Fund	125,346

**13. Designated funds**

A small number of employers within GMPF have a materially different liability profile. Some earmarked investments are allocated to these employers. The investments of the designated fund incorporated in the Net Asset statement are as follows:



**Greater Manchester Pension Fund Statement of Accounts 2018/19**

<b>31 March 2018 £000</b>		<b>31 March 2019 £000</b>
23,610	UK equities	38,900
38,705	Overseas equities	57,787
50,594	UK corporate bond	77,389
315,391	UK Index linked	458,378
12,589	Cash instruments	18,633
57,239	Cash	57,483
28,192	Inflation funds	29,622
0	High yield debt	214,774
1,288	Other investment balances	0
<b>527,608</b>		<b>952,966</b>

**14. Summary of managers' portfolio values at 31 March**

<b>2018</b>			<b>2019</b>	
<b>£m</b>	<b>%</b>		<b>£m</b>	<b>%</b>
		<b>Externally managed</b>		
8,190	36.4%	UBS Global Asset Management	8,351	35.0%
8,005	35.6%	Legal & General	7,987	33.5%
1,123	5.0%	Investec	1,250	5.2%
1,118	5.0%	Stone Harbor	1,120	4.7%
810	3.6%	LaSalle	1,044	4.4%
119	0.5%	Avison Young (advisory mandate)	125	0.5%
19,365	86.1%		19,877	83.3%
		<b>Internally managed</b>		
2,033	9.0%	Private equity	2,896	12.2%
182	0.8%	Designated funds	58	0.2%
731	3.3%	Property indirect	774	3.3%
186	0.8%	Cash, other investments and net assets	239	1.0%
3,132	13.9%		3,967	16.7%
<b>22,497</b>	<b>100.0%</b>	<b>Total</b>	<b>23,844</b>	<b>100.0%</b>

**15. Concentration of investment**

As at 31 March 2019, GMPF held, respectively, 11.9%, 5.1% and 11.8% of its net assets in insurance contracts MF32950, MF36558 and MF37010 with Legal & General Assurance (Pensions Management) Limited. They are linked long term contracts under Class III of Schedule 1 of the Insurance Companies Act 1982 and not "with profits" contracts.

The policy documents have been issued and the values are incorporated in the Net Asset statement within pooled investment vehicles. The policies' underlying asset classes are as follows:

**POLICY MF32950**

<b>31 March 2018 £000</b>		<b>31 March 2019 £000</b>
1,442,580	Overseas equities	1,624,228
386,046	UK fixed interest	381,111
190,058	UK corporate bonds	186,556
95,216	Overseas fixed interest	89,088
290,540	UK Index linked	306,773
235,318	UK cash instruments	247,081
<b>2,639,758</b>		<b>2,834,837</b>

**POLICY MF36558**

<b>31 March 2018 £000</b>		<b>31 March 2019 £000</b>
584,868	UK equities	282,478
993,091	Overseas equities	584,460
109,691	UK fixed interest	71,317
147,028	UK corporate bonds	96,561
70,006	Overseas fixed interest	45,429
72,025	UK Index linked	46,237
113,018	UK cash instruments	57,649
33,141	Overseas index linked	22,318
17,428	Overseas corporate bonds	12,424
<b>2,140,296</b>		<b>1,218,873</b>

**POLICY MF37010**

<b>31 March 2018 £000</b>		<b>31 March 2019 £000</b>
2,059,050	Overseas equities	2,157,631
228,219	UK fixed interest	235,416
120,426	UK corporate bonds	126,883
224,989	Overseas fixed interest	234,776
29,744	Overseas corporate bonds	51,394
<b>2,662,428</b>		<b>2,806,100</b>

**16. Notifiable interests**

As at 31 March 2019 GMPF had holdings of 3% or over in the ordinary share capital of the following quoted companies:

