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AUDIT PANEL

Day: Monday
Date: 29 July 2019
Time: 1.00 pm
Place: Committee Room 2 - Tameside One

Item No.	AGENDA	Page No
1.	APOLOGIES FOR ABSENCE To receive any apologies for the meeting from Members of the Panel.	
2.	DECLARATIONS OF INTEREST To receive any declarations of interest from Members of the Panel.	
3.	URGENT ITEMS To consider any additional items the Chair is of the opinion shall be dealt with as a matter of urgency.	
4.	MINUTES The Minutes of the meeting of the Audit Panel held on 4 June 2019 to be signed by the Chair as a correct record.	1 - 8
5.	MAZARS - ASSURANCE FROM AUDIT PANEL CHAIR AND MANAGEMENT 2018/2019 To consider the attached report of the Director of Finance / Director of Governance and Pensions.	9 - 24
6.	EXTERNAL AUDIT COMPLETION REPORT To consider the attached report of the Executive Member for Finance and Economic Growth / Director of Finance	25 - 86
7.	STATEMENT OF ACCOUNTS 2018/19 To consider the attached report of the Executive Member for Finance and Economic Growth / Director of Finance	87 - 290
8.	ANNUAL GOVERNANCE STATEMENT 2018-19 To consider the attached report of the Executive Member for Finance and Economic Growth / Director of Finance	291 - 312
9.	TREASURY MANAGEMENT OUTTURN 2018/19 To consider the attached report of the Executive Member for Finance and Economic Growth / Director of Finance	313 - 326

From: Democratic Services Unit – any further information may be obtained from the reporting officer or from Michael Garraway, Democratic Services on 0161 342 3178 or Michael.Garraway@tameside.gov.uk, to whom any apologies for absence should be notified.

Item No.	AGENDA	Page No
10.	PROGRESS REPORT ON RISK MANAGEMENT AND AUDIT ACTIVITIES APRIL TO JUNE 2019 To consider the attached report of the Executive Member for Finance and Economic Growth / Director of Finance	327 - 344
11.	AUDIT PANEL FORWARD PLAN To consider the attached report of the Executive Member for Finance and Economic Growth / Director of Finance	345 - 356

From: Democratic Services Unit – any further information may be obtained from the reporting officer or from Michael Garraway, Democratic Services on 0161 342 3178 or Michael.Garraway@tameside.gov.uk, to whom any apologies for absence should be notified.

Agenda Item 4.

AUDIT PANEL

4 June 2019

Commenced: 2.00 pm

Terminated: 2.35 pm

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

In Attendance:

Sandra Stewart	Director of Governance and Pensions
Kathy Roe	Director of Finance
Tom Wilkinson	Assistant Director of Finance
Heather Green	Finance Business Partner
Wendy Poole	Head of Risk Management and Audit Services

Apologies for Absence: Councillors Kitchen, Ryan and Dickinson

1. DECLARATIONS OF INTEREST

There were no declarations of interest submitted by Members of the Audit Panel.

2. MINUTES

The Minutes of the proceedings of the meeting of the Audit Panel held on 12 March 2019 were agreed as a correct record.

3. MAZARS ASSURANCE REPORT 2018-19

Consideration was given to a report of the Director of Finance advising that as part of their risk assessment procures Mazars were required to obtain an understanding of management processes in relation to fraud risk assessment, laws and regulations and going concern considerations are part of their annual audit. The report represented 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.

RESOLVED

- (i) That the content of the report and the responses detailed in Appendices 1 and 2 to the report be noted.
- (ii) That the schedules be signed by the Chair of the Audit Panel and the Director of Finance.

4. REVIEW OF INTERNAL AUDIT 2018-19

The Director of Finance submitted a report, which reviewed the effectiveness of Internal Audit and measured practices and performance of the Internal Audit function with the standards set out in the Public Sector Internal Audit Standard, which contributed to the overall effectiveness of the system of internal control.

It was reported that a Peer Review of Internal Audit had been undertaken by Blackpool Council and Bolton Council during 12–14 March 2018. An outcome report was presented to the Audit Panel in

May 2018 containing five recommendations and three additional development areas included in the Quality Assurance and Improvement Plan for 2018/19. Reference was made to the progress against the recommendations and improvements summarised in the report.

Internal Audit had three key performance indicators and for 2017/18 all targets were either met or exceeded: 92% of the Plan had been completed, 93% of recommendations had been implemented and there had been 100% customer satisfaction.

It was reported that the Chartered Institute of Public Finance and Accountancy issued a Code of Practice in 2014 entitled "Code of Practice on Managing the Risk of Fraud and Corruption". The self-assessment had been reviewed and the work of Internal Audit in terms of proactive and reactive fraud work provided assurance that the requirements of the code were being adhered to. This in turn provided evidence for the assessment of Internal Audit against the Public Sector Internal Auditing Standards.

In addition, a self-assessment had been undertaken against the checklist published in the report by CIPFA on the role of the Head of Internal Audit as part of the review of the system of internal audit and the Head of Internal Audit was in full compliance with the five principles and the supporting standards. The system of internal control included the role of the Audit Panel which had operated in accordance with best practice and guidance from CIPFA for 2018/19.

The report concluded that the Peer Review conducted in March 2018 and the self-assessment undertaken in April 2019 confirmed that Internal Audit conformed to the requirements of the Public Sector Internal Audit Standards, as demonstrated in Appendix 2 to the report.

Internal Audit helped the organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. The positive comments received from the Peer Review, together with the positive comments from Senior Management Teams / Executive Members, demonstrated that the Council had an adequate and effective Internal Audit function, which contributed to the overall effectiveness of the system of internal control.

RESOLVED

That the report be noted.

5. CORPORATE RISK REGISTER UPDATE

The Director of Finance presented the revised and updated Corporate Risk Register to ensure that the risks were recorded against the correct Director and presented an up to date view of the corporate risks facing the Council. The revised format detailed:

- Corporate Plan Theme;
- Risk Number;
- Risk Description;
- Evaluation of Controls;
- Impact Score;
- Likelihood Score;
- Risk Rating (Impact / Likelihood);
- Risk Owner (Director); and
- Responsible Assistant Director / Service Unit Manager.

In terms of development work, the Panel heard that a detailed review of the risk management process was being undertaken to compare processes with best practice including the revised ISO 3100 (2018) for Risk Management, practices across other local authorities and the Tameside and Glossop Clinical Commissioning Group.

The Corporate Risk Register would be further reviewed to ensure that the risks link to both the themes and priorities in the Corporate Plan.

RESOLVED

- (i) That the Corporate Risk Register attached at Appendix 1 to the report be approved.**
- (ii) That the development work outlined in the report be noted.**

6. RISK MANAGEMENT AND AUDIT SERVICES ANNUAL REPORT 2018-19

The Head of Risk Management and Audit Services submitted a report, which summarised the work performed by the Service Unit and provided assurances as to the adequacy of the Council's system of internal control.

The key achievements of the service unit for 2018/19 were highlighted and included:-

- The Internal Audit function was judged to be compliant with the Public Sector Internal Audit Standards following an External Peer Review in March 2018, and the recommendations from the review had 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 was 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 the 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 Office and for the second year, no recommendations were received.
- Progress towards compliance with GDPR and the Data Protection Act 2018 were ongoing despite limited resources being available.
- Cashable savings of approximately £105,000 had been identified as a result of fraud related investigations.

It was explained that the report presented to the Audit Panel in May 2018 provided an overview of the work planned for 2018/19. The plan, as reported during the year, had been revised to ensure that it was aligned to changes in service priorities, risks, directorate structures and resources available.

The full year position of the audit plan by Directorate / Service Area was detailed, which displayed the approved and revised plan for 2018/19, actual days as at 31 March 2019 and the percentage completed. In terms of the overall plan 1,669 actual days were delivered against a revised plan of 1,654.

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 for 2018/19, compared to 2017/18 and 2016/17, was provided.

With regard to anti-fraud work, 26 cases had been investigated during the period April 2018 to March 2019 and a table detailing the investigations by fraud type, value, the amount recovered to date and potential annual savings was provided. Fourteen of the cases involved frauds perpetrated against the Council by claimants or third parties. Several of the cases were still being investigated or prepared for prosecution therefore the value of the fraud could change as the case progresses.

In relation to the National Fraud Initiative 2018 data matching exercise, it was reported that the majority of the investigations had been finalised and the results were summarised.

The report further detailed the following:-

- National Anti-Fraud Network;
- Risk Management and Insurance;
- Performance indicators;
- Public Sector Internal Audit Standards;
- Quality Assurance and Improvement Programme;
- Independence of Internal Audit; and
- Audit opinion based on results of 2017/18 activity.

The report concluded that reasonable assurance should be taken as arrangements to secure governance, risk management and internal control were suitably designed and effectively applied. It was accepted that the gross risk for the Council had increased in recent years (due to reduced capacity, whilst still having to deliver a significant change programme to meet financial challenges). Controls were in place to mitigate these risks and where improvements had been highlighted, managers had agreed to implement the suggested recommendations. This would aid the management of risk and support the overall control environment.

RESOLVED

That the report be noted.

7. ANNUAL GOVERNANCE REPORT

The Director of Finance presented the Governance Report comprising of three elements as follows:

1. The Draft Annual Review against the Code of Corporate Governance for 2018/19;
2. The Draft Annual Governance Statement for 2018/19;
3. The Draft Code of Corporate Governance for 2019/21.

The Annual Review against the Code of Corporate Governance had been completed assessing the Council's position against the approved Code of Corporate Governance in order to demonstrate compliance, ongoing development / improvement and to prepare for the compilation of this year's Annual Governance Statement required by the Accounts and Audit Regulations 2015. The draft Annual Review against the Code of Conduct was attached to the report at Appendix 1.

Members were advised that the preparation and publication of an Annual Governance Statement was necessary to meet the requirements set out in Regulation 6 of the Accounts and Audit Regulations 2015. The draft Annual Governance Statement for 2018/19 had been drawn up using guidance contained within Delivering Good Governance in Local Government – framework issued in 2016 and was attached at Appendix 2 to the report. This was a corporate statement covering both Tameside and Greater Manchester Pension Fund 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.

The draft Code of Corporate Governance which complied with the Delivering Good Governance Framework of 2016 was last approved in May 2016 for a three year period and therefore needed to be further approved for 2019 onwards and was attached to the report at Appendix 3.

The Draft Annual Governance Statement would be signed off by the Director of Finance for submission to Mazars in line with the statutory deadline as it needed to accompany the Draft Statement of Accounts. The final version incorporating any updates and comments from Mazars would be presented to the Audit Panel in July for approval following which it would be signed by the Executive Leader and the Chief Executive and presented formally to Mazars.

RESOLVED

- (i) That the Draft Annual Review against the Code of Corporate Governance for 2018/19 be approved.**
- (ii) That the Draft Annual Governance Statement for 2018/19 be approved.**
- (iii) That the Draft Code of Corporate Governance for 2019/20 be approved.**

8. RISK MANAGEMENT AND AUDIT SERVICES PLANNED WORK 2019-20

The Head of Risk Management and Audit Services submitted a report, which presented the planned work for the Risk Management and Audit Service for 2019/20. The report set out in detail the work of Internal Audit and presented the Annual Audit Plan for 2019/20, which was appended to the report. It also highlighted the planned work in relation to Counter Fraud / Investigation Work, the Risk Management and Insurance Team and the National Anti-Fraud Network – Data and Intelligence Services.

The Head of Risk Management and Audit Services explained that the Plan was reviewed and revised each year to take into account service and legislative changes, which could result in large shifts in priorities and culminated in the production of the Annual Audit Plan.

It was reported that Audits were prioritised based on an assessment of risk and allocated a numerical risk score, which equated to either 'High, Medium/High, Medium, Low/Medium or Low'. A range of factors were taken into account, which were outlined. The audit management system used held the entire list of all audits to be undertaken and was used as part of the consultation process with Executive Members, Directors, Assistant Directors, Heads of Service and in some cases Service Unit Managers which was carried out during March.

The Annual Plan for 2019/20 was appended to the report and detailed 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.

The report provided a summary of the key audits to be undertaken and the total days required to deliver the plan were 1,515 days which had been balanced to resources available. It was further reported that the Plan would be kept under constant review and regular meetings would be held with

Executive Members and the Senior Management Team to ensure that it reflected the key risks for the Council going forward as it continued to change in shape and size to meet the financial challenges placed upon it.

The report also detailed the following:-

- Internal Audit Staffing
- Internal Audit Reporting Process
- Annual Governance Statement
- Internal Audit Strategy and Charter
- Quality Assurance and Improvement Programme
- Proactive Fraud Work / Irregularity Investigations
- Risk Management and Insurance
- National Anti-Fraud Network - Data and Intelligence Services
- Performance Monitoring
- Member Training

RESOLVED:

- (i) **That the draft Internal Audit Plan for 2019/20 be approved and the planned work for the Risk Management and Insurance Team and the National Anti-Fraud Network Team be noted.**
- (ii) **That the Audit Strategy for 2019/20 be approved.**
- (iii) **That the Audit Charter for 2019/20 be approved.**
- (iv) **That the Quality Assurance and Improvement Programme for 2019/20 be approved.**

9. ACCOUNTING POLICIES 2018/19

The Director of Finance submitted a report, which provided 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). A 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 2018/19 statement of accounts.

Officers had considered the impact of IFRS9 and IFRS15 and assessed their impact as follows:

- Officers had reviewed all financial assets categorised as Financial Instruments against the requirements of IFRS9. Changes were required to the classification of financial assets and the accounting policies as a result of this change to the Code.
- A review of all revenue streams had been undertaken and it had been determined that the adoption of IFRS15 did not have any material impact on the recognition of revenue in the Council's accounts. No changes to the accounting policies were required as a result.

Reference was made to Appendix 1 to the report where the amendments to the accounting policies in section four were highlighted.

RESOLVED

That the amendments to section 4 of the accounting policies detailed in Appendix 1 to the report be approved.

10. 2018/19 DRAFT STATEMENT OF ACCOUNTS

Consideration was given to a report of the Director of Finance presenting the draft Statement of Accounts for 2018/19. The draft accounts were subject to audit during June and July with the audit due for completion and sign off before 31 July 2019.

The key messages included that the Comprehensive Income and Expenditure Statement reported an overall deficit for the year of £71,007k. This deficit was for accounting purposes only and included a number of non-cash items where were not funded from the Council's resources. The revenue outturn position reported to members in June 2019 was an overall underspend on the revenue budget for 2018/19 of £26k.

Reference was made to the Movement in Reserves Statement summarising the movements on the different reserves held by the Council. The level of earmarked reserves held by the Council had reduced during 2018/19 due to the planned use of reserves to fund capital expenditure and to fund investment in Children's Social Care.

The overall net assets of the Council reported on the Balance Sheet had reduced significantly during the year in part due to the planned reduction in usable reserves, but also reflected the increase in the actuarial valuation of the Council's Local Government Pension Scheme Liabilities.

In terms of the Collection Fund, the 2018/19 outturn position was 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 were both lower than originally anticipated. The cumulative deficit on Business Rates would be funded from the NNDR deficit reserve in 2019/20. The cumulative surplus on Council Tax would be transferred to earmarked reserves in 2019/20, and the Medium Term Financial Plan assumed that this surplus would be used to support the budget over the next five years.

RESOLVED

That the draft Statement of Accounts 2018/19 and the timescales for completion of the audit be noted.

CHAIR

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Agenda Item 5.

Report To:	AUDIT PANEL
Date:	29 July 2019
Reporting Officer:	Kathy Roe – Director of Finance Sandra Stewart – Director of Governance and Pensions
Subject:	MAZARS – ASSURANCE FROM AUDIT PANEL CHAIR AND MANAGEMENT 2018/2019
Report Summary:	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 in respect of Greater Manchester Pension Fund for consideration by the Panel ahead of the document being signed by the Chair of the Audit Panel, Chair of Pensions Panel and the Director of Finance.
Recommendations:	That members comment and challenge the responses detailed in Appendices A and 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.
Corporate Plan:	The Report demonstrates the Council, including Greater Manchester Pension Fund, is committed to high levels of Corporate Governance.
Policy Implications:	External audit of the Council supports the achievement of Council objectives and demonstrates a commitment to high standards of corporate governance.
Financial Implications: (Authorised by Section 151 Officer)	There are no direct financial implications.
Legal Implications: (Authorised by the Borough Solicitor)	Demonstrates compliance with the International Auditing Standards.
Risk Management:	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.
Access to Information:	The background papers can be obtained from the author of the report, Paddy Dowdall, Assistant Executive Director (Pensions) by:  Telephone: 0161 301 7140  e-mail: paddy.dowdall@tameside.gov.uk

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, PENSIONS PANEL CHAIR AND MANAGEMENT

- 2.1 A letter was sent to the Chair of the Audit Panel and Chair of Pensions 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 (including the Pension Fund) 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 on the front of the report.

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ASSURANCE PROVIDED BY THOSE CHARGED WITH GOVERNANCE GMPF 2018/19

Ref	Question	Panel 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 and Fund have assessed the risk of material misstatement in the financial accounts and measures to mitigate the risks have been 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 Pension Fund has an experienced 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. On an ongoing basis regular monitoring is undertaken, and there are reconciliations between investment managers and custodian for investments and with the actuary for benefits and contributions through the Heat system</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	Panel 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. Investment Professionals, Accountants, Solicitors, and Auditors) 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 and Pension Fund Working Groups 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 Pension Fund Working Groups, 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-</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	Panel Response
	<p>compliance during 2018/19? If so, please provide details.</p>	
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>	No
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 Pensions and documented through the Funding Strategy Statement.</p> <p>We believe that the Fund's GMPF's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the Fund's GMPF's needs. We believe that no further disclosures relating to the GMPF's ability to continue as a going concern need to be made in the financial statements.</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>	No
10	<p>Do you suspect fraud may be occurring within the organisation?</p>	<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 Pension Fund working groups, and the Standards Panel by the Head of Risk Management and Assurance.</p>
11	<p>Have you identified any specific fraud risks within the Council/Pension Fund?</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 by officers at seminars, fraud groups and</p>

Ref	Question	Panel Response
		<p>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> <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 is 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?	Fraud Response Plan and Whistleblowing Policy in place and available on the intranet/internet.