UK Equity 31 March 2018 %		UK Equity 31 March 2019 %
5.2	Brown (N) Group PLC	7.7
7.9	Mothercare PLC	7.4
6.1	STV Group PLC	5.7
5.3	TT Electronics PLC	5.2
5.4	Chemring Group PLC	5.0
5.4	SIG PLC	5.0
4.0	RPS Group PLC	5.0
4.6	Serco Group PLC	4.0
3.8	Balfour Beatty PLC	3.7
3.6	Volution GRP PLC	3.7
0.0	Intu Properties PLC	3.3

**17. Undrawn commitments**

31 March 2018 £000	Asset type	Nature of commitment	31 March 2019 £000
1,166	Directly held investment property	Commitments regarding demolition or refurbishment work	508
95,000	Directly held investment property	Commitments regarding purchases	70,608
1,664,617	Indirect private equity and infrastructure	Commitments to fund	2,032,516
369,372	Special Opportunities portfolio	Commitments to fund	295,168
343,054	Property managed funds	Commitments to fund	243,333
40,975	Property unit trusts	Commitments to fund	6,289
32,685	Commercial/domestic based property unit trust	Commitments to fund	9,225
9,230	Local Investment 4 Growth fund	Commitments to fund	12,039
126,528	Local Impact Portfolio	Commitments to fund	204,806
18,531	Greater Manchester Property Venture Fund	Commitment to lend	31,137
0	Private debt portfolio	Commitment to fund	600,010
<b>2,701,158</b>			<b>3,505,639</b>

The above expenditure was contractually committed as at 31 March and a series of staged payments are to be made at future dates.

**18. Related party transactions**

In the course of fulfilling its role as administering authority to GMPF, Tameside MBC incurred costs for services (e.g. salaries and support costs) of £7,429,000 on behalf of GMPF and paid to HMRC VAT (net) of £973,000. Total payments due to Tameside MBC therefore, amounted to £8,402,000 (2017/18 £4,821,000). GMPF reimbursed Tameside MBC £6,184,000 for these charges and there is a creditor of £2,218,000 owing to Tameside MBC at the year-end (2017/18 £1,283,000 within Creditors). This creditor has been settled since the year end.

There is no direct charge to GMPF for the services of the Director of Governance & Pensions. This is also the case for the Chief Executive and the Director of Finance but a contribution towards their cost is included in the recharge as detailed above. They receive no additional salary or remuneration for undertaking these roles. Details of the total remuneration of these officers will be published on the Tameside MBC website. The remuneration of the Chair of the Management Panel can be found by accessing the following link: <http://www.tameside.gov.uk/constitution/part6>

Other key management personnel full time and total remuneration, including employer's pension contributions, are as shown below:

	<b>Salary Entitlement (Full Time Equivalent)</b>	<b>Salary, Fees &amp; Allowances (Paid in year)</b>	<b>Compensation for Loss of Office</b>	<b>Employers Pensions Contributions</b>	<b>Total</b>
	£	£	£	£	£
Assistant Director of Pensions (Special Projects) *	90,510	40,227	0	28,448	<b>68,675</b>
Assistant Director of Pensions (Investments)	90,510	90,510	0	19,007	<b>109,517</b>
Assistant Director of Pensions (Funding & Business Development)	90,510	90,510	0	19,007	<b>109,517</b>
Assistant Director of Pensions (Local Investments & Property)	90,510	90,510	0	19,007	<b>109,517</b>
Assistant Director of Pensions (Administration)	79,897	79,897	0	16,778	<b>96,675</b>

\* working hours changed during the year

Paragraph 3.9.4.3 of the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom exempts Local Authorities on the Key Management Personnel disclosure requirements of IAS 24, on the basis that the disclosure requirements for officer remuneration and members' allowances detailed in Section 3.4 of the code (which are derived from the requirements of Regulation 7(2)-(4) of the Accounts and Audit (England) Regulations 2011 and Regulation 7A of the Accounts and Audit (Wales) Regulations (2005) satisfy the Key Management Personnel disclosure requirements of paragraph 16 of IAS 24.

The disclosures required by regulation 7(2)-(4) of the Accounts and Audit (England) Regulations can be found in the main accounts of the administering authority - Tameside MBC.