Ref	Question	Panel Response
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 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
20	Could a false accounting entry escape detection? If so, how?	No 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?	No

Ref	Question	Panel Response
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 and Pension Fund 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:

.....
Councillor Brenda Warrington

Chair Of Greater Manchester Pension Fund

.....
Councillor Vincent Ricci

Chair of Audit Panel Tameside Council

Chair of Audit Panel

Date: 5 June 2018

UNDERSTANDING MANAGEMENT PROCESSES AND ARRANGEMENTS GMPF 2019

	Question	Management Response
1	What processes are in place at the Council GMPF 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 measures to mitigate the risks have been 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 Pension Fund has an experienced 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. On an ongoing basis regular monitoring is undertaken, and there are reconciliations between investment managers and custodian for investments and with the actuary for benefits and contributions through the Heat system</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 communicate to the Audit Panel the	<p>The Head of Risk Management and Audit presents reports to the Audit Panel throughout the year as follows:</p> <ul style="list-style-type: none"> • Planned Work Report – May • Progress Reports – October and March

	Question	Management Response
	processes for identifying and responding to fraud or error?	<ul style="list-style-type: none"> Annual Report – May <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?	No
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 transactions with these related parties during the year to 31 March 2019.	<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 Finance and Director of Finance.</p> <p>The review of related parties for 2018/19 is currently in progress and will be concluded by early May 2019.</p>
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)?	No

	Question	Management Response
9	Do you suspect fraud may be occurring within the organisation?	No
10	Have you identified any specific fraud risks within the Council or Pension Fund?	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.
11	Are you satisfied that internal controls, including segregation of duties, exist and work effectively (if 'yes', please provide details)?	<p>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 and GMPF Working Groups by the Head of Risk Management and Audit Services. 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.</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>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.
14	What concerns about fraud are staff expected to report?	The Whistleblowing 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	No

	Question	Management Response
	fraud?	
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
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?	No
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	No pressure is being applied or incentives offered to meet financial or operating targets. All senior officers within the GMPF Team are members of professional bodies and bound by a code of ethics.

	Question	Management Response
	incentives offered, to you or colleagues to meet financial or operating targets?	
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:

Kathy Roe

Director of Finance (Section 151 Officer)

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Agenda Item 6.

Report to:	AUDIT PANEL
Date:	29 July 2019
Executive Member / Reporting Officer:	Councillor Ryan, Executive Member for Finance and Economic Growth Kathy Roe – Director of Finance
Subject:	EXTERNAL AUDIT COMPLETION REPORT
Report Summary:	This report highlights the key matters arising from Mazars' external audit of the 2018/19 financial statements for both Tameside MBC (TMBC) and the Greater Manchester Pension Fund (GMPF). This report also incorporates the annual Value for Money conclusion.
Recommendations:	It is recommended that Panel: <ol style="list-style-type: none">1. Considers the matters raised in the reports;2. Notes that both the proposed adjustments and unadjusted items in the TMBC accounts (Section 2 of this report) relate to accounting adjustments which do not have any impact on the Council's General Fund or Usable reserves;3. Agrees to the adjustments and presentational changes to the accounts, as detailed in in the Audit Completion Reports (Appendix 1 – TMBC, Appendix 2 – GMPF);4. Agrees that the unadjusted misstatements set out in the TMBC Audit Completion report (Appendix 1) are not material to the financial statements and do not require amendment;5. Notes the Unqualified Value for Money Conclusion included in the Tameside MBC Audit Completion report (Appendix 1); and6. Confirm that the Council has complied with all matters set out in the Letters of Representation and ensure that a signed copy is provided to the External Auditor.
Corporate Plan:	The Corporate Plan determines priorities for spending which is summarised in the 2018/19 accounts.
Policy Implications:	There are no direct policy implications flowing from the Statement of Accounts.
Financial Implications: (Authorised by the statutory Section 151 Officer & Chief Finance Officer)	<p>The Statement of Accounts 2018/19 provides full details of the Council's financial position at 31 March 2019 and its income and expenditure for the year ended 31 March 2019. The accounts are prepared in accordance with the CIPFA Code of Practice for Local Authority Accounting which is based on International Financial Reporting Standards.</p> <p>The Council was required to prepare draft financial statements by 31 May 2019. These draft financial statements have been subject to external audit and must be approved by the Audit Panel by 31 July 2019.</p>
Legal Implications: (Authorised by the Borough	Members need to satisfy themselves that the Council has complied with all matters set out in the letters of representation.

Solicitor)

Risk Management:

The external audit provides 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.

Access to Information:

The report is to be considered in public.

Background Information:

APPENDICES

- 1) Tameside Council Audit Completion Report
- 2) Greater Manchester Pension Fund Audit Completion Report
- 3) Tameside Council Letter of Representation
- 4) Greater Manchester Pension Fund Letter of Representation

The background papers relating to this report can be inspected by contacting Heather Green, Finance Business Partner

 Telephone: 0161 342 2929

 e-mail: heather.green@tameside.gov.uk

1. BACKGROUND

- 1.1 The Audit Completion Reports (ISA260) for Tameside MBC and the Greater Manchester Pension Fund, as attached at **Appendices 1 and 2**, present the findings and observations arising from the external audit of the Council and Pension Fund financial statements, and the Value for Money conclusion. The Audit Completion Reports are prepared by the external auditors, Mazars.
- 1.2 External audit are required to report on:
- whether the Council's financial statements give a true and fair view of the Council's financial position and the expenditure and income for the year;
 - whether the Pension Fund's financial statements give a true and fair view of the financial position of the Pension Fund and its income and expenditure for the year;
 - whether the financial statements have been prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting, and the Local Audit and Accountability Act 2014; and
 - to provide a conclusion in respect of the Council's arrangements for taking properly informed decisions, and to deploy resources to achieve planned and sustainable outcomes for tax payers and local people (the 'Value for Money' conclusion).
- 1.3 External audit also report on whether other information published together with the audited financial statements (including the Statement of Accounts, Annual Governance Statement (AGS) and Narrative Report), is materially inconsistent with the financial statements or knowledge obtained in the audit or otherwise appears to be materially misstated.
- 1.4 Many of the terms used in the Audit Findings Report are defined and have precise meanings. External audit apply the concept of materiality to determine the significance of any errors or amendments to the draft financial statements. Items are considered to be material if they could affect how a reader of the accounts might interpret or use the information presented in the accounts.
- 1.5 Materiality is specific to each Council, but any recommended changes must be considered for their individual and overall impact on the accuracy of the accounts as well as for the specific value of the change. For Tameside MBC, amounts of £0.328m or less are regarded as 'trivial'. Amounts, which are above this level but (in total) less than about £10.917 million are described as 'non-trivial'. Cumulative amounts above £10.917 million are regarded as material, although this may vary for different statements. For the Pension Fund, which has a fund value of more than £23.843 billion, amounts of £7 million or less are regarded as 'trivial'. Amounts, which are above this level but (in total) less than about £225 million are described as 'non-trivial'. Cumulative amounts above £225 million are regarded as material, although this may vary for different statements.

2. AUDIT FINDINGS

- 2.1 The audit of the Council's accounts is nearing completion and an update will be provided to the Audit Panel at the meeting on 29 July 2019. Mazars anticipate issuing an unqualified audit opinion before the end of July 2019, meeting the statutory deadline for the completion of the audit.
- 2.2 There are three non-trivial amendments to the Council's financial statements as set out in the Audit Completion Report, two of which are prior period adjustments. In addition the Audit completion report includes three non-trivial 'unadjusted misstatements'. These items are not material and have not been amended in the financial statements for the reasons set out below. A number of presentational amendments and disclosure adjustments have been made to improve the overall form and content of the financial statements.

- 2.3 None of the amendments or unadjusted items have an impact on the Council's General Fund or Usable Reserves.

TMBC Prior Period Adjustment – Heritage Assets

- 2.4 The Council holds a collection of Heritage Assets (Art Collections, Militaria, Civic Regalia, Statues and Monuments) which have been secured over many years from a variety of sources, being mainly bequeaths, donations and long term loans. Many of the assets acquired from these sources have restrictions attached which govern how the assets may be managed in the future.
- 2.5 When Heritage Assets were initially recognised on the balance sheet in 2011/12, the restrictions on the use of these assets were interpreted as conditions which resulted in the creation of a donated assets liability. The Code provides guidance on the interpretation of restrictions and conditions, and further review has determined that the restrictions on these assets should not have been treated as 'conditions' and the donated assets liability should not have been created. A Prior Period Adjustment has been reflected in the balance sheet at 1 April 2017 to correct this error. The amendment removes the donated assets liability of £10.658m and replaces the credit entry with an equal credit to the Capital Adjustment Account in line with the required accounting for Heritage Assets recognition where only restrictions are in place.
- 2.6 A further Prior Period Adjustment has also been reflected in the balance sheet at 1 April 2017 to correct the valuation of Heritage Assets. With the exception of Statues and other monuments (held at cost), Heritage Assets are reflected in the balance on the basis of insurance valuations which are completed as a minimum every five years. The most recent valuation took place in 2015 but this valuation had not been reflected in the statement of accounts in 2015/16. The prior period adjustment corrects the valuation of Heritage Assets by increasing the value held on the balance sheet by £4.549m, with an equal entry in the Revaluation Reserve (part of unusable reserves).

TMBC Prior Period Adjustment – Assets under Construction

- 2.7 A review of balances held as Assets under Construction has identified a number of balances which should have been written off in 2014/15 or 2015/16. Most of these balances related to work on schools which have subsequently converted to Academy Status and the assets have been derecognised from the balance sheet.
- 2.8 The balance sheet at 1 April 2017 has been adjusted to correct the Assets Under Construction balances to include only balances relating to Council Assets still under construction. The adjustment reduces the balance of Assets under Construction on the balance sheet by £5.903m with a corresponding entry in the Capital Adjustment Account.

2.9 TMBC Valuation of Investment Properties 2018/19

- 2.10 An adjustment has been made to the value of Investment Properties at 31 March 2019 to reflect a movement in the valuation of Ashton Market Hall which was omitted from the draft financial statements due to an error in the Asset Register. The adjustment reduces the value of Investment Properties by £2.501m with a corresponding adjustment in the Capital Adjustment Account.

TMBC Unadjusted Misstatements

- 2.11 The Audit Completion Report for TMBC includes three 'unadjusted misstatements'. These items have not been amended in the financial statements due to their nature or value, and

none of these items has an impact on the Council's General Fund or Usable Reserves. The first item relates to the estimate of the Pensions Liability which is determined by the expert pensions actuary. The actuary did not reflect the potential impact of the Guaranteed Minimum Pension and McCloud legal cases in his estimate of the Pension liability at 31 March 2019 due to the significant level of uncertainty surrounding the impact on future liabilities. The Pension Liability in the TMBC accounts is £345.145m and the estimated impact of the McCloud case is £6.1m. Both these figures are estimates which are highly sensitive to changes in the assumptions behind the estimate. No amendment has therefore been made to the accounts for this item due the amount involved being an estimate and not material.

- 2.12 The other unadjusted misstatements relate to the valuation and classification of Property, Plant and Equipment (PPE). There is an estimated under-statement of the value of PPE of £0.473m due to discrepancies in the information provided to the external valuer in relation to one school site. No amendment has been made for this, due to the understatement being an estimate and the amount not being material. The final item relates to the classification of one item with a value of £0.650m which has been included as Land and Buildings when it should be included in Investment Properties. This item has not been amended because the value on the balance sheet is correct and the error relates to classification only.

GMPF

- 2.13 The audit of the Greater Manchester Pension Fund accounts is substantially complete. Mazars anticipate issuing an unqualified audit opinion before the end of July 2019, meeting the statutory deadline for conclusion of the audit. There is one non-trivial unadjusted misstatement which has not been amended as the impact is not material. There are no amendments to the financial statements. A number of other presentational amendments have been agreed, which improve the overall quality and presentation of the financial statements.

3. LETTER OF REPRESENTATION

- 3.1 **Appendix 3** includes the Letter of Representation for 2018/19 for Tameside and **Appendix 4** for the Pension Fund. The Panel are asked to confirm that the Council has complied with all matters set out in the Letter of Representation and ensure that a signed version is forwarded to the External Auditor. The Letters are signed by the Chair of Audit Panel and the Director of Finance.

4. VALUE FOR MONEY

- 4.1 Mazars are also required to provide a value for money conclusion. The draft conclusion set out in the Audit Completion Report (**Appendix 1**) follows a review of the arrangements put in place by the Council. External Audit are required to evaluate whether:

'In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for tax payers and local people.'

- 4.2 External Audit has focused their work on the Council's response to the OFSTED inspection of Children's Services in December 2016. The Audit Completion Report summarises the work undertaken and the conclusions reached. External Audit plan to issue an *unqualified* Value for Money Conclusion stating that the Council had proper arrangements in place to secure value for money. This is a change from the 2017/18 value for money conclusion which was qualified due to the Council's Children's Services function being judged by OFSTED as being inadequate. The subsequent assessment of Children's Services being

judged Requires Improvement by OFSTED and the recognition that the service has improved significantly has contributed significantly to the 2018/19 *unqualified* value for money conclusion.

5. RECOMMENDATIONS

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



Audit Completion Report

Tameside Metropolitan Borough Council

Year ended 31 March 2019

Draft v3

CONTENTS

1. Executive summary
2. Significant findings
3. Internal control recommendations
4. Summary of misstatements
5. Value for money conclusion

Appendix A – Draft management representation letter

Appendix B – Draft auditor’s report

Appendix C – Independence

Our reports are prepared in the context of the 'Statement of responsibilities of auditors and audited bodies' and the 'Appointing Person Terms of Appointment' issued by Public Sector Audit Appointments Limited.

Reports and letters prepared by appointed auditors and addressed to the Council are prepared for the sole use of the Council and we take no responsibility to any member or officer in their individual capacity or to any third party.

Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales.

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One St Peter's Square
Manchester
M2 3DE

Members of the Audit Panel
Tameside MBC
Tameside One
Market Place
Ashton Under Lyne
OL6 6BH

25 July 2019

Dear Members

Audit Completion Report – Year ended 31 March 2019

We are pleased to present our Audit Completion Report for the year ended 31 March 2019. The purpose of this document is to summarise our audit conclusions.

The scope of our work, including identified significant audit risks and other areas of management judgement, was outlined in our Audit Strategy Memorandum which we presented on 12 March 2019. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remain appropriate.

We would like to express our thanks for the assistance of your team during our audit.

If you would like to discuss any matters in more detail then please do not hesitate to contact me on 07721 234 043.

Yours faithfully

Karen Murray
Mazars LLP

Mazars LLP – One St Peter's Square, Manchester M2 3DE
Tel: 0161 238 9233 – www.mazars.co.uk

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We are registered to carry on audit work in the UK and Ireland by the Institute of Chartered Accountants in England and Wales. Details about our audit registration can be viewed at www.auditregister.org.uk under reference number C001139861.
VAT number: 839 8356 73

1. EXECUTIVE SUMMARY

Purpose of this report and principal conclusions

The Audit Completion Report sets out the findings from our audit of Tameside Metropolitan Borough Council ('the Council') for the year ended 31 March 2019, and forms the basis for discussion at the Audit Panel meeting on 29 July 2019.

The detailed scope of our work as your appointed auditor for 2018/19 is set out in the National Audit Office's (NAO) Code of Audit Practice. Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 and, as outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards of Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

Sections 2 and 5 of this report outline the detailed findings from our work on the financial statements and our conclusion on the Council's arrangements to achieve economy, efficiency and effectiveness in its use of resources. Section 2 also includes our conclusions on the audit risks and areas of management judgement in our Audit Strategy Memorandum, which include:

- Management override of control
- Valuation of land and buildings
- Valuation of net pension fund liability
- Valuation of the Council's shareholding in Manchester Airport
- Accounting for Tameside One building

Status of our work

As we outline on the following page, our work is substantially complete. Subject to the satisfactory completion of the outstanding work, at the time of issuing this report we have the following conclusions:

Opinion on the financial statements

We anticipate issuing an unqualified opinion, without modification, on the financial statements. Our proposed audit opinion is included in the draft auditor's report in Appendix B.

Value for Money conclusion

We anticipate concluding that the Council had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources. Our draft auditor's report, including proposed conclusion, is provided in Appendix B.

Whole of Government Accounts (WGA)

We anticipate completing our work on your WGA submission, in line with the group instructions issued by the NAO, by the deadline of 13 September 2019. We anticipate reporting that the WGA submission is consistent with the audited financial statements.

Wider powers

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and to consider any objection made to the accounts. No questions or objections have been raised.

1. EXECUTIVE SUMMARY

Status of our audit work

We commenced our on-site audit work on 1 July 2019 and plan to complete the audit by 31 July deadline, subject to receiving satisfactory responses to all of our queries. At the time of preparing this report the following matters remain outstanding:

Audit area	Status	Description of outstanding matters
Testing of land and buildings valuation		Completing testing of land and buildings valuation postings between the Comprehensive Income and Expenditure Statement and Revaluation Reserve.
General		Completion of a small number of audit tests and also sundry audit housekeeping matters and audit completion steps.
Whole of Government Accounts		The deadline set by the NAO for the completion of this work is 13 September 2019.
Signed final statements and signed Management Representation Letter		Following the Audit Panel on 29 July 2019, the Council will provide updated and signed copies of the financial statements, annual governance statement and Management Representation Letter.

Status

-  Likely to result in material adjustment or significant change to disclosures within the financial statements
-  Potential to result in material adjustment or significant change to disclosures within the financial statements
-  Not considered likely to result in material adjustment or change to disclosures within the financial statements

We will provide the Audit Panel with an update in relation to these outstanding matters in a follow-up letter, prior to signing the auditor's report.

1. EXECUTIVE SUMMARY

Our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum presented to the Committee in March 2019. We have not made any changes to our audit approach since we presented our Audit Strategy Memorandum.

Materiality

We set materiality at the planning stage of the audit at £11.138m using a benchmark of 2% of Gross Operating Expenditure. Our final assessment of materiality, based on the final financial statements and qualitative factors is £10.917m, using the same benchmark. We set our trivial threshold (the level under which individual errors are not communicated to the Audit Panel), at £0.328m based on 3% of overall materiality.

We have set a lower level of materiality for specific disclosures such as for senior officer's remuneration.

Misstatements and internal control recommendations

Section 3 sets out the internal control recommendations that we make.

Section 4 outlines the misstatements noted as part of our audit as at the time of issuing this report. If any additional misstatements are noted on completion of the outstanding work, these will be reported to the Audit Panel in a follow-up letter.



2. SIGNIFICANT FINDINGS

Set out below are the significant findings from our audit. These findings include:

- our audit conclusions regarding significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. We have concluded that the financial statements have been prepared in accordance with the financial reporting framework and commented on any significant accounting policy changes that have been made during the year;
- any further significant matters discussed with management; and
- any significant difficulties we experienced during the audit.

Significant risks and key areas of management judgement

As part of our planning procedures we considered the risks of material misstatement in the Council's financial statements that required special audit consideration. Although we report identified significant risks at the planning stage of the audit in our Audit Strategy Memorandum, our risk assessment is a continuous process and we regularly consider whether new significant risks have arisen and how we intend to respond to these risks. No new risks have been identified since we issued our Audit Strategy Memorandum.

Significant risk

Description of the risk

Management override of controls

In all entities, management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.

How we addressed this risk

We addressed this risk through performing audit work over:

- Accounting estimates impacting on amounts included in the financial statements;
- Consideration of identified significant transactions outside the normal course of business; and
- Journals recorded in the general ledger and other adjustments made in preparation of the financial statements.