No senior officers responsible for the administration of GMPF have entered into any contract (other than their contract of employment) with Tameside MBC (administering authority).

A number of officers responsible for the administration of GMPF have directorships in companies which have been incorporated for the sole purpose of the investment administration and management of GMPF's assets and other assets which GMPF has a joint interest with other LGPS funds. These are:

<b>Name</b>	<b>Position in GMPF 2018/19</b>	<b>Company in which directorship is held</b>	<b>Company Registration Number</b>
Steven Pleasant	Chief Executive	Airport City (General Partner) Limited	08723477
Sandra Stewart	Director of Governance & Pensions	Northern Pool GP (No1) Limited	11360203
Patrick Dowdall	Assistant Director of Pensions (Local Investments & Property)	Matrix Homes (General Partner) Limited Hive Bethnal Green Limited GLIL Corporate Holdings Limited Plot 5 First Street Nominee Limited Plot 5 First Street GP Limited GMPF UT (Second Unit Holder) Limited Airport City (Asset Manager) Limited Manchester Charles Street Residential (ELP GP) Limited Manchester Charles Street Residential (SLP GP) Limited Manchester New Square (General Partner) Limited Semperian PPP Investment Partners Holdings Limited (Jersey Registration)	08980059 09362438 10046509 09919396 09904743 08725454 08723467 10977358 SC576947 11082473 98327
Daniel Hobson	Senior Investment Manager (Head of Infrastructure)	GLIL Corporate Holdings Limited GLIL Corporate Holdings 2 Limited Rock Rail East Anglia (Holdings) 1 Limited Rock Rail East Anglie (Holdings) 2 Limited Rock Rail East Anglia PLC Clyde Windfarm (Scotland) Limited Camulodunum Investments Limited	10046509 10824179 10266130 09918883 10360543 SC281105 11108175
Andrew Hall	Investment Manager	GMPF UT (Second Unit Holder) Limited Matrix Homes (General Partner) Limited Plot 5 First Street GP Limited Plot 5 First Street Nominee Limited Manchester Charles Street Residential (ELP GP) Limited Manchester Charles Street Residential (SLP GP) Limited Island Site (General Partner) Limited Island Site (Nominee) Limited	08725454 08980059 09904743 09919396 10977358 SC576947 11532059 11532379

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		Manchester New Square (General Partner) Limited	11082473
Kevin Etchells	Investment Manager	Island Site (General Partner) Limited Island Site (Nominee) Limited	11532059 11532379
Neil Charnock	Head of Legal Services	Hive Bethnal Green Limited	09362438

The above receive no remuneration for these directorships.

Under legislation introduced in 2003/04, Councillors were entitled to join the pension scheme. However, separate legislation came into effect from 2014 rescinding this and all Councillors in the LGPS had their benefits deferred on expiry of their terms of office.

The following members of the Management and Advisory Panels are consequently deferred pensioners:

<b>Name</b>	<b>Position</b>
Cllr J Fitzpatrick	Councillor member
Cllr S Quinn	Councillor member
Cllr D Ward	Councillor member
Cllr C Patrick	Councillor member
Cllr T Halliwell	Councillor member

In addition, the following Members of the Management and Advisory Panels, having attained the appropriate age or other criterion, are in receipt of pension benefits:

<b>Name</b>	<b>Position</b>
Cllr G Cooney	Councillor member
Cllr M Smith	Councillor member
Cllr S Quinn	Councillor member
Cllr J Lane	Councillor member
Cllr J Taylor	Councillor member
Cllr A Mitchell	Councillor member
Cllr J Pantall	Councillor member

The following Members of the Management and Advisory Panels and the Local Board are deferred pensioners by virtue of their membership of GMPF in current or previous employments:

<b>Name</b>	<b>Position</b>
Cllr M Smith	Councillor member
Cllr C Patrick	Councillor member

The following Members of the Management and Advisory Panels and the Local Board, by virtue of their membership of GMPF in previous employments and attaining the appropriate age or other criterion, are in receipt of pension benefits:

<b>Name</b>	<b>Position</b>
Cllr V Ricci	Councillor member
R Paver	Employer representative
F Llewellyn	Employee representative
M Fulham	Employee representative
J Thompson	Employee representative
P Catterall	Scheme member representative

Each member of the Local Board, the GMPF Management and Advisory Panels and Working Groups formally considers declarations of interest at each meeting. In addition, an annual return of all declarations of interest is obtained from the Members by their respective Councils. Those relevant to GMPF Management Panel or Board membership, i.e. where the organisation is a GMPF contributing employer, are listed below:

<b>Name</b>	<b>Position &amp; Organisation</b>	<b>Organisation relationship with GMPF</b>
Cllr B Warrington	Member of Greater Manchester Combined Authority	Contributing employer
Cllr G Cooney	Employee of Manchester City Council Director of Jigsaw Homes Group (Reg No 29433R) Director of Ashton Pioneer Homes Limited (Reg.No. 03383565) Director of Pioneer Homes Services Limited (subsidiary of Ashton Pioneer Homes Limited) (Reg.No. 06546606) Director of Ashton Pioneer Homes Developments Limited (subsidiary of Ashton Pioneer Homes Limited) (Reg.No. 03989251) Director of Mechanics' Centre Limited (Reg.No. 01983373)	Contributing employer Contributing employer Contributing employer Contributing employer Contributing employer Contributing employer
Cllr M Smith	Employee of Manchester Working Ltd	Contributing employer
Cllr B Fairfoull	Member of Manchester Airport Consultative Committee	Contributing employer
Cllr J Fitzpatrick	Trustee of Homestart	Contributing employer
Cllr J Taylor	Chairman of Tameside Sports Trust (Reg.No. 03531443)	Contributing employer
Cllr S Quinn	Member of North West Employers Association	Contributing employer
Cllr S O'Neill	Member of Greater Manchester Combined Authority	Contributing employer
Cllr M Barnes	Employee of University of Salford	Contributing employer
Cllr C Ball	Substitute Member Greater Manchester Combined Authority Health Scrutiny Committee	Contributing employer
Cllr P Andrews	Director of Manchester Working Limited Member of Manchester Airport Consultative Committee Director of Mechanics' Centre Limited (Reg.No. 01983373)	Contributing employer Contributing employer Contributing employer
P Herbert	Employee of Ministry of Justice	Contributing employer
K Drury	Employee of University of Manchester	Contributing employer
A Flatley	Employee of Bolton MBC	Contributing employer
P McDonagh	Employee of Manchester City Council	Contributing employer
M Fulham	Employee of Bury MBC	Contributing employer
R Paver	Employee of Greater Manchester Combined Authority	Contributing employer

**Greater Manchester Pension Fund Statement of Accounts 2018/19**

	Member of the Executive Board of Transport for Greater Manchester	Contributing employer
	Director of MIDAS limited (Reg.No. 03323710)	Contributing employer
	Director of Education and Leadership Trust (Reg.No. 08913502)	Contributing employer
M Rayner	Employee of Stockport MBC	Contributing employer
D Schofield	Employee of Manchester City Council	Contributing employer
J Hammond	Employee of Bury MBC	Contributing employer
C Lloyd	Employee of Tameside MBC	Contributing employer
C Goodwin	Employee of University of Manchester	Contributing employer
P Taylor	Employee of LTE Group	Contributing employer

The administering authority, Tameside MBC, falls under the influence of The United Kingdom Ministry of Housing, Communities and Local Government. GMPF may have significant holdings of UK Government bonds depending on investment decisions

**19. Employer related investment**

As at 31 March 2019 GMPF had amounts on short-term loan to two contributing employers: Salford City Council £5,000,000 (2018 £5,000,000) and Greater Manchester Combined Authority £30,000,000 (2018 £75,000,000). The investments were made by GMPF as part of its day-to-day treasury management activities.

As at 31 March 2018 GMPF had £27,000,000 on short-term loan to Stockport MBC. This was repaid during 2018/19. There was £nil on loan to this employer at 31 March 2019.