Audit conclusion

We have not identified any significant matters arising from our testing of the risk of management override of controls.

2. SIGNIFICANT FINDINGS (CONTINUED)

Significant risk

Valuation of land and buildings

Description of the risk

The Council's accounts contain material balances and disclosures relating to its holding of property, plant and equipment (PPE), with the majority of property assets required to be carried at valuation. Due to the high degree of estimation uncertainty associated with these valuations especially within land and buildings, we have determined there is a significant risk in this area.

How we addressed this risk

We addressed this risk by performing work in the following areas:

- critically assessed the scope of the Council valuer's work, qualifications, objectivity and independence to carry out the Council's programme of revaluations;
- considered whether the overall revaluation methodology used by the Council's valuer is in line with industry practice, social housing statutory guidance, the CIPFA Code of Practice and the Council's accounting policies;
- critically assessed the appropriateness of the underlying data and the key assumptions used in the valuer's calculations;
- critically assessed the treatment of the upward and downward revaluations in the Council's financial statements with regards to the requirements of the CIPFA Code of Practice;
- critically assessed the approach that the Council adopts to ensure that assets not subject to revaluation in 2018/19 are materially correctly valued;
- tested a sample of revaluations in the fixed asset register to the valuer's report and the underlying information provided by the Council to the valuer; and
- tested a sample of items of capital expenditure in 2018/19 to confirm that the additions are appropriately valued in the financial statements.

Audit conclusion

Before we conclude we are awaiting evidence from the Council to support revaluation postings between the CIES and Revaluation Reserve. Our audit has identified a control recommendation regarding valuation data in Section 3 and non-material errors within note 12, Property Plant and Equipment. These are reported in Section 4.

2. SIGNIFICANT FINDINGS (CONTINUED)

Significant risk

Valuation of defined benefit pension liability

Description of the risk

The net pension liability represents a material element of the Council's balance sheet. The Council is an admitted body of Greater Manchester Pension Fund, which had its last triennial valuation completed as at 31 March 2016.

The valuation of the Local Government Pension Scheme relies on a number of assumptions, most notably around the actuarial assumptions, and actuarial methodology which results in the Council's overall valuation.

There are financial assumptions and demographic assumptions used in the calculation of the Council's valuation, such as the discount rate, inflation rates and mortality rates. The assumptions should also reflect the profile of the Council's employees, and should be based on appropriate data. The basis of the assumptions is derived on a consistent basis year to year, or updated to reflect any changes.

There is a risk that the assumptions and methodology used in valuing the Council's pension obligation are not reasonable or appropriate to the Council's circumstances. This could have a material impact to the net pension liability in 2018/19.

How we addressed this risk

We addressed this risk by performing work in the following areas:

- critically assessed the competency, objectivity and independence of the Greater Manchester Pension Fund's Actuary, Hymans Robertson;
- liaised with the auditors of the Greater Manchester Pension Fund to gain assurance that the controls in place at the Pension Fund are operating effectively. This included the processes and controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the IAS19 valuation is complete and accurate;
- reviewed the appropriateness of the Pension Asset and Liability valuation methodologies applied by the Pension Fund Actuary, and the key assumptions included within the valuation. This included comparing them to expected ranges, utilising information provided by PWC, consulting actuary engaged by the National Audit Office;
- Reviewed the impact of the Guaranteed Minimum Pension and McCloud legal cases on the net pension fund liability; and
- agreed the data in the IAS 19 valuation report provided by the Fund Actuary for accounting purposes to the pension accounting entries and disclosures in the Council's financial statements.

Audit conclusion

We have not identified any material matters to report regarding the valuation of the Council's defined benefit pension liability.

Management have reviewed the basis of the estimate for the liability following two the outcome of two recent court cases. These cases give rise to an additional liability of £6.3m. Management have decided not to amend the accounts on the grounds of materiality. Further details are provided in section 4.

2. SIGNIFICANT FINDINGS (CONTINUED)

Management judgement

Valuation of the Council's shareholding in Manchester Airport Holdings Ltd.

Description of the management judgement

The Council uses an external valuation expert to determine the value of its investment in Manchester Airport Holdings Limited at 31 March 2019. The valuation is determined according to a methodology and applying assumptions. Council officers challenge the valuation assumptions and reach judgements on the valuation to include in the financial statements.

How our audit addressed this area of management judgement

Mazars' in-house valuation team reviewed the methodology and key assumptions used by management's expert, considering the appropriateness of the methodology and the reasonableness of the assumptions used.

Audit conclusion

We have not identified any significant matters from our testing of the valuation of the Council's shareholding in Manchester Airport Holdings Ltd.

Management judgement

Accounting for Tameside One Building

Description of the management judgement

The Tameside One building came into operational use during March 2019. The valuation of the building and decision to transfer out of assets under construction involves estimation and judgement by management.

How our audit addressed this area of management judgement

We have reviewed the information used by management to determine that the Tameside One building was ready to transfer out of assets under construction and the valuation process followed.

We have discussed the valuation methodology with the Council's external valuer and inspected the information used to compute the valuation.

Audit conclusion

We have not identified any significant matters from our testing of the Council's accounting for the Tameside One Building.

2. SIGNIFICANT FINDINGS (CONTINUED)

Qualitative aspects of the Council's accounting practices

The Council is required to prepare its financial statements on a going concern basis by the Code of Audit Practice on Local Authority Accounting (the Code). We have considered the appropriateness of the use of the going concern assumption and have reviewed the Council's accounting policies and disclosures. Subject to a small number of narrative amendments we have concluded that they comply with the requirements of the Code, suitably tailored to the Council's circumstances.

Draft accounts were received from the Council on 29 May 2019, in advance of the 31 May deadline together with most of the supporting working papers.

Significant matters discussed with management

During the audit we discussed with management the impact of the McCloud and Guaranteed Minimum Pension on the Council's net pension liability. This resulted in the unadjusted difference reported in Section 4.

Significant difficulties during the audit

During the course of the audit we have experienced some difficulties in obtaining information from the Estates department to corroborate the information supplied to the external valuer. There were some weaknesses in the Council's arrangements for ensuring the timely and accurate provision of information to the valuer and therefore some discrepancies in the data held by both parties.

We have had the full co-operation of management throughout the audit.

Wider responsibilities

Our powers and responsibilities under the 2014 Act are broad and include the ability to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to law; and
- issue an advisory notice under schedule 8 of the 2014 Act.

We have not exercised any of these powers as part of our 2018/19 audit.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. We have received no correspondence from local electors regarding the 2018/19 accounts.

3. INTERNAL CONTROL RECOMMENDATIONS

The purpose of our audit is to express an opinion on the financial statements. As part of our audit we have considered the internal controls in place relevant to the preparation of the financial statements. We do this in order to design audit procedures to allow us to express an opinion on the financial statement and not for the purpose of expressing an opinion on the effectiveness of internal control, nor to identify any significant deficiencies in their design or operation.

The matters reported are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and that we consider to be of sufficient importance to merit being reported. If we had performed more extensive procedures on internal control we might have identified more deficiencies to be reported or concluded that some of the reported deficiencies need not in fact have been reported. Our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

Our findings and recommendations are set out below. We have assigned priority rankings to each of them to reflect the importance that we consider each poses to your organisation and, hence, our recommendation in terms of the urgency of required action. In summary, the matters arising fall into the following categories:

Priority ranking	Description	Number of issues
1 (high)	In our view, there is potential for financial loss, damage to reputation or loss of information. This may have implications for the achievement of business strategic objectives. The recommendation should be taken into consideration by management immediately.	1
2 (medium)	In our view, there is a need to strengthen internal control or enhance business efficiency. The recommendations should be actioned in the near future.	1
3 (low)	In our view, internal control should be strengthened in these additional areas when practicable.	None

3. INTERNAL CONTROL RECOMMENDATIONS (CONTINUED)

Significant deficiencies in internal control – Level 1

Description of deficiency

There were weaknesses in the Council's arrangements for reproducing the evidence they provided to the valuer to support land, buildings and investment property valuations, which in turn identified discrepancies in the data held by both parties.

Potential effects

If accurate property records are not provided to the external valuer this can result in errors in the financial statements.

Recommendation

Maintain an audit trail of information sent to the valuer.

Management response

Difficulties were experienced in providing a full audit trail of the information provided to the external valuer due in part to the loss of key personnel within the Estates team and a loss of files, documents and building drawings following the collapse of Carillion FM. A Strategic Review of the Estates service took place in May 2019 and work is now in progress to address recommendations from this review, including the procurement of a new external valuation service. As part of this process, an external independent surveying firm is being procured to provide advice, support with specification and to provide a critical oversight of the valuation process to ensure that it is completed effectively. In addition to this, their remit shall also include a level of auditing and help produce a standard operating procedure to ensure that documentation requirements, roles and responsibilities are clearly understood with processes to follow.

Other deficiencies in internal control – Level 2

Description of deficiency

The fixed asset register is an excel spreadsheet which is updated annually. There is a historic difference between the register and the general ledger. Given the size of the asset base management should investigate if a bespoke asset register would be more suitable.

Potential effects

Spreadsheet formulae errors could lead to mis-statement in the Council's draft accounts.

Recommendation

Investigate if a bespoke fixed asset register would be more appropriate to the Council's circumstances.

Management response

Financial Management recognise that the current spreadsheet based asset register is no longer fit for purpose, with its operation being inefficient and prone to error. Work was undertaken during 2018/19 to procure an asset register database for accounting purposes. Implementation of this new database has already commenced and will be concluded in advance of the preparation of the 2019/20 accounts.

Follow up of previous internal control points

As 2018/19 is the first year of our appointment as the Council's external auditor, there are no previous internal controls points to follow up and report.

4. SUMMARY OF MISSTATEMENTS

We set out below the misstatements identified for adjustment during the course of the audit, above the level of trivial threshold of £0.328m.

The first table outlines the misstatements that were identified during the course of our audit which management has assessed as not being material, either individually or in aggregate, to the financial statements and does not currently plan to adjust.

The second table outlines the misstatements that have been adjusted by management during the course of the audit.

Unadjusted misstatements

	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr	Cr	Dr	Cr
1	Dr Net cost of services (Past Service Cost)	£6.310m		
	Cr Re-measurement of Pension Liability			£6.310m
	Dr Pension Liability		£6.310m	
	Cr Pension Reserve			£6.310m

Relates to an actuarial estimate of the additional cost to the net pension fund liability arising from the Guaranteed Minimum Pension and McCloud legal cases.

The adjustment would increase the Council's pension liability by £6.31m, with a corresponding increase in the Pension Reserve. The transactions would be included within the service costs (as a past service cost) and adjusted through the Movement in Reserves Statement so that they do not impact on the Council's Usable Reserves.

2	Dr Property Plant and Equipment		£0.473m	
	Cr Revaluation Reserve			£0.473m

Relates to an undervaluation of a school and related property due to discrepancies in the information presented to the external valuer. Operational land and buildings revaluations impact the Council's revaluation reserve and not impact the General Fund.

3	Dr: Investment Properties		£0.650m	
	Cr: Land and buildings			£0.650m

Relates to the misclassification of an investment property held as land and buildings.

Total unadjusted misstatements		£6.310m	£6.310m	£7.433m	£7.433m
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4. SUMMARY OF MISSTATEMENTS (CONTINUED)

Adjusted misstatements 2018/19

	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr	Cr	Dr	Cr
1	Dr: Other long term liabilities (donated assets) Cr: Capital Adjustment Account		£10.658m	£10.658m
<p>To remove the donated assets liability which was incorrectly created when Heritage Assets were first recognised in 2011/12. The adjustment moves the balance to the Capital Adjustment Account, reflecting the fact the Heritage Assets are subject to restrictions rather than conditions in accordance with the Code.</p>				
2	Dr: Heritage assets Cr: Revaluation Reserve		£4.548m	£4.548m
<p>Relates to a revaluation of heritage assets based upon the 2015 insurance valuation. No impact on General Fund.</p>				
3	Dr: CIES Financing and investment income and expenditure Cr: Investment Property Dr Capital Adjustment Account Cr General Fund		£2.501m	£2.501m
<p>Relates to a downward revaluation in Ashton Market Hall omitted from the financial statements. The movement is reversed by statute through the reserves so no net impact on General Fund.</p>				
4	Dr: Capital Adjustment Accounts (Reserves) Cr: Assets under construction		£5.902m	£5.902m
<p>Relates primarily to three schools (New Hyde Primary, New Ashton Primary and Samuel Laycock School) which are no longer the Council's assets under construction. This is being accounted for as a prior year adjustment by management as they should have been written off in 2014/15 and 2015/16.</p>				

4. SUMMARY OF MISSTATEMENTS (CONTINUED)

Disclosure amendments

In addition to the adjustments outlined above, the Council has made a number of adjustments to improve the disclosures in the financial statements. These were mainly contextual or presentational and include:

- relocation of the Greater Manchester Metropolitan Debt Administration Fund accounts and disclosure notes as these do not form part of the Council's Statutory Accounts;
- addition of a disclosure to the cash flow statement showing reconciliation of liabilities arising from financing activities. This was a new requirement of the Code for 2018/19. (note 33a);
- adjust some of the disclosure entries of the Financial Instruments in notes 19 and 20;
- removal of a contingent liability disclosure in note 37 relating to a guarantee to Tameside Sports Trust;
- amend finance lease future liability from £15.834m to £19.197m in note 27 relating to Plantation property.



5. VALUE FOR MONEY CONCLUSION

Our approach to Value for Money

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

The overall criterion is that, 'in all significant respects, the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.' To assist auditors in reaching a conclusion on this overall criterion, the following sub-criteria are set out by the NAO:

- Informed decision making
- Sustainable resource deployment
- Working with partners and other third parties

Significant Value for Money risks

The NAO's guidance requires us to carry out work to identify whether or not a risk to the Value for Money conclusion exists. Risk, in the context of our Value for Money work, is the risk that we come to an incorrect conclusion rather than the risk of the arrangements in place at the Council being inadequate. In our Audit Strategy Memorandum, we reported that we had identified two significant Value for Money risk(s). The work we carried out in relation to significant risks is outlined overleaf.

During the course of our audit we identified a further risk in respect of the Value for Money conclusion relating to the Council's governance and decision making in respect of the completion of the Tameside One building. Our findings in respect of this risk are also summarised overleaf.

Our overall Value for Money conclusion

Our draft auditor's report included in Appendix B states that we intend to issue an unqualified Value for Money conclusion for the 2018/19 financial year.

5. VALUE FOR MONEY CONCLUSION (CONTINUED)

Significant Value for Money risks

The NAO’s guidance requires us to carry out work to identify whether or not a risk to the Value for Money conclusion exists. Risk, in the context of our Value for Money work, is the risk that we come to an incorrect conclusion rather than the risk of the arrangements in place at the Council being inadequate. In our Audit Strategy Memorandum, we reported that we had identified two significant Value for Money risk(s). The work we carried out in relation to significant risks is outlined below.

Risk	Work undertaken	Conclusion
<p>1. Council’s Response to Inadequate Ofsted rating</p>	<p>OFSTED rated the Council’s Children’s Services as ‘inadequate’ in December 2016 and the safeguarding board as ‘requires improvement’. Key areas of concern included the backlog of cases, leadership, management and governance.</p> <p>The VFM risk relates to our gaining a full understanding of the interventions made by the Council to address the original concerns raised by OFSTED. The full extent of the improvement will not be known until OFSTED carries out a full re-inspection to reassess the rating.</p> <p>The Council now has an established Improvement Board and is working with partners to progress with the Improvement Plan. During 2018/19 this has included scrutiny, support and challenge from the Council’s Improvement Partner, as well as external partners including the DfE Intervention Advisor, Ofsted, and from peer consultation with other local authorities who have been on the improvement journey.</p> <p>The Council’s commitment to addressing the previously slow progress was reflected in the OFSTED findings published on 1 July 2019. Following a re-inspection of local authority children’s social care services in May 2019, the Council was rated as “Requires improvement to be good” across each assessment area and for overall effectiveness, thus lifting the December 2016 “Inadequate” rating.</p> <p>OFSTED recognise that changes in the senior leadership have supported a strengthened “whole-council” commitment to improving the quality and impact of services for children. This is manifested in an increase in the pace of and effectiveness of service development and the development of a new locality based model.</p> <p>This trend of improvement has been noted in your OFSTED themed reviews since the December 2016 inspection.</p>	<p>We are satisfied that the Council’s arrangements for addressing the concerns of OFSTED were sufficient as the inspectorate re-scored the Children’s Services out of inadequate. Whilst we recognise that further improvement work is required we are satisfied that arrangements are in place to secure value for money.</p>

5. VALUE FOR MONEY CONCLUSION (CONTINUED)

Risk	Work undertaken	Conclusion
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2. Care Together Governance Arrangements

The Care Together Programme and the creation of an integrated system of health and social care brings together Tameside and Glossop Clinical Commissioning Group (CCG), 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 residents and reduce health inequalities.

The Council continues to work closely with the CCG and good progress has been made to deliver improvements in health and social care across Tameside.

Council and CCG resources are pooled into a single Integrated Commissioning Fund (ICF) underpinned by a financial framework which became operational on 1 April 2016. The ICF has successfully enabled single commissioning arrangements for healthcare.

Governance arrangements are headed by the Strategic Commissioning Board which meets monthly, with representation from Council and CCG to review expenditure and variances in the ICF.

The Council and CCG commenced reporting on the total resources available to the Council and CCG in 2018/19. Integrated financial reporting takes place monthly to the Strategic Commissioning Board and Executive Cabinet.

The ICF itself is made up of a pooled budget, aligned services agreement and in-collaboration services agreement. The 2018/19 ICF Strategic Financial Plan was for net expenditure of £589m, of which £186.514m (32%) is contributed by the Council. The outturn for 2018/19 was a net underspend of £26,000. Integrated financial reporting takes place to the Council's Executive Cabinet and Strategic Commissioning Board.

Integration between the Council and CCG is more advanced than many other areas. This is evidenced by the expansion of the ICF to include all Council and CCG expenditure of over £900m a year, together with workforce integration and a shared senior leadership between Council and CCG..

We conclude that for 2018/19 the Council has made proper arrangements to address the governance risk surrounding health and social care integration.

5. VALUE FOR MONEY CONCLUSION (CONTINUED)

Risk	Work undertaken	Conclusion
<p>3. Council's governance of the completion of the Tameside One building</p>	<p>Following Carillion's liquidation in January 2018, the Council and the LEP were keen to ensure that work on the Tameside One building could recommence as soon as possible so that the building could be brought into use.</p> <p>At the end of January 2018, the LEP notified the Council that it had served notice on Carillion through its liquidators and intended to enter into an early works agreement with a new main contractor who would then recommence work on the site. An urgent paper was presented to Executive Cabinet on 7 February 2018 to update them on the actions and the appointment of the new contractor. This report made clear that the new contractor was engaged into an Early Works Agreement on an open book cost plus contractual basis.</p>	<p>We obtained sufficient evidence that the overall governance arrangements for the completion of this project were adequate..</p>
<p>Carillion went into liquidation on 15 January 2018. At this point, the Tameside One building was approximately 100 days from completion.</p>	<p>The Council immediately recognised that the costs to completion of this site were then likely to increase. Two separate independent consultants were therefore engaged to ensure that, firstly, the work proposed by contractor was required and secondly that the charges proposed under the new contract were consistent with the appropriate market rates.</p>	
<p>Following the 15 January 2018, Government appointed a liquidator who immediately secured the building site and prevented the LEP and its subcontractors from having access to any of the building or associated documentation.</p>	<p>Executive Cabinet received a further report on 20th June 2018, which sought approval for an additional budget of £9.4m to enable the completion of the Tameside One building. This additional budget reflected the impact of the change to a "cost plus" contract together with the costs associated with taking over a site at this stage of completion, including some outstanding elements of internal design work not completed by Carillion. Executive Cabinet was also appraised of the charges levied by the liquidator for its services in the period from January 2018 onwards through on-going budget monitoring reports.</p>	
	<p>The building was completed by the new contractor and the Council and Tameside college were able to operate from there from March 2019. The retail element of the site is also in operational use.</p>	

APPENDIX A

DRAFT MANAGEMENT REPRESENTATION LETTER

Draft management representation letter (prepare on Council letterhead)

Karen Murray
Director
Mazars LLP
One St Peter's Square
Manchester
M2 3DE

XX July 2019

Dear Karen

Tameside Metropolitan Borough Council - audit for year ended 31 March 2019

This representation letter is provided in connection with your audit of the financial statements of Tameside Metropolitan Borough Council (the Council) for the year ended 31 March 2019 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the Code) and applicable law.

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy ourselves that I can properly make each of the following representations to you.

My responsibility for the financial statements and accounting information

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the financial statements in accordance with the Code and applicable law.

My responsibility to provide and disclose relevant information

I have provided you with:

- access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other material;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to individuals within the Council you determined it was necessary to contact in order to obtain audit evidence.

I confirm as Director of Finance and s151 officer that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information.

As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

APPENDIX A

DRAFT MANAGEMENT REPRESENTATION LETTER

Accounting records

I confirm that all transactions that have a material effect on the financial statements have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all Council and committee meetings, have been made available to you.

Accounting policies

I confirm that I have reviewed the accounting policies applied during the year in accordance with Code and International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the Council's financial position, financial performance and cash flows.

Accounting estimates, including those measured at fair value

I confirm that any significant assumptions used by the Council in making accounting estimates, including those measured at current or fair value, are reasonable.

I confirm the following matters regarding estimation uncertainty:

the appropriateness of the measurement process, including related assumptions and models, used in determining accounting estimates under IFRS, and the consistency of application of the process;

that disclosures related to accounting estimates are complete and appropriate under IFRS;

that no subsequent event requires adjustment to the accounting estimates and disclosures included in the financial statements.

Contingencies

There are no material contingent losses including pending or potential litigation that should be accrued where:

information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and

the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no contingent gains which should be disclosed.

All material matters, including un-asserted claims, that may result in litigation against the Council have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the Code and applicable law.

Laws and regulations

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

The Council has complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

APPENDIX A

DRAFT MANAGEMENT REPRESENTATION LETTER

Fraud and error

I acknowledge my responsibility as Director of Finance / s151 Officer] for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

I have disclosed to you:

- all the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting the Council involving:
 - management and those charged with governance;
 - employees who have significant roles in internal control; and
 - others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the Council's financial statements communicated by employees, former employees, analysts, regulators or others.

Related party transactions

I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed in accordance with the requirements of the Code and applicable law.

I have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which I am aware.

Future commitments

I am not aware of any plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

Subsequent events

I confirm all events subsequent to the date of the financial statements and for which the Code and applicable law, require adjustment or disclosure have been adjusted or disclosed.

Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

Going concern

To the best of my knowledge there is nothing to indicate that the Council will not continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

Unadjusted misstatements

I confirm that the effects of the uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole.

Specific representations

I confirm that with regards to the Council's valuation of its Long-Term Investment in Manchester Airport Group of £52.7m, I am satisfied that the assumptions of future growth for the Manchester Airport Group which underpin the valuation are reasonable and appropriate.

Yours faithfully
Director of Finance / s151 officer

APPENDIX B

DRAFT AUDITOR'S REPORT

Independent auditor's report to the members of Tameside Metropolitan Borough Council

Report on the financial statements

Opinion

We have audited the financial statements of Tameside Metropolitan Borough Council ('the Council') for the year ended 31 March 2019, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

In our opinion, the financial statements:

- give a true and fair view of the financial position of Tameside Metropolitan Borough Council as at 31st March 2019 and of the Council's expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities section of our report. We are independent of the Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applicable to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Director of Finance's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Director of Finance has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Director of Finance is responsible for the other information. The other information comprises the Annual Governance Statement and information included in the Annual Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

APPENDIX B

DRAFT AUDITOR'S REPORT (CONTINUED)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of the Director of Finance for the financial statements

As explained more fully in the Statement of the Director of Finance's Responsibilities, the Director of Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, and for being satisfied that they give a true and fair view. The Director of Finance is also responsible for such internal control as the Director of Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Director of Finance is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and prepare the financial statements on a going concern basis, unless the Council is informed of the intention for dissolution without transfer of services or function to another entity. The Director of Finance is responsible for assessing each year whether or not it is appropriate for the Council to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Matters on which we are required to report by exception under the Code of Audit Practice

We are required by the Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that, in all significant respects, Thameside Metropolitan Borough Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

APPENDIX B

DRAFT AUDITOR'S REPORT (CONTINUED)

Basis for conclusion

We have undertaken our review in accordance with the Code of Audit Practice issued by the Comptroller and Auditor General, having regard to the guidance on the specified criterion issued in November 2017, as to whether the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider in satisfying ourselves whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

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

Responsibilities of the Council

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

Auditor's responsibilities for the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We are required under section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice requires us to report to you our conclusion relating to proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Use of the audit report

This report is made solely to the members of Tameside Metropolitan Borough Council, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of the Council those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Council, as a body, for our audit work, for this report, or for the opinions we have formed.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Council's Whole of Government Accounts consolidation pack. We are satisfied that this matter does not have a material effect on the financial statements or on our conclusion on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.

Karen Murray
For and on behalf of Mazars LLP
One St Peter's Square
Manchester
M2 3DE
XX July 2019

APPENDIX C INDEPENDENCE

As part of our ongoing risk assessment we monitor our relationships with you to identify any new actual or perceived threats to our independence within the regulatory or professional requirements governing us as your auditors.

We can confirm that no new threats to independence have been identified since issuing the Audit Strategy Memorandum and therefore we remain independent.

CONTACT

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Engagement Manager

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Audit Completion Report

Greater Manchester Pension Fund

Year ending 31 March 2019

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1. Executive summary
 2. Significant findings
 3. Internal control recommendations
 4. Summary of misstatements
- Appendix A – Draft management representation letter
- Appendix B – Draft auditor’s report
- Appendix C – Independence

Our reports are prepared in the context of the 'Statement of responsibilities of auditors and audited bodies' and the 'Appointing Person Terms of Appointment' issued by Public Sector Audit Appointments Limited.

Reports and letters prepared by appointed auditors and addressed to the Tameside Metropolitan Borough Council as Administering Authority of Greater Manchester Pension Fund are prepared for the sole use of the Council / Authority and we take no responsibility to any member or officer in their individual capacity or to any third party.

Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales.

Mazars LLP
One St. Peters' Square
Manchester
M2 3ED

Members of the Audit Panel
Tameside Metropolitan Borough Council
Dukinfield Town Hall
King Street
Dukinfield
SK16 4LA

[Date]

Dear Members

Audit Completion Report – Year ended 31 March 2019

We are pleased to present our Audit Completion Report for the year ended 31 March 2019. The purpose of this document is to summarise our audit conclusions.

The scope of our work, including identified significant audit risks and other areas of management judgement, was outlined in our Audit Strategy Memorandum which we presented on 12 March 2019. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remain appropriate.

We would like to express our thanks for the assistance of your team during our audit.

If you would like to discuss any matters in more detail then please do not hesitate to contact me on [RI telephone number].

Yours faithfully

Karen Murray
Mazars LLP

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We are registered to carry on audit work in the UK and Ireland by the Institute of Chartered Accountants in England and Wales. Details about our audit registration can be viewed at www.auditregister.org.uk under reference number C001139861.
VAT number: 839 8356 73

1. EXECUTIVE SUMMARY

Purpose of this report and principal conclusions

The Audit Completion Report sets out the findings from our audit of Greater Manchester Pension Fund ('the Fund') for the year ended 31 March 2019, and forms the basis for discussion at the Audit Panel meeting on 22 July 2019.

The detailed scope of our work as your appointed auditor for 2018/19 is set out in the National Audit Office's (NAO) Code of Audit Practice. Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 and, as outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards of Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

Sections 2 of this report outline the detailed findings from our work on the financial statements, and also includes our conclusions on the audit risks and areas of management judgement in our Audit Strategy Memorandum, which include:

- Management override of control
- Valuation of Unquoted Investments

Status of our work

As we outline on the following page, our work is substantially complete. Subject to the satisfactory completion of the outstanding work, at the time of issuing this report we have the following conclusions:

Opinion on the financial statements

We anticipate issuing an unqualified opinion, without modification, on the financial statements. Our proposed audit opinion is included in the draft auditor's report in Appendix B.

Whole of Government Accounts (WGA)

We anticipate completing our work on your WGA submission, in conjunction with the work for Tameside MBC as Administering Authority, in line with the group instructions issued by the NAO, by the deadline of 31 August 2019. We anticipate reporting that the WGA submission is consistent with the audited financial statements.

Wider powers

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Fund and to consider any objection made to the accounts. We have received no such objections or questions in relation to the Fund from local electors. At the time of drafting there is still the opportunity for objections to be made and we will update the Panel on the final position and consideration.

1. EXECUTIVE SUMMARY

Status of our audit work

We have substantially completed our work on the financial statements for the year ended 31 March 2019. At the time of preparing this report there are no significant matters outstanding, however, there are a number of items that remain to be completed:

- receipt of the final, signed Statement of Accounts;
- receipt of the final, signed Letter of Representation; and
- receipt of the responses from management and Chairs of relevant Panels in respect of fraud awareness.

We will provide the Audit Panel with an update in relation to the few minor outstanding matters as part of the presentation of this report, prior to signing the auditor's report.

Our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum in February 2019. We have not made any changes to our audit approach since we presented our Audit Strategy Memorandum.

Materiality

Overall Materiality

We set overall materiality at the planning stage of the audit at £225m using a benchmark of 1% of net assets. Our final assessment of materiality, based on the final financial statements and qualitative factors we considered it appropriate to maintain the reported figure of £225m, using the same benchmark.

Fund Account (specific materiality)

We set specific materiality for the Fund Account at the planning stage of the audit as £80m, using a benchmark of 10% of benefits payable. Our final assessment of materiality, based on the final financial statements and qualitative factors is £80m, using the same benchmark.

Triviality

We set our trivial threshold, the level under which individual errors are not communicated to the Audit Panel, at £7m based on 3% of overall materiality.

Misstatements and internal control recommendations

Section 3 sets out the internal control recommendations that we make, together with an update on any prior year recommendations.

Section 4 outlines the misstatements noted as part of our audit as at the time of issuing this report. If any additional misstatements are noted on completion of the outstanding work, these will be reported to the Audit Panel in a follow-up letter.



2. SIGNIFICANT FINDINGS

Set out below are the significant findings from our audit. These findings include:

- our audit conclusions regarding significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. On page 7 we have concluded whether the financial statements have been prepared in accordance with the financial reporting framework and commented on any significant accounting policy changes that have been made during the year;
- any further significant matters discussed with management; and
- any significant difficulties we experienced during the audit.

Significant risks and key areas of management judgement

As part of our planning procedures we considered the risks of material misstatement in the Fund's financial statements that required special audit consideration. Although we report identified significant risks at the planning stage of the audit in our Audit Strategy Memorandum, our risk assessment is a continuous process and we regularly consider whether new significant risks have arisen and how we intend to respond to these risks. No new risks have been identified since we issued our Audit Strategy Memorandum.

Significant risk

Description of the risk

Management override of controls

In all entities, management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.

How we addressed this risk

We addressed this risk through performing audit work in respect of:

- Accounting estimates impacting on amounts included in the financial statements;
- Consideration of identified significant transactions outside the normal course of business; and
- Journals recorded in the general ledger and other adjustments made in preparation of the financial statements.

Audit conclusion

We have not identified any instances of the override of controls. We have no issues which we would like to bring to your attention in respect of this identified significant risk.

2. SIGNIFICANT FINDINGS (CONTINUED)

Significant risk

Valuation of unquoted investments for which a market price is not readily available

Description of the risk

The values for certain classes of investment assets held by the Fund by their nature include more subjective and inherent risks of material misstatement. This is particularly applicable to those assets which are based on unobservable inputs, and also the level of professional judgement, required when calculating capital statements and net asset values.

How we addressed this risk

We addressed this risk by completing the following procedures:

- agree the valuation to supporting documentation including investment manager valuation statements and cash flows for any adjustments made to the investment manager valuation;
- agree the investment manager valuation to audited accounts or other independent supporting documentation, where available;
- where audited accounts are available, check that they are supported by a clear opinion; and
- where available, review independent control assurance reports to identify any exceptions that could present a risk of material misstatement in the Fund's financial statements.

Audit conclusion

We have no issues which we would like to bring to your attention in respect of this identified significant risk.

2. SIGNIFICANT FINDINGS (CONTINUED)

Qualitative aspects of the Fund's accounting practices

We have reviewed the Fund's accounting policies and disclosures and concluded they comply with the requirements of the Code of Practice on Local Authority Accounting (the Code), appropriately tailored to the Fund's circumstances.

We have undertaken procedures and testing sufficient to understand and confirm that the Fund has appropriately prepared financial statements for the year ended 31 March 2019 on the basis of going concern. We are also satisfied that the audit of said financial statements provides adequate assurance over the revenue recognition practices and reported results for the year.

Draft accounts were received from the Fund on 28 May 2019 and were of a good quality, supported by a set of comprehensive and good quality working papers.

Significant matters discussed with management

There have been no significant or material items where we have required to hold formal discussions with management in relation to the Fund's financial statements.

Significant difficulties during the audit

During the course of the audit we did not encounter any significant difficulties and we have had the full co-operation of management.

2. SIGNIFICANT FINDINGS (CONTINUED)

Wider responsibilities

Our powers and responsibilities under the 2014 Act are broad and include the ability to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to law; and
- issue an advisory notice under schedule 8 of the 2014 Act.

We have not exercised any of these powers as part of our 2018/19 audit at the date of drafting the report.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. At the time of drafting the report for the Panel, the final date for potential objections has not yet passed and we will provide a verbal update at the Panel meeting.

Modifications required to our audit report

We have not identified any issues that have led us to conclude that we need to issue a modified audit opinion.

3. INTERNAL CONTROL RECOMMENDATIONS

The purpose of our audit is to express an opinion on the financial statements. As part of our audit we have considered the internal controls in place relevant to the preparation of the financial statements. We do this in order to design audit procedures to allow us to express an opinion on the financial statement and not for the purpose of expressing an opinion on the effectiveness of internal control, nor to identify any significant deficiencies in their design or operation.

The matters reported are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and that we consider to be of sufficient importance to merit being reported. If we had performed more extensive procedures on internal control we might have identified more deficiencies to be reported or concluded that some of the reported deficiencies need not in fact have been reported. Our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

Our findings and recommendations are set out below. We have assigned priority rankings to each of them to reflect the importance that we consider each poses to your organisation and, hence, our recommendation in terms of the urgency of required action. In summary, the matters arising fall into the following categories:

Priority ranking	Description	Number of issues
1 (high)	In our view, there is potential for financial loss, damage to reputation or loss of information. This may have implications for the achievement of business strategic objectives. The recommendation should be taken into consideration by management immediately.	0
2 (medium)	In our view, there is a need to strengthen internal control or enhance business efficiency. The recommendations should be actioned in the near future.	1
3 (low)	In our view, internal control should be strengthened in these additional areas when practicable.	0

3. INTERNAL CONTROL RECOMMENDATIONS (CONTINUED)

Other deficiencies in internal control – Level 2

Description of deficiency

Investment valuations for a small proportion of the portfolio, within quoted investments, had been reported on an incorrect basis because the wrong market pricing had been applied by HSBC.

Potential effects

Had the wrong market pricing been applied to all of the quoted investments in the portfolio, there could be a potential material error in the value included in the accounts.

Recommendation

The Fund should liaise with and confirm that both external valuation specialists, fund managers, and custodians are using the correct exchange price when reporting.

Management response

The Fund has engaged a new supplier for the investment accounting function, from HSBC to Northern Trust (the Fund's Custodian). The Fund is also conducting a review of the internal processes in place for the reconciliation of reports from Northern Trust and the Fund Managers.

Management consider that these two measures will strengthen the arrangements in place, and significantly reduce the risk of incorrect reporting of the value of investments.

4. SUMMARY OF MISSTATEMENTS

We set out below the misstatements identified for adjustment during the course of the audit, above the level of trivial threshold of £7m.

The first table outlines the misstatements that were identified during the course of our audit which management has assessed as not being material, either individually or in aggregate, to the financial statements and does not currently plan to adjust.

The second table outlines the misstatements that have been adjusted by management during the course of the audit.

Unadjusted misstatements 2018/19

	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1 Dr: Net Assets Statement Cr: Change in Market Value			11,436	11,436
Total unadjusted misstatements			11,436	11,436

The Fund has been provided with a small sample of the investment portfolio where the incorrect quoted investment pricing had been selected. The difference between the mid and bid prices represents 0.06% of the assets where it has been incorrectly identified and reported.

4. SUMMARY OF MISSTATEMENTS (CONTINUED)

Disclosure amendments

During the course of the audit we have not identified any significant amendments to the disclosures included in the Fund's accounts. We have recommended a small number of enhancements to the disclosures included, to improve transparency and clarity of the existing disclosures.



APPENDIX A

DRAFT MANAGEMENT REPRESENTATION LETTER

Tameside Metropolitan Borough Council
Dukinfield Town Hall
King Street
Dukinfield
SK16 4LA

[Date]

Dear Karen

Greater Manchester Pension Fund - audit for year ended 31 March 2019

This representation letter is provided in connection with your audit of the financial statements of Greater Manchester Pension Fund, administered by Tameside Metropolitan Borough Council, for the year ended 31 March 2019 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the Code) and applicable law.

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy ourselves that I can properly make each of the following representations to you.

My responsibility for the financial statements and accounting information

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the financial statements in accordance with the Code and applicable law.