As part of its normal investment activities conducted through its investment fund managers, GMPF owns shares with a market value of £11,046,090 (2018 £10,717,000) in First Group PLC, which is the ultimate parent company of three subsidiaries who are contributing employers to GMPF.

GMPF has a minor holding in the Airport City joint venture, which is developing land adjacent to Manchester Airport for commercial use. The main stakeholder at Airport City being Manchester Airport Group, which is a contributing employer to GMPF.

GMPF has formed a joint venture with Manchester City Council, a contributing employer to GMPF, known as Matrix Homes, to develop residential property for both sale and to rent, at sites across Manchester.



**20. Contributions received and benefits paid during the year ending 31 March**

Contributions Received 2018 £m	Benefits Paid 2018 £m		Contributions Received 2019 £m	Benefits Paid 2019 £m
(31)	39	Bolton Borough Council	(30)	41
(21)	27	Bury Borough Council	(21)	27
(57)	95	Manchester City Council	(60)	101
(48)	32	Oldham Borough Council	(7)	34
(24)	34	Rochdale Borough Council	(25)	35
(24)	39	Salford City Council	(26)	40
(58)	32	Stockport Borough Council	(9)	32
(48)	31	Tameside Borough Council (administering authority)	(6)	34
(41)	25	Trafford Borough Council	(5)	25
(34)	40	Wigan Borough Council	(35)	42
(224)	214	Other scheme employers *	(246)	226
(130)	140	Admitted bodies *	(123)	167
<b>(740)</b>	<b>748</b>		<b>(593)</b>	<b>804</b>

\* A full list of all scheme and admitted bodies can be found in the GMPF Annual Report 2018/19 which will be available at [www.gmpf.org.uk](http://www.gmpf.org.uk).

**21. Investment Strategy Statement and Funding Strategy Statement**

GMPF has published an Investment Strategy Statement and a Funding Strategy Statement. Both documents can be found on its website - [www.gmpf.org.uk](http://www.gmpf.org.uk).

**22. Actuarial Review of GMPF**

GMPF's last Actuarial valuation was undertaken as at 31 March 2016. A copy of the valuation report can be found on the GMPF website –

<http://www.gmpf.org.uk/documents/policies/actuarialvaluation/2016.pdf>

The funding policy is set out in the Funding Strategy Statement (FSS) dated March 2017. The key funding principles are as follows:

- to ensure the long-term solvency of GMPF as a whole and the solvency of each of the notional sub-funds allocated to individual employers;
- to ensure that sufficient funds are available to meet all benefits as they fall due for payment;
- to ensure that employers are aware of the risks and the potential returns of the investment strategy;

- to help employers recognise and manage pension liabilities as they accrue, with consideration as to the effect on the operation of their business where the Administering Authority considers this to be appropriate;
- to try to maintain stability of employer contributions;
- to use reasonable measures to reduce the risk to other employers, and ultimately to the Council Tax payer, from an employer ceasing participation or defaulting on its pension obligations;
- to address the different characteristics of the disparate employers or groups of employers to the extent that this is practical and cost-effective; and
- to maintain the affordability of GMPF to employers as far as is reasonable over the longer term.

The valuation revealed that GMPF's assets, which at 31 March 2016 were valued at £17,325 million, were sufficient to meet 93% of the present value of promised retirement benefits earned. The resulting deficit was £1,371 million.

The key financial assumptions adopted for the 2016 valuation were:

Financial Assumptions	31 March 2016	
	% p.a. Nominal	% p.a. Real
Discount rate	4.20%	2.10%
Pay Increases *	2.20% / 2.90%	0.1% / 0.8%
Price Inflation/Pension increases	2.10%	-

*\* A salary increase assumption of 2.2% p.a. was adopted for the Metropolitan Borough Councils, National Probation Service and the Police and Crime Commissioner. For all other employers a salary increase assumption of 2.9% p.a. was used.*

The liabilities were assessed using an accrued benefits method that takes into account pensionable membership up to the valuation date. It also makes an allowance for expected future salary growth to retirement or expected earlier date of leaving pensionable membership.