My responsibility to provide and disclose relevant information

I have provided you with:

- access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other material;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to individuals within the Pension Fund and Council you determined it was necessary to contact in order to obtain audit evidence.

I confirm as Director of Finance that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information.

As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

Accounting records

I confirm that all transactions that have a material effect on the financial statements have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all relevant Pension Fund and Council Panel meetings and other committee meetings, have been made available to you.

Accounting policies

I confirm that I have reviewed the accounting policies applied during the year in accordance with Code and International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the Pension Fund and Council's financial position, financial performance and cash flows.

Accounting estimates, including those measured at fair value

I confirm that any significant assumptions used by the Pension Fund and Council in making accounting estimates, including those measured at current or fair value, are reasonable.

Contingencies

There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

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APPENDIX A

DRAFT MANAGEMENT REPRESENTATION LETTER

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the Pension Fund and Council have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the Code and applicable law.

Laws and regulations

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

The Pension Fund and Council have complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

Fraud and error

I acknowledge my responsibility as Director of Finance for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

I have disclosed to you:

- all the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting the Pension Fund and Council involving:
 - management and those charged with governance;
 - employees who have significant roles in internal control; and
 - others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the Pension Fund and Council's financial statements communicated by employees, former employees, analysts, regulators or others.

Related party transactions

I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed in accordance with the requirements of the Code and applicable law.

I have disclosed to you the identity of the Pension Fund and Council's related parties and all related party relationships and transactions of which I am aware.

Future commitments

I am not aware of any plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

Subsequent events

I confirm all events subsequent to the date of the financial statements and for which the Code and applicable law, require adjustment or disclosure have been adjusted or disclosed.

Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

APPENDIX A

DRAFT MANAGEMENT REPRESENTATION LETTER

Going concern

To the best of my knowledge there is nothing to indicate that the Pension Fund and Council will not continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

Unadjusted misstatements

I confirm that the effects of the uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole.

Yours faithfully

Director of Finance

Chair of Audit Panel



APPENDIX B

DRAFT AUDITOR'S REPORT

Independent auditor's report to the members of Tameside Metropolitan Borough Council Report on the financial statements

Opinion on the financial statements of Greater Manchester Pension Fund

We have audited the financial statements of Greater Manchester Pension Fund ('the Pension Fund') for the year ended 31 March 2019, which comprise the Fund Account, the Net Assets Statement, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

In our opinion the financial statements:

give a true and fair view of the financial transactions of Greater Manchester Pension Fund during the year ended 31 March 2019, and the amount and disposition of the Pension Fund's assets and liabilities as at 31 March 2019; and
have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities section of our report. We are independent of the Council, as administering authority for the Pension Fund, in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applicable to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:
the Director of Finance's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
the Director of Finance has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Pension Fund's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Director of Finance is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of the Director of Finance for the financial statements

As explained more fully in the Statement of the Director of Finance's Responsibilities, the Director of Finance is responsible for the preparation of the Statement of Accounts, which includes the Pension Fund's financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, and for being satisfied that they give a true and fair view. The Director of Finance is also responsible for such internal control as the Director of Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Director of Finance is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and prepare the financial statements on a going concern basis, unless the Council is informed of the intention for dissolution without transfer of services or function to another entity. The Director of Finance is responsible for assessing each year whether or not it is appropriate for the Pension Fund to prepare the accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

APPENDIX B

DRAFT AUDITOR'S REPORT

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the Pension Fund's financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Matters on which we are required to report by exception under the Code of Audit Practice

We are required by the Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Use of the audit report

This report is made solely to the members of Tameside Metropolitan Borough Council, as a body and as administering authority for the Greater Manchester Pension Fund, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of the Council those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Council, as a body, for our audit work, for this report, or for the opinions we have formed.

[Signature]

Karen Murray
For and on behalf of Mazars LLP
Address
[Insert date]

APPENDIX C INDEPENDENCE

As part of our ongoing risk assessment we monitor our relationships with you to identify any new actual or perceived threats to our independence within the regulatory or professional requirements governing us as your auditors.

We can confirm that no new threats to independence have been identified since issuing the Audit Strategy Memorandum and therefore we remain independent.

CONTACT

Karen Murray

Director

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Manager

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Kathy Roe
Director of Finance
Tameside MBC & NHS Tameside & Glossop CCG

Tameside One, Market Place, Ashton under Lyne, OL6 6BH

www.tameside.gov.uk

e-mail : Kathy.Roe@nhs.net

Doc Ref: Letter of Representation 18/19
Ask for: Jayne Somerville
Direct Line: 0161 342 5609
Date: 31 July 2019

Karen Murray
Director
Mazars LLP
One St Peter's Square
Manchester
M2 3DE

31 July 2019

Dear Karen

Tameside Metropolitan Borough Council - audit for year ended 31 March 2019

This representation letter is provided in connection with your audit of the financial statements of Tameside Metropolitan Borough Council (the Council) for the year ended 31 March 2019 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the Code) and applicable law.

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy ourselves that I can properly make each of the following representations to you.

My responsibility for the financial statements and accounting information

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the financial statements in accordance with the Code and applicable law.

My responsibility to provide and disclose relevant information

I have provided you with:

- access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other material;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to individuals within the Council you determined it was necessary to contact in order to obtain audit evidence.

I confirm as Director of Finance and s151 officer that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information.

As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

Accounting records

I confirm that all transactions that have a material effect on the financial statements have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all Council and committee meetings, have been made available to you.

Accounting policies

I confirm that I have reviewed the accounting policies applied during the year in accordance with Code and International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the Council's financial position, financial performance and cash flows.

Accounting estimates, including those measured at fair value

I confirm that any significant assumptions used by the Council in making accounting estimates, including those measured at current or fair value, are reasonable.

I confirm the following matters regarding estimation uncertainty:

- the appropriateness of the measurement process, including related assumptions and models, used in determining accounting estimates under IFRS, and the consistency of application of the process;
- that disclosures related to accounting estimates are complete and appropriate under IFRS;
- that no subsequent event requires adjustment to the accounting estimates and disclosures included in the financial statements.

Contingencies

There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no contingent gains which should be disclosed.

All material matters, including un-asserted claims, that may result in litigation against the Council have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the Code and applicable law.

Laws and regulations

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

The Council has complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

Fraud and error

I acknowledge my responsibility as Director of Finance (s151 Officer) for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

I have disclosed to you:

- all the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting the Council involving:
 - management and those charged with governance;
 - employees who have significant roles in internal control; and
 - others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the Council's financial statements communicated by employees, former employees, analysts, regulators or others.

Related party transactions

I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed in accordance with the requirements of the Code and applicable law.

I have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which I am aware.

Future commitments

I am not aware of any plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

Subsequent events

I confirm all events subsequent to the date of the financial statements and for which the Code and applicable law, require adjustment or disclosure have been adjusted or disclosed.

Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

Going concern

To the best of my knowledge there is nothing to indicate that the Council will not continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

Unadjusted misstatements

I confirm that the effects of the uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole.

Specific representations

I confirm that with regards to the Council's valuation of its Long-Term Investment in Manchester Airport Group of £52.7m, I am satisfied that the assumptions of future growth for the Manchester Airport Group which underpin the valuation are reasonable and appropriate.

Yours sincerely

Kathy Roe

Director of Finance (s151 Officer)

Tameside MBC & NHS Tameside & Glossop CCG

Kathy Roe
Director of Finance
Tameside MBC & NHS Tameside & Glossop CCG

Tameside One, Market Place, Ashton under Lyne, OL6 6BH

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Ask for: Jayne Somerville
Direct Line: 0161 342 5609
Date: 31 July 2019

Karen Murray
Director
Mazars LLP
One St Peter's Square
Manchester
M2 3DE

31 July 2019

Dear Karen

Greater Manchester Pension Fund - audit for year ended 31 March 2019

This representation letter is provided in connection with your audit of the financial statements of Greater Manchester Pension Fund, administered by Tameside Metropolitan Borough Council, for the year ended 31 March 2019 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the Code) and applicable law.

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy ourselves that I can properly make each of the following representations to you.

My responsibility for the financial statements and accounting information

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the financial statements in accordance with the Code and applicable law.

My responsibility to provide and disclose relevant information

I have provided you with:

- access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other material;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to individuals within the Pension Fund and Council you determined it was necessary to contact in order to obtain audit evidence.

I confirm as Director of Finance that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information.

As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

Accounting records

I confirm that all transactions that have a material effect on the financial statements have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all relevant Pension Fund and Council Panel meetings and other committee meetings, have been made available to you.

Accounting policies

I confirm that I have reviewed the accounting policies applied during the year in accordance with Code and International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the Pension Fund and Council's financial position, financial performance and cash flows.

Accounting estimates, including those measured at fair value

I confirm that any significant assumptions used by the Pension Fund and Council in making accounting estimates, including those measured at current or fair value, are reasonable.

Contingencies

There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the Pension Fund and Council have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the Code and applicable law.

Laws and regulations

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

The Pension Fund and Council have complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

Fraud and error

I acknowledge my responsibility as Director of Finance for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

I have disclosed to you:

- all the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting the Pension Fund and Council involving:
- management and those charged with governance;
- employees who have significant roles in internal control; and
- others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the Pension Fund and Council's financial statements communicated by employees, former employees, analysts, regulators or others.

Related party transactions

I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed in accordance with the requirements of the Code and applicable law. I have disclosed to you the identity of the Pension Fund and Council's related parties and all related party relationships and transactions of which I am aware.

Future commitments

I am not aware of any plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

Subsequent events

I confirm all events subsequent to the date of the financial statements and for which the Code and applicable law, require adjustment or disclosure have been adjusted or disclosed.

Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

Going concern

To the best of my knowledge there is nothing to indicate that the Pension Fund and Council will not continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

Unadjusted misstatements

I confirm that the effects of the uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole.

Yours sincerely

Kathy Roe

Director of Finance (s151 Officer)

Tameside MBC & NHS Tameside & Glossop CCG

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Agenda Item 7.

Report to:	AUDIT PANEL
Date:	29 July 2019
Executive Member/ Reporting Officer:	Cllr Ryan – Finance and Economic Growth Kathy Roe – Director of Finance
Subject:	STATEMENT OF ACCOUNTS 2018/19
Report Summary:	This report presents the Statement of Accounts for Tameside MBC and the Greater Manchester Pension Fund for the year ended 31 March 2019.
Recommendations:	Audit Panel are asked to: <ol style="list-style-type: none">1. Note the findings of external audit, the amendments to the accounts and unadjusted misstatements reported in the previous agenda item 6;2. Approve the Statement of Accounts for 2018/19, subject to the conclusion of the external audit; and3. Approve delegated authority to the Director of Finance to agree any further presentational amendments to the financial statements arising from the conclusion of the external audit. In the unlikely event of any substantive amendments to the primary statements, these will be discussed with the Chair of Audit Panel prior to the signing and publication of the final audited Statement of Accounts.
Corporate Plan:	The Corporate Plan helps to determine the priorities for spending, which is summarised in the 2018/19 accounts.
Policy Implications:	There are no direct policy implications flowing from the Statement of Accounts.
Financial Implications: (Authorised by the statutory Section 151 Officer & Chief Finance Officer)	<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. The accounts are prepared in accordance with the CIPFA Code of Practice for Local Authority Accounting which is based on International Financial Reporting Standards.</p> <p>The Council was required to prepare draft financial statements by 31 May 2019. These draft financial statements have been subject to external audit and must be approved by the Audit Panel by 31 July 2019.</p>
Legal Implications: (Authorised by the Borough Solicitor)	<p>The <u>Local Audit and Accountability Act 2014</u> (the Act) governs the work of auditors appointed to authorities and other local public bodies. The Act, the <u>Accounts and Audit Regulations 2015</u> and the <u>Local Audit (Public Access to Documents) Act 2017</u> also cover the duties, responsibilities and rights of local authorities, other organisations and the public concerning the accounts being audited. Non compliance with these provisions could lead to the issue of an advisory notice by the External Auditor, with the ultimate sanction of judicial review, as only a court can ultimately decide whether a local authority's decision, or failure to decide something it should have, is unlawful.</p>

Risk Management:

The 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.

Access to Information:

The report is to be considered in public.

Background Information:

The background papers relating to this report can be inspected by contacting Heather Green, Finance Business Partner.



Telephone: 0161 342 2929



e-mail: heather.green@tameside.gov.uk

1. BACKGROUND

- 1.1 It is necessary to consider the Audit Findings report of the Council's external auditor (Mazars) regarding the Statement of Accounts before approving the audited accounts. The Audit Findings report for the Council and the Greater Manchester Pension Fund, which is administered by the Council, have been considered earlier on this agenda (Item 6) and the adjustments highlighted as part of the audit have been included in the report.

2. INTRODUCTION

- 2.1 The current legislation enables the draft Statement of Accounts to be certified by the Director of Finance (Section 151 Officer) and this was completed on 28 May 2019. External Audit commenced their work on site at the end of June and expect to issue their opinion to meet the statutory deadline of 31 July 2019.
- 2.2 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. 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, including the statements for the Greater Manchester Pension Fund, are included in Appendix 1.
- 2.2 The external audit work is nearing completion. A number of amendments to the accounts have been agreed with External Audit as set in Item 6 on this agenda.

3. MATTERS ARISING FROM THE AUDIT

- 3.1 As set out in the report at Item 6 on this agenda, three amendments have been made to the financial statements. Two amendments relate to prior periods and adjustments have been made to Heritage Assets and Assets under Construction in respect of previous years. An amendment has been made to the balance sheet at 31 March 2019 in respect of Investment Properties. The Statement of Accounts attached at Appendix 1 incorporate the amendments agreed with External Audit and the amended figures are highlighted in yellow.
- 3.2 A small number of presentational amendments have also been made but no changes have been required that fundamentally alter any assessment of the Council's financial position at 31 March 2019 or its income and expenditure for the year then ended. No issues have been identified, which cast fundamental doubt on the overall adequacy of the financial records and the accounts maintained by the Council. The presentational adjustments recommended by external audit have also helped to improve the overall quality of the accounts and have not impacted on the financial position reported.

4. APPROVAL OF THE AUDITED STATEMENTS

- 4.1 The external audit of the Statement of Accounts is substantially complete but subject to final review and completion procedures by External Audit. The Audit Panel is asked to approve the Statement of Accounts attached at appendix 1, which includes the amendments agreed with external audit.
- 4.2 The Audit Panel is also asked to approve delegated authority to the Director of Finance to make any further disclosure amendments recommended by External Audit as part of the conclusion of their audit. In the unlikely event of any substantive amendments to the primary statements, these will be discussed with the Chair of Audit Panel prior to the signing and publication of the final audited Statement of Accounts.

5. RECOMMENDATIONS

5.1 As set out at the front of the report.

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. 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.

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;¹
- 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).

¹ 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 £29,079²;
- 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.³
- 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.

² 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.

³ 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
Integrated Commissioning Fund	931,292	(342,293)	589,000	588,974	26

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
Integrated Commissioning Fund	931,292	(342,293)	589,000	588,974	26

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
(Surplus)/deficit for the year	1,748	4,977	(1,953)	594	3,701	4,383
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
Balance carried forward	(13,302)	5,040	(17,003)	657	3,701	4,383
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
Total (Surplus)/Deficit	(13,302)	5,040	(17,003)	657	3,701	4,383

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 are 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 1st choice secondary school. 98% of young people were placed in one of their preferences.
- 86% of children were placed in their 1st 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

GOVERNANCE

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.

Key Achievements and successes in 2018/19 include:

Exchequer

- Drafting and implementing care leavers Council Tax discounts policy to include care leavers up to the age of 25
- Review CTS scheme and improve with a 2 week run on and changes to the calculation of Self Employed earnings
- Successful submission of Housing Benefit Subsidy claim for 2017/18 following audit
- Successful spend of Discretionary Housing Payment monies totalling £670k
- Procurement and award of contract to UK mail for printing and posting of bulk and hybrid mail
- Procurement and award of External Enforcement Agency contract to 3 companies
- Currently on target to achieve collection rates set for current year Council Tax and NNDR
- Have already exceeded collection rates for previous years arrears for Council Tax and NNDR
- Successfully maximised and awarded Revaluation Relief

Democratic Services

- Carried out the annual canvas of electors which was completed in February 2018).
- The successful delivery of the local election and a by-election.
- Continue to perform above the electoral commission Performance Standards for Elections and Electoral registration.
- Successfully implemented the service review.

Executive Support

- The Service has success delivered its service within budget for 2018/19.
- The service has also led and delivered a success Customer Service Excellence award with 100% compliance and 10 areas of compliance plus.
- Corporate Business management support has been provided to the Children's Service for the last 2 years engaging with the Ofsted Improvement journey.
- Corporate project management support has also been given to the Democratic process of elections.
- The focus in 2018/2019 has been on the integration of a range of disparate units covering some of the functions above into a joined up Strategic Commission approach. These include the existing Executive Support function for Tameside Council with the equivalent for Tameside and Glossop NHS Clinical Commissioning Group, as well as the service based children and adult functions within Tameside Council. The led to a wholesale review which has brought a number of new areas together, streamlined some service delivery but also planned to deliver some organisational priorities.
- The service was also pivotal to the organisation and delivery of the successful Neighbourhood Summit that was hosted in Jan 2019.