### **23. Stock lending**

GMPF's custodian, J.P. Morgan, is authorised to release stock to third parties under a stocklending agreement. Under the agreement, GMPF does not permit J.P. Morgan to lend UK or US equities.

At the year end the value of stock on loan was £163,500,000 (31 March 2018: £134,900,000) in exchange for which the custodian held collateral at fair value of £176,700,000 (31 March 2018: £139,800,000), which consisted exclusively of UK, US, and certain other government bonds.

**24. AVC Investments**

GMPF provides an Additional Voluntary Contributions (AVC) scheme for its contributors, the assets of which are invested separately from GMPF. Therefore, these amounts are not included in the GMPF accounts in accordance with regulation 4(2)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (SI 2009 No 3093).

GMPF's main AVC provider is Prudential where the sums saved are used to secure additional benefits on a money purchase basis for those contributors electing to pay additional voluntary contributions. The funds are invested in a range of investment products including with profits, fixed interest, equity, cash, deposit, property, and socially responsible funds, as follows:

Contributions paid	£9,053,814
Units purchased	1,944,669
Units sold	1,293,012
<b>Fair value as at 31 March 2019</b>	<b>£73,182,280</b>
Fair value as at 31 March 2018	£71,672,439

**25. Actuarial present value of promised retirement benefits**

CIPFA's Code of Practice on Local Authority Accounting 2018/19 requires administering authorities of LGPS funds to disclose the actuarial present value of promised retirement benefits in accordance with IAS26 Accounting and Reporting by Retirement Benefit Plans.

No allowance has been made for the potential impact of the recent legal proceedings relating to the equalisation of Guaranteed Minimum Pensions between men and women or the findings of the Court of Appeal in relation to claims of age discrimination in the Firefighters' and Judges' pension schemes. These rulings may have an impact for the LGPS but the timescales and financial impact are not yet clear. In particular Government may appeal the age discrimination findings and any remediation required could impact the outcome of the LGPS cost cap process set out in the Public Service Pensions Act 2013. The Government Actuary's Department (GAD) is currently undertaking an assessment of the potential financial impact across the LGPS as a whole, but the outcomes will likely differ at the LGPS fund and individual employer level.

This value has been calculated by GMPF's Actuary, Hymans Robertson LLP, using the assumptions below.

**Assumptions used**

The assumptions used are those adopted for the administering authority's IAS19 Employee Benefits report at each year end as required by the CIPFA Code of Practice on Local Authority Accounting 2018/19.

## Financial Assumptions

31 March 2018 % p.a.		31 March 2019 % p.a.
2.4%	Inflation/pension increase rate	2.5%
2.5%	Salary increase rate	2.6%
2.7%	Discount rate	2.4%

## Mortality

Life expectancy is based on GMPF's VitaCurves with improvements in line with the CMI 2013 model, assuming the current rate of improvements has reached a peak and will converge to a long term rate of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current pensioners	21.5 years	24.1 years
Future pensioners*	23.7 years	26.2 years

\* future pensioners are assumed to be currently aged 45

## Commutation

An allowance is included for future retirements to elect to take 55% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 80% of the maximum tax-free cash for post-April 2008 service.

## Value of promised retirement liabilities

31 March 2018 £m		31 March 2019 £m
27,281	Present value of promised retirement benefits	30,555

Liabilities have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2016.

## Sensitivity analysis

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below.

As at 31 March 2018		Change in assumptions at year ended 31 March	As at 31 March 2019	
Approximate % increase to promised retirement benefits	Approximate monetary amount (£m)		Approximate % increase to promised retirement benefits	Approximate monetary amount (£m)
8%	2,182	0.5% increase in the Pension Increase Rate	8%	2,444
2%	546	0.5% increase in the Salary Increase Rate	2%	611
3%	818	1 year increase in member life expectancy	3%	917
10%	2,728	0.5% decrease in Real Discount Rate	11%	3,361

It should be noted that the above figures are only appropriate for the preparation of the accounts of GMPF. They should not be used for any other purpose.

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