HR & OD

- Continued delivery of the STRIVE leadership programme to cohort 4
- Launched and delivered the STRIVE Aspiring Leaders programme
- Ongoing substantial support to Children's Improvement Plan
- Review and implementation of revised employment procedures for Council and CCG
- Continued support to Vision Tameside recant strategy
- Leadership and support to workforce elements of Care Together programme
- Implementation of Monthly Data Collection (MDC) teachers pension reporting compliance
- Implementation of Oxygen early repayment project
- Pension Auto-enrolment completed
- Reporting compliance for Gender Pay completed
- Increase to high level of audit assurance for Payroll and Pensions team
- Upgrade to Agresso payments system successfully achieved
- Support to the implementation of STAR linked to creditors
- Successful launch to Squad Working and Squad of Squads

- Launch of refreshed People’s Strategy

Policy & Communications

- The focus in 2018/2019 has been on the integration of a range of disparate units covering some of the functions above into a joined up Strategic Commission approach. These include the existing Policy & Communications function for Tameside Council with the equivalent for Tameside and Glossop NHS Clinical Commissioning Group, as well as the service based children and adult functions within Tameside Council.
- Establishment and delivery of the Tameside and Glossop Partnership Engagement Network (PEN).
- New performance scorecard and improvement framework for Children’s Services.
- Bid and shortlisted for a number of awards including Local Government Chronicle, Municipal Journal, Health Service Journal and UK Public Sector Communications. Team won the communications award for the Shared Lives campaign.
- 20% increase in social media audience.
- Green rating from NHS England for engagement and consultation approach.
- Support to services in a range of significant projects. e.g. Intermediate Care review.
- Development, launch and progression of a joint Corporate Plan

FINANCE AND IT

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 that 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
Growth			
Vision Tameside	17,696	15,434	2,262
Investment & Development	2,634	2,112	522
Estates	624	0	624
Operations and Neighbourhoods			
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
Children's			
Education	4,768	4,170	598
Children	50	47	3
Finance & IT			
Finance	11,300	11,278	22
Digital Tameside	3,345	2,818	527
Population Health			
Active Tameside	4,350	4,417	(67)
Adults			
Adults	200	22	178
Governance			
Exchequer	10	0	10
Total	57,444	51,545	5,899

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	2020/21	2021/22	2022/23	2023/24
	'£000	'£000	'£000	'£000	'£000
Proposed total budget	196,803	204,847	206,294	210,037	215,089
Total forecast resources	(196,803)	(189,000)	(183,857)	(183,870)	(184,045)
Previous year's gap	-	-	15,847	22,437	26,167
Current year gap	-	15,847	6,590	3,730	4,877
Cumulative gap	-	15,847	22,437	26,167	31,044
Planned Reductions in Children's Services Spend (Cumulative) included in budget above	-	4,300	9,300	9,300	9,300
Cumulative gap without planned reduction in Children's Services Spend	-	20,147	31,737	35,467	40,344

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
Accounting reserves	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)
Grants and Contributions	Reserves to hold unspent grants and contributions received from external sources.
Liabilities and Risk	Reserves held to mitigate against known and anticipated liabilities and risks. This will include for example self insurance reserves.
Capital Reserves	Capital Receipts, Capital Grants and Reserves earmarked for capital purposes. These reserves are used to finance the capital programme.
Schools Reserves	Reserves for Schools and Education expenditure, including the ring fenced schools balances.
Budget Resilience Reserves	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.
Strategic Priorities Reserves	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 pension's 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.

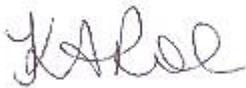
Acknowledgements

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:



31 July 2019

Kathy Roe
Director of Finance (Section 151 Officer)

Tameside Metropolitan Borough Council

Tameside One
Market Place
Ashton-under-Lyne
Tameside
OL6 6BH

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.

Statement of Responsibilities

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:

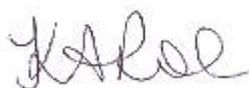
- Kept proper accounting records which were up to date;
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

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: 31 July 2019



Kathy Roe

Director of Finance (Section 151 Officer)

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
Cost Of Services	1	469,256	(297,414)	171,843	472,974	(306,790)	166,184
Other Operating Income and Expenditure	2	42,204	(550)	41,654	49,342	(4,336)	45,006
Financing and Investment Income and Expenditure	3	36,901	(21,174)	15,727	34,597	(18,397)	16,200
Taxation and Non-Specific Grant Income	4	0	(195,935)	(195,935)	0	(209,092)	(209,092)
(Surplus) or Deficit on Provision of Services		548,361	(515,073)	33,289	556,913	(538,615)	18,298
<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)
				73,508			(20,293)

*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	Schools Balances	Earmarked Reserves	Total General Fund Balance	Capital Receipts Unapplied Account	Capital Grants and Other Contributions Unapplied Reserve	Total Usable Reserves	Unusable Reserves	Total Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Note	9a	9a	11	8	9b	9c	9a	10	£000
Balance at 31 March 2017 *	(17,295)	(4,476)	(188,520)	(210,292)	(3,556)	(15,199)	(229,045)	80,124	(148,921)
(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)
Total Comprehensive Income and Expenditure	18,298	0	0	18,298	0	0	18,298	(38,591)	(20,293)
Adjustments between accounting basis & funding basis under regulations ***	9,932	0	0	9,932	3,554	(2,733)	10,753	(10,753)	0
Net (increase)/decrease before transfers to Earmarked Reserves	28,230	0	0	28,230	3,554	(2,733)	29,051	(49,342)	(20,293)
Transfers to/(from) Earmarked Reserves and Schools Balances ****	(28,229)	271	27,958	0	0	0	0	0	0
(Increase)/decrease in year	1	271	27,958	28,230	3,554	(2,733)	29,051	(49,342)	(20,293)
Balance at 31 March 2018 *	(17,295)	(4,205)	(160,562)	(182,062)	(2)	(17,932)	(199,994)	30,782	(169,214)
(Surplus) or Deficit on the Provision of Services **	33,289	0	0	33,289	0	0	33,289	0	33,289
Other Comprehensive Income and Expenditure **	0	0	0	0	0	0	0	40,220	40,220
Total Comprehensive Income and Expenditure	33,289	0	0	33,289	0	0	33,289	40,220	73,509
Adjustments between accounting basis & funding basis under regulations ***	(3,179)	0	0	(3,179)	(535)	583	(3,131)	3,131	0
Net (increase)/decrease before transfers to Earmarked Reserves	30,110	0	0	30,110	(535)	583	30,158	43,351	73,509
Transfers to/(from) Earmarked Reserves and Schools Balances ****	(30,110)	(3,184)	33,295	0	0	0	0	0	0
(Increase)/decrease in year	(0)	(3,184)	33,295	30,110	(535)	583	30,158	43,351	73,509
Balance at 31 March 2019 *	(17,295)	(7,389)	(127,268)	(151,952)	(537)	(17,350)	(169,837)	74,133	(95,705)

* 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.

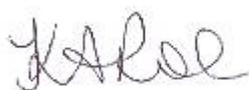
**** A further breakdown of the Council's Earmarked Reserves can be seen in Note 11.

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 Restated £000	1 April 2017 Restated £000
Property, Plant and Equipment	12	443,076	428,066	411,160
Heritage Assets	13	17,020	17,020	17,020
Investment Properties	14	28,706	30,700	29,534
Intangible Assets	15	33	33	33
Long Term Debtors	18	28,056	17,581	19,469
Long Term Investments	19	71,349	60,270	46,069
Non-current Assets		588,240	553,670	523,285
Cash and Cash Equivalents	23	36,476	40,258	70,712
Short Term Investments	19	63,321	88,206	99,768
Inventories	21	572	425	484
Short Term Debtors	22	49,693	47,485	38,750
Assets Held for Sale (<1yr)	12d	1,230	1,230	1,502
Current Assets		151,292	177,604	211,216
Short Term Borrowing	19	(20,546)	(20,788)	(20,496)
Short Term Creditors	24	(43,479)	(40,239)	(33,192)
Short Term Provisions	26	(8,939)	(6,958)	(3,793)
Other Short Term Liabilities	25	(2,750)	(2,876)	(2,592)
Receipts In Advance (Grants and Contributions)		(3,078)	(1,919)	(992)
Current Liabilities		(78,792)	(72,780)	(61,065)
Long Term Borrowing	19	(112,093)	(112,687)	(112,776)
Long Term Provisions	26	(2,340)	(9,300)	(3,817)
Other Long Term Liabilities	25	(450,602)	(367,294)	(407,922)
Non-current Liabilities		(565,035)	(489,281)	(524,515)
Net Assets / (Liabilities)		95,705	169,213	148,921
Usable Reserves	9	(169,837)	(199,995)	(229,045)
Unusable Reserves	10	74,132	30,782	80,124
Total Reserves		(95,705)	(169,213)	(148,921)

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 31 July 2019.



Kathy Roe
31 July 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		33,289	18,298
Adjustment to Surplus or Deficit on the Provision of Services for Non-cash Movements	31a	(70,856)	(59,966)
Adjust for Items Included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities	31b	11,744	20,435
Net Cash Flows from Operating Activities		(25,822)	(21,232)
Net Cash Flows from Investing Activities	32	26,185	19,228
Net Cash Flows from Financing Activities	33	3,420	4,500
Pension contributions advanced payment	32		27,957
Net (Increase) or Decrease in Cash and Cash Equivalents		3,782	30,454
Cash and Cash Equivalents at the Beginning of the Reporting Period	23	40,258	70,711
Cash and Cash Equivalents at the End of the Reporting Period	23	36,476	40,258

Prior Period Adjustments

A third balance sheet for 1 April 2017 has been prepared to reflect two prior period adjustments relating to financial years 2011/12, 2014/15 and 2015/16. All the prior period adjustments change the value of net assets and unusable reserves held by the Council. There is no impact on usable reserves.

The adjustments are as follows:

Heritage Assets

The Council holds a collection of Heritage Assets which have been secured over many years from a variety of sources, being mainly bequeaths, donations and long term loans. Many of the assets acquired from these sources have restrictions attached which govern how the assets may be managed in the future.

When Heritage Assets were initially recognised on the balance sheet in 2011/12, the restrictions on the use of these assets were interpreted as conditions which resulted in the creation of a donated assets liability. The Code provides guidance on the interpretation of restrictions and conditions, and further review has determined that the restrictions on these assets should not have been treated as 'conditions' and the donated assets liability should not have been created. A Prior Period Adjustment has been reflected in the balance sheet at 1 April 2017 to correct this error. The amendment removes the donated assets liability of £10.658m and replaces the credit entry with an equal credit to the Capital Adjustment Account in line with the required accounting for Heritage Assets recognition where only restrictions are in place.

A further Prior Period Adjustment has also been reflected in the balance sheet at 1 April 2017 to correct the valuation of Heritage Assets. With the exception of Statues and other monuments (held at cost), Heritage Assets are reflected in the balance on the basis of insurance valuations which are completed as a minimum every five years. The most recent valuation took place in 2015 but this valuation had not been reflected in the statement of accounts in 2015/16. The prior period adjustment corrects the valuation of Heritage Assets by increasing the value held on the balance sheet by £4.549m, with an equal entry in the Revaluation Reserve (part of unusable reserves).

Assets Under Construction

A review of balances held as Assets Under Construction has identified a number of balances which should have been written off in 2014/15 or 2015/16. Most of these balances related to work on schools which have subsequently converted to Academy Status and the assets have been derecognised from the balance sheet.

The balance sheet at 1 April 2017 has been adjusted to correct the Assets Under Construction balances to include only balances relating to Council Assets still under construction. The adjustment reduces the balance of Assets Under Construction on the balance sheet by £5.903m with a corresponding entry in the Capital Adjustment Account.

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
2018/19	£000	£000	£000	£000	£000
Children's Social Care	51,810	705	52,515	1,616	54,131
Education	5,269	1,583	6,852	6,897	13,749
Adults' Social Care	40,449	1,965	42,414	2,147	44,561
Population Health	16,156	(118)	16,038	2,152	18,190
Quality & Safeguarding	45	8	53	25	78
Operations & Neighbourhoods	50,870	(30,957)	19,913	10,690	30,603
Growth	6,532	(15,835)	(9,303)	8,965	(337)
Finance & IT	4,140	136	4,276	1,904	6,180
Governance	7,067	(280)	6,787	1,024	7,811
Corporate Costs	4,150	(7,767)	(3,617)	493	(3,124)
Net costs of services	186,488	(50,560)	135,928	35,913	171,842
Other income and expenditure	(186,514)	50,560	(135,954)	(2,598)	(138,552)
(Surplus) or deficit	(26)	0	(26)	33,315	33,290
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		
Closing General Fund Balance at 31 March 2019			(17,295)		

	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
Net costs of services	174,054	(36,393)	137,661	28,523	166,184
Other income and expenditure	(177,396)	36,393	(141,003)	(6,883)	(147,886)
(Surplus) or deficit	(3,342)	0	(3,342)	21,640	18,298
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		
Closing General Fund Balance at 31 March 2018			(17,295)		

*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
Net costs of services	17,173	(36,543)	(29,687)	(15,085)	13,582	(50,560)	24,206	12,003	(296)	35,913
Other income and expenditure	(17,173)	36,543	29,687	15,085	(13,582)	50,560	(24,206)	(12,003)	33,612	(2,597)
Total	0	0	0	0	0	0	0	0	33,316	33,316

	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
Net costs of services	28,612	(30,644)	(29,076)	(18,717)	13,432	(36,393)	15,628	12,281	614	28,523
Other income and expenditure	(28,612)	30,644	29,076	18,717	(13,432)	36,393	(15,628)	(12,281)	21,026	(6,883)
Total	0	0	0	0	0	0	0	0	21,640	21,640

1b. Expenditure and Income Analysed by Nature

	2018/19 £000	2017/18 £000
Expenditure		
Employee benefits expenses	196,298	198,893
Other service expenses	262,957	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	30,559	30,505
	548,361	556,913
Income		
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)
	(515,073)	(538,615)
Surplus/Deficit on provision of services	33,288	18,298

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
	42,204	(550)	41,654	49,342	(4,336)	45,006

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	5,680	(3,856)	1,824	2,611	(4,430)	(1,819)
	36,901	(21,174)	15,728	34,597	(18,397)	16,200

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)
	(195,935)	(209,092)

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:

	2018/19 £000	2017/18 £000
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	(8,776)	(5,364)
Better Care Fund	(10,969)	(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)
Total Revenue Grants credited to Cost of Services	(254,854)	(259,327)
Capital Grants and Contributions		
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)
Total Capital Grants and Contributions (credited to Taxation and Non-Specific Grant Income)	(8,861)	(13,113)

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)
Total DSG after Academy recoupment			125,798
Brought forward from 2017/18			3,881
Less: Carry forward to 2019/20 agreed in advance			2,632
Agreed budget distribution for 2018/19	17,965	109,081	127,047
In year adjustments	357	0	357
Final budget distribution for 2018/19	18,322	109,081	127,403
Actual central expenditure	17,671		17,671
Actual ISB deployed to schools		109,137	109,137
Carry forward to 2019/20	651	(55)	3,228

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
Total	7,707	(8,566)	(859)	5,612	(6,994)	(1,382)

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 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.

	Usable Reserves			Movement in Unusable Reserves £000
	General Fund Balances £000	Capital Receipts Unapplied Account £000	Capital Grants and Other Contributions Unapplied Reserve £000	
2018/19				
Adjustments to Capital Adjustment Account:				
<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	(1,838)	0	0	1,838
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
Adjustments to Capital Receipts Unapplied Account:				
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
Adjustments to Deferred Capital Receipts Reserve:				
Transfer to Capital Receipts Unapplied Account upon receipt of cash	0	(3)	0	3
Adjustments to Financial Instruments Adjustment Account:				
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
Adjustments to Pensions Reserve:				
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)
Adjustments to Collection Fund Adjustment Account:				
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
Adjustment to Accumulating Compensated Absences Adjustment Account:				
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)
Total Adjustments	(3,179)	(535)	583	3,131

	Usable Reserves			Movement in Unusable Reserves £000
	General Fund Balances £000	Capital Receipts Unapplied Account £000	Capital Grants and Other Contributions Unapplied Reserve £000	
2017/18				
Adjustments to Capital Adjustment Account:				
Reversal of items debited or credited to the CIES:				
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)
Adjustments to Capital Receipts Unapplied Account:				
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
Adjustments to Deferred Capital Receipts Reserve:				
Transfer to Capital Receipts Unapplied Account upon receipt of cash	0	0	0	0
Adjustments to Financial Instruments Adjustment Account:				
Proportion of premiums incurred in previous financial years to be	(102)	0	0	102
Adjustments to Pensions Reserve:				
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)
Adjustments to Collection Fund Adjustment Account:				
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)
Adjustment to Accumulating Compensated Absences Adjustment Account:				
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
Total Adjustments	9,932	3,554	(2,733)	(10,753)

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)
Total	(169,837)	(199,995)

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
Balance at 1 April	(2)	(3,556)
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
Balance at 31 March	(537)	(2)

9c Capital Grants and Other Contributions Unapplied Reserve

	2018/19 £000	2017/18 £000
Balance at 1 April	(17,932)	(15,199)
Grants and contributions received in previous years - applied	3,389	2,875
Grants and contributions received in year - not applied	(2,807)	(5,608)
Balance at 31 March	(17,350)	(17,932)

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	(50,686)	(41,631)
Financial Instruments Revaluation Reserve	(42,153)	0
Capital Adjustment Account	(176,857)	(157,071)
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)
Total	74,133	30,783

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
Balance at 1 April	(41,631)	(41,779)
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	(12,772)	(1,800)
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	3,717	1,948
Balance at 31 March	(50,686)	(41,631)

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
Balance at 1 April	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
Balance at 31 March	(42,153)	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
Balance at 1 April	(157,071)	(131,473)
<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
	38,184	37,160
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	34,467	35,212
<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)
	(56,092)	(59,038)
Movements in the market value of Investment Properties debited or credited to the CIES	1,838	(1,772)
Balance at 31 March	(176,858)	(157,072)

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
Balance at 1 April	286,604	294,902
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)
Balance at 31 March	359,396	286,604

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
Balance at 1 April	(41,686)	(33,486)
Revaluation of investment in Manchester Airport Group (MAG)	0	(8,200)
Transfer to Financial Instruments Revaluation Reserve under IFRS 9	41,686	0
Balance at 31 March	0	(41,686)

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
Balance at 1 April	(14,332)	(6,579)
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)
Balance at 31 March	(13,811)	(14,332)

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
Balance at 1 April	3,977	3,720
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
Balance at 31 March	3,220	3,977

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.

10i 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
Balance at 1 April	633	531
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	101	102
Balance at 31 March	734	633

10j 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
Balance at 1 April	(10)	(11)
Transfer to the Capital Receipts Unapplied Account on receipt of cash	3	1
Balance at 31 March	(7)	(10)

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.
Total	(160,562)	33,295	(127,267)	(188,521)	27,958	(160,562)	

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 (DHC)*
- *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 by an external valuer. 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
Cost or Valuation								
At 1 April 2018	263,246	37,856	140,447	18,308	5,017	41,813	506,686	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
At 31 March 2019	295,333	38,827	151,439	18,361	4,973	10,546	519,477	88,701
Accumulated Depreciation and Impairment								
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
At 31 March 2019	(16,020)	(23,829)	(32,833)	(3,590)	(128)	0	(76,399)	(2,564)
Net Book Value								
At 31 March 2019	279,313	14,998	118,606	14,771	4,845	10,546	443,077	86,136
At 31 March 2018	239,905	15,499	111,245	14,718	4,889	41,813	428,068	74,281
Nature of asset owned at 31 March 2019								
Owned	193,175	14,998	118,606	14,771	4,845	10,546	356,942	0
Finance Lease	0	0	0	0	0	0	0	0
PFI	86,136	0	0	0	0	0	86,136	86,136
	279,312	14,998	118,606	14,771	4,845	10,546	443,078	86,136

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
Cost or Valuation								
At 1 April 2017	271,377	32,293	133,597	18,198	5,705	20,839	482,009	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
At 31 March 2018	263,242	37,856	140,447	18,308	5,017	41,813	506,684	78,432
Accumulated Depreciation and Impairment								
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
At 31 March 2018	(23,341)	(22,357)	(29,202)	(3,590)	(128)	0	(78,618)	(4,152)
Net Book Value								
At 31 March 2018	239,902	15,499	111,245	14,718	4,889	41,813	428,066	74,281
At 31 March 2017	251,879	10,861	107,804	14,608	5,170	20,839	411,161	75,890
Nature of asset owned at 31 March 2018								
Owned	165,622	15,499	111,245	14,718	4,889	41,813	353,787	0
Finance Lease	0	0	0	0	0	0	0	0
PFI	74,281	0	0	0	0	0	74,281	74,281
	239,903	15,499	111,245	14,718	4,889	41,813	428,068	74,281

12c. The effective date of revaluation for non-current assets is 1st 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
Historical Cost	13,156	38,827	151,439	18,361	220	10,546	232,549
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
Total Cost or Valuation	295,333	38,827	151,439	18,361	220	10,546	514,725

12d. Assets Held for Sale

	2018/19 £000	2017/18 £000
Balance at start of the year	1,230	1,502
Assets newly classified as held for sale	0	0
Disposals in year	0	(272)
Balance at end of the year	1,230	1,230

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 restrictions attached which govern how the assets may be managed in the future.

Statues and Other monuments are held at cost and not subject to revaluation or amortisation. Civic Regalia, Art Collections and Militaria are held based on an insurance valuation provided by an external valuer, which is updated as a minimum every five years. The latest valuation took place in 2015.

	Civic Regalia £000	Art Collection £000	Militaria £000	Statues and Other Monuments £000	Total Heritage Assets £000
Cost or Valuation					
At 31 March 2018	640	13,457	2,012	911	17,020
At 31 March 2019	640	13,457	2,012	911	17,020

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	3,852	770
Net position	2,112	(1,819)

The following table summarises the movement in the fair value of investment properties:

	2018/19 £000	2017/18 £000
Balance at start of the year	30,700	29,534
Additions	32	50
Movements in the fair value of investment property	(1,838)	1,773
Derecognition/disposal of non-current assets	(198)	(657)
Assets reclassified in year	11	0
Balance at end of the year	28,706	30,700

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)
Balance at start of the year	33	33
In year amortisation	0	0
Balance at end of the year	33	33

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
Opening CFR plus PFI added in Year	285,138	292,789
<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)
Closing CFR	280,590	285,138

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)
Increase / (decrease) in CFR	(4,548)	(7,651)

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
Total	11,375

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
Total	28,056	17,581

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:

Financial Assets

	31 March 2019		31 March 2018	
	Long Term £000	Current £000	Long Term £000	Current £000
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)
Financial Assets at amortised cost	16,578	63,321	6,001	88,206
Other Investments	43	0	8	0
<u>Available for Sale</u>				
Inspiredspaces Tameside (Holdings 1) Ltd	0	0	852	0
Inspiredspaces Tameside (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 Tameside (Holdings 1) Ltd	722	0	0	0
Inspiredspaces Tameside (Holdings 2) Ltd	1,306	0	0	0
Manchester Airport Group (MAG)	52,700	0	0	0
Total Investments	71,349	63,321	60,270	88,206
Investments treated as Cash Equivalents	0	25,810	0	33,081
Other Cash	0	10,666	0	7,177
Debtors	28,056	20,539	17,580	25,770
Total Financial Assets	99,405	120,336	17,580	66,028

Financial Liabilities

	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
Total Borrowing	112,093	20,546	112,687	20,788
Creditors	0	31,935	0	31,413
PFI, leases & transferred debt	105,435	2,745	109,170	2,872
Total Financial Liabilities	217,528	55,226	221,857	55,073

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
Available for Sale				
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
Fair Value through Other Comprehensive Income				
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
Total			54,728	54,261

With the adaption of IFRS9 the 'Available for Sale Financial Asset' category is no longer available. The new standard requires that investments in equity to be reclassified as Fair Value through Profit and Loss (FVPL) unless there is an irrevocable election to designate the asset as fair value through other comprehensive income.

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.

Where these equity investments are not held to trade but are held for strategic reasons the Council can choose to designate these investments as Fair Value through Other Comprehensive Income (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. 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. The Council receives dividend income from the investment, which is included in Financing and Investment Income and Expenditure. It is a key item of income in the Council’s Medium Term Financial Strategy and as such, the Council is highly unlikely to dispose of its 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
Total	131,901	219,272	132,076	219,755

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
Money Market Loans				
Less Than 1 Year	89,138	89,138	121,286	121,286
Greater Than 1 Year	16,578	16,578	6,001	6,001
Long Term Debtors	28,056	28,056	17,580	17,580
Total Loans and Receivables	133,771	133,771	144,867	144,867

- **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.

Items of income, expense, gains or losses

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

	31 March 2019 £000	31 March 2018 £000
Gains or Losses on:		
Financial Assets at Fair Value Through Other Comprehensive Income	0	8,200
Interest Income		
Financial Assets at Amortised Cost	(2,406)	(1,522)
Financial Assets at Fair Value Through Other Comprehensive Income	(6,346)	(5,451)
Total Interest Income	(8,752)	(6,973)
Interest Expense	16,184	17,099

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.

Expected Credit Loss

Calculation of expected credit loss is a way of assessing the credit risk of investments and other financial assets and is a new requirement under IFRS9. Credit losses are recognised on either a 12 month or lifetime basis, with the 12 month method being used for assets where the risk of default remains low and is not expected to increase and the lifetime method used when the risk of default is high or expected to increase significantly.

Where the counterparty is central government or another local authority, no loss allowance is required.

The Council has assessed its assets as follows:

Asset Type	Risk Assessment	Expected Credit Loss Model	Assessment Criteria
Treasury Investments	Low	12 month	Historical default tables provided by credit rating agencies
Loans to Third Parties	Low/High	12 month/lifetime	Assets to be assessed on an individual basis using external ratings, economic conditions, and internal assessment of risk level of counterparty

Following an assessment of the Council's investments it has been determined that there is no material expected credit loss and therefore no allowance has been made.

A summary of the credit quality of the Council's financial assets is below.

Treasury Deposits	Amount at 31 March 2019 £000	Credit Rating	Historical experience of default %	Estimated maximum exposure to default £000
Banks and Financial Institutions				
Barclays	10,000	A	0.05	5
Federated (MMF)	10,800	AAA	0.04	4
Morgan Stanley (MMF)	15,000	AAA	0.04	6
Total	35,800			15
Other Local Authorities	69,500	n/a	n/a	0
Total	105,300			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. Debt is impaired in line with IFRS9 based on knowledge and experience of past debts and current conditions. At the Balance Sheet date a balance of £8.728m net of impairment was outstanding and is analysed by age below:

	31 March 2019 £000	31 March 2018 £000
Less than three months	3,765	4,490
Three to four months	249	254
More than four months	4,715	4,716
Total	8,728	9,460

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:

	31 March 2019 £000	31 March 2018 £000
Less than one year	88,806	121,081
Greater than one year	16,578	6,000
Total	105,384	127,081

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	31 March 2018
	%	%	£000	£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
Total			130,850	131,043

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:

	31 March 2019 £000	31 March 2018 £000
Decrease in the fair value of fixed rate borrowings liabilities (no impact on CIES)	36,691	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	572	425

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)
	46,287	44,343
Capital Debtors	713	464
Payments In Advance	2,661	2,646
Transferred Services	32	32
Total	49,693	47,485

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
Total	36,476	40,258

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)
Total	(35,211)	(30,072)
Capital Creditors	(821)	(4,922)
Deposits and Receipts in Advance	(4,227)	(1,268)
Short Term Accumulating Compensated Absences	(3,220)	(3,977)
Total	(43,479)	(40,239)

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
2018/19				
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)
Rent Deposit on Leased Buildings		(37)	0	(37)
Total		(450,602)	(2,750)	(453,353)
2017/18				
Pension Liability	30	(258,092)	0	(258,092)
PFI	28	(102,309)	(2,872)	(105,181)
Finance Leases	27	(2,609)	(4)	(2,614)
Former Transferred Debt		(4,247)	0	(4,247)
Rent Deposit on Leased Buildings		(37)	0	(37)
Total		(367,294)	(2,876)	(370,171)

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.

	Business Rate Appeals £000	Pay Provision £000	Insurance Fund £000	Other Provisions £000	Total £000
Balance at 1 April 2018	(6,958)	(4,028)	(5,106)	(166)	(16,258)
Additional provisions made in the period	(1,981)	0	(1,037)	(228)	(3,245)
Provision - written back	0	4,028	0	0	4,028
Amounts used	0	0	4,069	127	4,196
Provision Balance at 31 March 2019	(8,939)	0	(2,074)	(266)	(11,279)
Long Term Provision	0	0	(2,074)	(266)	(2,340)
Short term Provision	(8,939)	0	0	0	(8,939)
Total	(8,939)	0	(2,074)	(266)	(11,279)

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
Total	0	2

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)	0
- non-current	(2,607)	(2,613)
Finance costs payable in future years	(19,197)	(16,053)
Minimum lease payments	(21,809)	(18,666)

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	(256)	(5)	(223)	0
Later than one year and not later than five years	(1,025)	(22)	(892)	(25)
Later than five years	(20,528)	(2,585)	(17,552)	(2,588)
	(21,809)	(2,612)	(18,667)	(2,613)

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
	6	8

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	979	950
Later than one year and not later than five years	3,509	3,488
Later than five years	63,912	63,309
	68,400	67,747

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.

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:

	Pyramid Schools (Tameside) Limited £000	Inspiredsp aces Tameside (Hold Co 1) Ltd £000	Inspiredsp aces Tameside (Hold Co 2) Ltd £000	Total £000
<u>Cost or Valuation</u>				
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	3,339	4,182	2,981	10,502
At 31 March 2019	19,695	26,820	42,186	88,701
<u>Accumulated Depreciation and Impairment</u>				
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	616	1,208	974	2,799
At 31 March 2019	(387)	(482)	(1,695)	(2,563)
<u>Net Book Value</u>				
At 31 March 2019	19,308	26,338	40,491	86,138
Adjusted 1 April 2018	15,705	21,401	37,320	74,427
At 31 March 2018	15,899	21,429	36,953	74,281

Details of the comparative movements in PFI assets are below:

	Pyramid Schools (Tameside) Limited £000	Inspiredsp aces Tameside (Hold Co 1) Ltd £000	Inspiredsp aces Tameside (Hold Co 2) Ltd £000	Total £000
<u>Cost or Valuation</u>				
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				
<u>Accumulated Depreciation and Impairment</u>				
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
At 31 March 2018	(690)	(1,209)	(2,254)	(4,153)
<u>Net Book Value</u>				
At 31 March 2018	15,899	21,429	36,953	74,281
At 31 March 2017	16,198	21,868	37,825	75,890

Details of movements in PFI liabilities in the accounting period are below:

	Pyramid Schools (Tameside) Limited £000	Inspiredsp aces Tameside (Hold Co 1) Ltd £000	Inspiredsp aces Tameside (Hold Co 2) Ltd £000	Total £000
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
Liability outstanding at 31 March 2019	(12,027)	(33,144)	(57,138)	(102,310)
Short term Finance Lease liability (2019-20)	(337)	(814)	(1,594)	(2,745)
Long term finance lease liability (Future Years)	(11,689)	(32,331)	(55,544)	(99,564)
	(12,026)	(33,144)	(57,138)	(102,309)

Details of comparative movements in PFI liabilities are below:

	Pyramid Schools (Tameside) Limited £000	Inspiredsp aces Tameside (Hold Co 1) Ltd £000	Inspiredsp aces Tameside (Hold Co 2) Ltd £000	Total £000
Liability outstanding at 1 April 2017	(12,997)	(34,901)	(59,867)	(107,765)
Payments made During the year	459	849	1,277	2,584
Liability outstanding at 31 March 2018	(12,538)	(34,052)	(58,590)	(105,181)
Short term Finance Lease liability (2018-19)	(512)	(908)	(1,452)	(2,872)
Long term finance lease liability (Future Years)	(12,026)	(33,144)	(57,138)	(102,309)
	(12,538)	(34,052)	(58,590)	(105,181)

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:

	31 March 2019		31 March 2018	
	Carrying Value	Fair Value	Carrying Value	Fair Value
PFI Liabilities	102,310	185,960	105,181	188,689
Total PFI Liabilities	102,310	185,960	105,181	188,689

The table below summarises the estimated basic contract payment values for each PFI contract:

	Payments					Indexation	Contract Expiry
	Liability	Finance	Contingent	Service	Total		
Pyramid Schools (Tameside)							
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		
	12,027	11,953	10,053	21,882	55,916		
Inspiredspaces Tameside							
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		
	33,144	33,332	19,231	51,762	137,469		
Inspiredspaces Tameside (ProjectCo2) Limited							
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		
	57,138	67,586	21,443	80,214	226,382		

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.

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
Service Cost		
- Current service costs	30,225	30,099
- Past service costs (including curtailments)	341	191
Total Service Cost	30,566	30,290
Financing and Investment Income and Expenditure		
- Interest income on scheme assets	(25,226)	(23,098)
- Interest cost on defined benefit obligation	32,557	31,110
Total Net Interest	7,331	8,012
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	37,897	38,302
Remeasurements of the Net Defined Liability		
- 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)
Total Remeasurements Recognised in Other Comprehensive Income and Expenditure	53,458	(28,591)
Total Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement	91,355	9,711
Movement in Reserves Statement		
- 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)
Net liability arising from Defined Benefit obligation	(345,143)	(258,092)

Reconciliation of the Movements in Fair Value of Scheme Assets:

	2018/19 £000	2017/18 £000
Opening fair value of scheme assets	947,811	901,572
Interest income	25,226	23,098
Remeasurement gain	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)
Closing fair value of scheme assets	992,526	947,811

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

	2018/19 £000	2017/18 £000
Opening fair value of scheme liabilities	(1,205,903)	(1,196,474)
Current service cost	(30,225)	(30,099)
Interest cost	(32,557)	(31,110)
Contributions from scheme participants	(4,987)	(4,801)
Remeasurement gain	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
Closing fair value of scheme liabilities	(1,337,666)	(1,205,903)

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	%
Equity Securities:								
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%
Debt Securities:								
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%
Private Equity:								
All	0	46,483	46,483	5%	0	31,717	31,717	3%
Real Estate:								
UK Property	0	47,142	47,142	5%	0	32,450	32,450	3%
Investment funds and Unit Trusts:								
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%
Derivatives:								
Other	503	0	503	0%	0	0	0	0%
Cash and Cash Equivalents:								
All	24,791	0	24,791	2%	34,668	0	34,668	4%
Totals	765,704	226,819	992,523	100%	805,801	142,010	947,811	100%

The GMPF does not formally account for each employer's assets separately and therefore the Tameside share of the assets does not have any authority specific risks. Further information on the risks associated with the GMPF can be found in the Funding Strategy Statement on the GMPF website. The Tameside membership is not considered to have any particular demographic factors which expose the authority to specific risks.

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
Mortality assumptions *		
Longevity at 65 for current pensioners:		
Men	21.5 years	21.5 years
Women	24.1 years	24.1 years
Longevity at 65 for future pensioners:		
Men	23.7 years	23.7 years
Women	26.2 years	26.2 years
Rate of inflation	2.50%	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. The advance payment was based on the total pensionable pay multiplied by the contribution rate. The three year advanced contribution results in an estimated financial benefit of £2,415k over three years (based on the 2016 pensionable pay), equivalent to £805k per annum for three years.

The expected employer pension contributions due in 2019/20 are £15.408m (based on pensionable pay in 2018/19). The remaining balance of the advanced payment is £14.256m – any difference between the advance payment balance and contributions due will be made in a 'top-up' payment to GMPF at the year end.

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	(11,121)	(6,876)
	(70,856)	(59,966)

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	11,194	16,099
	11,744	20,435

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)
	8,203	11,391

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)
Net cash flows from investing activities	26,185	47,185

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	2,754	2,873
Repayments of short term and long term borrowing	966	6,038
Billing Authority - Council Tax and NDR adjustments	(170)	1,830
Net cash flows from financing activities	3,420	4,500

33a. Reconciliation of liabilities arising from financing activities

	01-Apr-18	Financing cash flows	Non-cash changes		31-Mar-19
	£000		£000	Acquisition	Other non-cash changes
		£000		£000	
Long-term borrowing	(112,687)	594	0	0	(112,093)
Short-term borrowings	(20,788)	242	0	0	(20,546)
Lease Liabilities	(2,614)	9	0	0	(2,605)
On balance sheet PFI liabilities	(102,309)	2,745	0	0	(99,564)
Total liabilities from financing activities	(238,398)	3,590	0	0	(234,808)

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
Total	0	0	38	23	38	23	311	253

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	210,165
Director of Adults	97,749	97,749	0	20,527	118,276
Director of Children's Services (ii)	125,000	69,792	0	14,656	84,448
Director of Growth (iii)	100,000	25,000	0	5,250	30,250
Director of Operations and Neighbourhoods	96,900	96,900	0	20,349	117,249
Director of Governance & Pensions (Borough Solicitor) - Sandra Stewart (iv)	129,025	129,025	0	27,095	156,120
Director of Population Health (v)	0	0	0	0	0
Director of Place (vi)	117,600	19,992	0	64,454	84,446
Director of Finance (Section 151 Officer) (vii)	8,160	8,160	0	0	8,160

- (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	206,044
Executive Director of People (ii)	126,292	63,146	0	13,261	76,407
Executive Director of Adults (ii)	95,832	47,916	0	10,062	57,978
Executive Director of Childrens (iii)	0	0	0	0	0
Executive Director of Place (iv)	117,600	117,600	0	24,696	142,296
Director of Operations and Neighbourhoods (iv)	95,000	23,750	0	4,659	28,409
Executive Director of Governance & Pensions (Borough Solicitor)	126,495	126,495	0	26,564	153,059
Director of Population Health (v)	99,437	90,305	0	12,986	103,291
Executive Director of Finance (Section 151 Officer) (vi)	8,000	4,000	0	0	4,000

- (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	3	3	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
Total	154	158	140	142

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 liability at the Balance Sheet date:

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 possible but not certain 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
Total	91	151

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)

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) Material 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 possible but not certain that there will be an inflow of economic benefits or service potential that cannot be reliably measured.

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 (DHC)
- 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. 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/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'.

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 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.

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 end 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 both).

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 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.

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.*

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
Maintained Schools	52	6	5	63	45,461	96,247
Free Schools	0	1	0	1	0	0
Academies	24	9	1	34	0	0
Total	76	16	6	98	45,461	96,247

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 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:

Asset Category	Useful Economic Life
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.

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.

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.
- 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	Payments	Creditors	Debtors	Receipts	Payments	Creditors	Debtors
	£000	£000	£000	£000	£000	£000	£000	£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	22,498	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">• Joint role as Chief Accountable Officer of NHS Tameside and Glossop CCG. Salary information is disclosed in note 36.• Director of the Manchester Institute of Health and Performance• Director of Airport City (General Partner) representing Greater Manchester Pension Fund• Stamford Park Trust Trustee• Director of Inspired Spaces Tameside Ltd• Director of Inspired Spaces Tameside (Project Co 1) Ltd and Inspired Spaces Tameside (Project Co 2) Ltd• Associate Governor at Broadbottom C of E Primary School
Director of Finance	<ul style="list-style-type: none">• Joint role as the Chief Finance Officer of NHS Tameside and Glossop CCG. Salary information is disclosed in note 36.
Director of Governance and Pensions	<ul style="list-style-type: none">• Director of Greater Manchester Pension Fund• Director of Northern Pool General Partner (Number 1) Ltd representing Greater Manchester Pension Fund
Assistant Director of Finance	<ul style="list-style-type: none">• Alternative Director of Inspired Spaces Tameside Ltd• Alternative Director of Inspired Spaces Tameside (Project Co 1) Ltd and Inspired Spaces Tameside (Project Co 2) Ltd

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	Payments	Creditors	Debtors	Receipts	Payments	Creditors	Debtors
	£000	£000	£000	£000	£000	£000	£000	£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
Balance Brought Forward	(4,139)	(43)	(85)	(638)	(887)	(442)	(299)	(251)
Contributions	(1)	(333)	(403)	(500)	(944)	(777)	(366)	(455)
Interest earned on Balances	(27)	0	(2)	0	(6)	0	0	0
Total Income	(28)	(333)	(405)	(500)	(950)	(777)	(366)	(455)
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
Total Expenditure	377	338	345	279	884	96	362	385
Balance Carried Forward	(3,790)	(38)	(146)	(860)	(953)	(1,124)	(304)	(321)

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

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 resident's 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
Expenditure:			
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
	172	73	245
Income:			
Building Regulation Charges	(83)	(36)	(119)
Miscellaneous Income	0	0	0
	(83)	(36)	(119)
(Surplus)/Deficit for year	89	37	126

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
Total	186,514	402,486	589,000

	2018/19 £000		
Expenditure met from the pooled budget:	Council	Tameside & Glossop CCG	Total
Section 75	56,443	259,269	315,711
Wider Aligned Budget	88,945	110,693	199,638
In Collaboration Services	41,098	32,524	73,622
Total	186,486	402,486	588,972

Supplementary Financial Statements

This section contains the accounts of the Collection Fund and of the Greater Manchester Metropolitan Debt Administration Fund (GMMDAF).

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
Income						
Income from Council Tax	(104,529)		(104,529)	(97,866)		(97,866)
Income from NDR		(56,569)	(56,569)	0	(55,999)	(55,999)
Total Income	(104,529)	(56,569)	(161,098)	(97,866)	(55,999)	(153,864)
Expenditure						
<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
Total Expenditure	102,576	57,164	159,740	94,282	49,402	143,684
(Surplus)/deficit for the year	(1,953)	594	(1,359)	(3,583)	(6,597)	(10,180)
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)
Balance carried forward	(17,003)	657	(16,346)	(15,050)	63	(14,987)
<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)
	(17,003)	657	(16,346)	(15,050)	63	(14,987)

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
Total	102,014	78,792		63,123				
Less Allowance for Losses on Collection				(2,209.4)				
MOD Properties				0				
Total Tameside Tax Base 2018/19				60,914.0				

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
Total	5,339	4,315		3,431					
Less Allowance for Losses on Collection				(120.6)					
MOD Properties				0					
Total Mossley Parish Tax Base 2018/19				3,310.0					

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 year's distribution) were

£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.

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 *******

Fund Account for the Year Ended 31 March 2019

31 March 2018 £000		Note	31 March 2019 £000
	<u>Contributions and benefits</u>		
(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
	<u>Returns on investments</u>		
(412,092)	Investment income	9	(436,702)
(494,206)	Increase in fair value of investments	11	(868,166)
3,964	Taxation	10	5,192
3,233	Loss on foreign currency		4,496
(899,101)	Net profit on investments		(1,295,180)
(1,225,485)	Net increase in the Fund during the year		(1,347,078)
(21,271,060)	Net assets of the Fund at start of year		(22,496,545)
(22,496,545)	Net assets of the Fund at end of year		(23,843,623)

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
22,517,728	Investment assets		23,865,942
(793)	Derivative contract liabilities	11	0
(42,462)	Other investment liabilities	11	(73,279)
(43,255)	Investment liabilities		(73,279)
45,689	Current assets	11	73,556
(23,617)	Current liabilities	11	(22,596)
22,072	Net current assets		50,960
22,496,545	Net assets of Fund		23,843,623

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:

31 March 2018		31 March 2019
110,050	Contributors	111,520
125,604	Pensioners	128,704
133,268	Deferred Members *	135,799
368,922	Total Membership	376,023

** 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 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 amortised cost, fair value through profit and loss, fair value through other comprehensive income investments. Financial assets may be classified as at fair value through profit and loss only if such classification eliminates or significantly reduces a measurement or recognition of inconsistency.

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:

At 31 March 2019	Valuation basis/technique	Main assumptions
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 profit and loss: 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 classified as at fair value through profit and loss 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.

	At 31 March 2019		
	Classified as fair value through profit and loss	Assets at amortised cost	Liabilities at amortised cost
	£000	£000	£000
Financial assets:			
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
	22,015,970	1,041,537	0
Financial liabilities:			
Derivatives	0	0	0
Other investment liabilities	0	0	(73,279)
Current liabilities	0	0	(22,596)
	0	0	(95,875)
Total	22,015,970	1,041,537	(95,875)

Note: the above table does not include investment property.

	At 31 March 2018		
	Classified as fair value through profit and loss	Assets at amortised cost	Liabilities at amortised cost
	£000	£000	£000
Financial assets:			
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
	21,067,931	740,342	0
Financial liabilities:			
Derivatives	(793)	0	0
Other investment liabilities	0	0	(42,462)
Current liabilities	0	0	(23,617)
	(793)	0	(66,079)
Total	21,067,138	740,342	(66,079)

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 profit and loss. 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.

	At 31 March 2019			
	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial assets:				
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
Non-financial assets (at fair value through profit & loss):				
Directly held investment property	0	0	881,991	881,991
Total	7,189,192	10,869,298	4,839,471	22,897,961

	At 31 March 2018			
	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial assets:				
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
Non-financial assets (at fair value through profit & loss):				
Directly held investment property	0	0	755,145	755,145
Total	6,751,242	11,378,053	3,692,987	21,822,282

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:

31 March 2018 £000		31 March 2019 £000
2,692,472	Opening balance	3,692,987
1,092,757	Acquisitions	1,200,046
(223,837)	Disposal proceeds/ return of capital	(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
3,692,987	Closing balance	4,839,471

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).

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:

Asset Type	Potential Market Movements (+/-)	
	31 March 2018 p.a.	31 March 2019 p.a.
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%
GMPF	10.6%	10.4%

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
GMPF	23,865,940	10.4%	26,347,998	21,383,882

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
GMPF	22,516,935	10.6%	24,903,730	20,130,140

*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
Money market Funds			
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
Banks			
Heleba	A+	10,000	0

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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
Local authorities & public bodies			
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
Totals		484,072	724,524

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:

31 March 2018 £000	Liquidity terms	31 March 2019 £000
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
22,516,935	Total	23,865,942

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

31 March 2018 £000		31 March 2019 £000
(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)
(740,094)	Total contributions	(593,362)

By Authority

31 March 2018 £000		31 March 2019 £000
(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)
(740,094)		(593,362)

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.

6. Benefits Payable

By Category

31 March 2018 £000		31 March 2019 £000
624,569	Pensions	670,179
108,343	Commutation & lump sum retirement benefits	115,419
15,169	Lump sum death benefits	18,016
748,081		803,614

By Authority

31 March 2018 £000		31 March 2019 £000
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
748,081		803,614

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

31 March 2018 £000		31 March 2019 £000
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
49,369		42,967

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:

31 March 2018 £000		31 March 2019 £000
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
24,598		25,044

* 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:

31 March 2018 £000		31 March 2019 £000
3,703	Employee costs	3,889
2,277	Support services including IT	1,674
142	Printing and publications	186
6,122		5,749

Oversight and governance costs:

31 March 2018 £000		31 March 2019 £000
488	Employee costs	559
327	Support services including IT	402
152	Governance and decision making costs	167
40	Investment performance monitoring	27
62	External audit fees *	67
106	Internal audit fees	108
151	Actuarial fees - investment consultancy	130
145	Actuarial fees	252
1,471		1,712

The above costs include set up costs for Northern LGPS Pool – see Note 8a for further detail of Northern Pool set up costs to date.

* Total fee paid to external auditors in 2018/19 is £67,383 (2017/18 £62,337) of which £24,000 (2017/18 £5,996) was paid in relation to work carried out on behalf of GMPF's admitted scheme employers. (previously factored into the fee set by Public Sector Audit Appointments).

8a. Costs related to the Northern LGPS Pool

	At 31 March 2019			
	Direct £000	Indirect £000	Total £000	Cumulative £000
Set up costs:				
Recruitment	0	0	0	0
Legal	65	0	65	65
Procurement	30	0	30	30
Other support costs	0	0	0	0
Share purchase/subscription costs	0	0	0	0
Other working capital provided	0	0	0	0
Staff costs	0	0	0	0
Other costs	82	0	82	82
Total set up costs	177	0	177	177

9. Investment income

31 March 2018 £000		31 March 2019 £000
(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
(412,092)		(436,702)

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:

	£000	31 March 2019 £000
Unrealised losses at 31 March 2019	157,270	(2,189,185)
Unrealised (profits) at 31 March 2019	(2,346,455)	
Realised losses 1 April 2018 to 31 March 2019	40,906	(538,208)
Realised (profits) 1 April 2018 to 31 March 2019	(579,114)	
Less:		
Unrealised (profits) at 31 March 2018	2,193,939	1,859,227
Unrealised losses at 31 March 2018	(334,712)	
Reduction/(Increase) in fair value of investments year ending 31 March 2019		(868,166)

	£000	31 March 2018 £000
Unrealised losses at 31 March 2018	334,712	(1,859,226)
Unrealised (profits) at 31 March 2018	(2,193,938)	
Realised losses 1 April 2017 to 31 March 2018	28,697	(3,775,489)
Realised (profits) 1 April 2017 to 31 March 2018	(3,804,186)	
Less:		
Unrealised (profits) at 31 March 2017	(102,485)	5,140,509
Unrealised losses at 31 March 2017	5,242,994	
Reduction/(Increase) in fair value of investments year ending 31 March 2018		(494,206)

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
	Classified as at fair value through profit and loss				
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
	Loans and receivables				
587,141	Cash				755,437
87,122	Other investments and net assets				190,225
22,496,545	Total				23,843,623

Value at 1 April 2017 £000		Purchases £000	Sales £000	Change in fair value £000	Value at 31 March 2018 £000
	Classified as at fair value through profit and loss				
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
	Loans and receivables				
868,391	Cash				587,141
125,514	Other investments and net assets				87,122
21,271,060	Total				22,496,545

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
1,325,276		1,003,365

Investment Property

31 March 2018 £000		31 March 2019 £000
636,435	UK - Main investment property portfolio	756,645
118,710	UK - Greater Manchester Property Venture Fund	125,346
755,145		881,991

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:

Movement in the fair value of investment properties in 2018/19	£000
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
Balance at 31 March 2019 *	881,991

* Of which £35,585,000 relates to properties being marketed at 31 March 2019

Movement in the fair value of investment properties in 2017/18	£000
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
Balance at 31 March 2018	755,145

Future operating lease rentals receivable

31 March 2018 £000		31 March 2019 £000
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
297,746	Total	327,365

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

31 March 2018 £000		31 March 2019 £000
	Investment assets:	
1,196	Forward currency contracts	0
5,941	Financial futures	0
7,137		0
	Investment liabilities:	
(416)	Forward currency contracts	0
(377)	Financial futures	0
6,344	Net (liability)/asset	0

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
4,092,754	Managed funds	4,928,745
351,470	Property	490,085
224	Overseas private equity	4
351,694	Unit trusts	490,089
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
8,046,968	Insurance policies	8,034,665
12,491,416	Total pooled investment vehicles	13,453,499

* includes £477,439,000 GLIL investment via the Northern LGPS Pool vehicle (2018 £262,450,000)

Cash

31 March 2018 £000		31 March 2019 £000
533,208	Sterling	729,702
53,933	Foreign currency	25,735
587,141		755,437

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
107,512	Other investment assets	212,544
(36,552)	Amounts due to broker	(72,572)
(5,563)	Variation margin	0
(347)	Irrecoverable withholding tax	(707)
(42,462)	Other investment liabilities	(73,279)
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)
22,072	Net current assets	50,960
87,122	Other investment balances and net assets	190,225

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.

31 March 2018 £000		31 March 2019 £000
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
99,584		135,279

* includes Northern LGPS costs of £2,569,000

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

31 March 2018 £000		31 March 2019 £000
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:

31 March 2018 £000		31 March 2019 £000
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
527,608		952,966

14. Summary of managers' portfolio values at 31 March

2018			2019	
£m	%		£m	%
		Externally managed		
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%
		Internally managed		
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%
22,497	100.0%	Total	23,844	100.0%

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

31 March 2018 £000		31 March 2019 £000
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
2,639,758		2,834,837

POLICY MF36558

31 March 2018 £000		31 March 2019 £000
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
2,140,296		1,218,873

POLICY MF37010

31 March 2018 £000		31 March 2019 £000
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
2,662,428		2,806,100

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
2,701,158			3,505,639

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:

	Salary Entitlement (Full Time Equivalent)	Salary, Fees & Allowances (Paid in year)	Compensation for Loss of Office	Employers Pensions Contributions	Total
	£	£	£	£	£
Assistant Director of Pensions (Special Projects) *	90,510	40,227	0	28,448	68,675
Assistant Director of Pensions (Investments)	90,510	90,510	0	19,007	109,517
Assistant Director of Pensions (Funding & Business Development)	90,510	90,510	0	19,007	109,517
Assistant Director of Pensions (Local Investments & Property)	90,510	90,510	0	19,007	109,517
Assistant Director of Pensions (Administration)	79,897	79,897	0	16,778	96,675

* 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.

Greater Manchester Pension Fund Statement of Accounts 2018/19

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:

Name	Position in GMPF 2018/19	Company in which directorship is held	Company Registration Number
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

Greater Manchester Pension Fund Statement of Accounts 2018/19

		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:

Name	Position
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:

Name	Position
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:

Name	Position
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:

Name	Position
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:

Name	Position & Organisation	Organisation relationship with GMPF
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
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 Member of the Executive Board of Transport for Greater Manchester Director of MIDAS limited (Reg.No. 03323710) Director of Education and Leadership Trust (Reg.No. 08913502)	Contributing employer Contributing employer Contributing employer Contributing employer
M Rayner	Employee of Stockport MBC	Contributing employer
D Schofield	Employee of Manchester City Council	Contributing employer

Greater Manchester Pension Fund Statement of Accounts 2018/19

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

Contra received from employers 2018 £m	Contra received from employees 2018 £m	Benefits Paid 2018 £m		Contra received from employers 2019 £m	Contra received from employees 2019 £m	Benefits Paid 2019 £m
(24)	(7)	39	Bolton Borough Council	(23)	(7)	41
(16)	(5)	27	Bury Borough Council	(16)	(5)	27
(42)	(15)	95	Manchester City Council	(45)	(15)	101
(43)	(5)	32	Oldham Borough Council	(2)	(5)	34
(19)	(5)	34	Rochdale Borough Council	(19)	(6)	35
(18)	(6)	39	Salford City Council	(20)	(6)	40
(52)	(6)	32	Stockport Borough Council	(2)	(7)	32
(44)	(5)	31	Tameside Borough Council (administering authority)	(1)	(5)	34
(37)	(4)	25	Trafford Borough Council	(1)	(4)	25
(26)	(8)	40	Wigan Borough Council	(27)	(8)	42
(176)	(47)	214	Other scheme employers *	(194)	(52)	226
(103)	(27)	140	Admitted bodies *	(97)	(26)	167
(600)	(140)	748		(447)	(146)	804

* 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.

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.

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 present value of promised retirement benefits at 31 March 2018 can be found in Note 25.**

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
Fair value as at 31 March 2019	£73,182,280
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.

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.

**The audit opinion on pages x to x does not include the Greater Manchester
Metropolitan Debt Administration Fund**

Income and Expenditure Account for the year ended 31 March 2019

	2018/19 £000	2017/18 £000
Income		
Interest recharged to responsible authorities	(4,002)	(4,433)
Gains/Losses on repurchase of debt	0	0
Total Income	(4,002)	(4,433)
Expenditure		
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
Total Expenditure	4,002	4,433
(Surplus)/Deficit for year	0	0

The Balance Sheet as at 31 March 2019

	2018/19 £000	2017/18 £000
Debt Outstanding	58,844	76,543
Long Term Liabilities		
External Loans: Public Works Loan Board	48,963	48,963
External Loans: Pre 1974 Transferred	129	161
	49,092	49,124
Current Liabilities		
Creditors: Temporary Loans	9,105	26,771
Charge for future premiums	647	647
	9,752	27,418
Current Assets		
Debtors	0	0
	0	0
Net Current Liabilities	9,752	27,418
	58,844	76,543

1. Analysis by Responsible Authority

	2018/19 £000	2017/18 £000
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
	58,844	76,543

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

	2018/19 £000	Year on Year Change £000	2017/18 £000	Year on Year Change £000
Public Works Loan Board	38,963	(10,000)	48,963	(16,000)
Debt administered by other authorities	129	(32)	161	(30)
Debt falling out in next 12 months	16,539	(1,159)	17,697	14,234
Temporary Loan	2,567	(6,507)	9,074	(15,283)
Revenue and other balances temporarily used for capital purposes	647	0	647	54
	58,844	(17,698)	76,543	(17,025)

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
Financial Liabilities at Amortised Cost	39,092	16,661	49,124	26,779
Total Borrowings	39,092	16,661	49,124	26,779

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
Interest payable and similar charges	(3,747)	(4,222)
Net loss for the year	(3,747)	(4,222)

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 (PWLB) redemption rules and prevailing PWLB redemption rates at the Balance Sheet date, and include accrued interest.

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	48,963	57,503	64,963	76,778
Total Liabilities	48,963	57,503	64,963	76,778

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 Statement

Agenda Item 8.

Report To:	AUDIT PANEL
Date:	29 July 2019
Executive Member / Reporting Officer:	Councillor Ryan, Executive Member for Finance and Economic Growth Kathy Roe – Director of Finance Wendy Poole – Head of Risk Management and Audit Services
Subject:	ANNUAL GOVERNANCE STATEMENT 2018/19
Report Summary:	To present the Annual Governance Statement for 2018/19 to Members for approval, (Appendix 1) .
Recommendations:	<ol style="list-style-type: none">1. To approve the Annual Governance Statement for 2018/19, ahead of it being signed by the Executive Leader and Chief Executive.2. To delegate authority to the Director of Finance to make further amendments to the Annual Governance Statement upon receipt of further comments from External Audit.
Corporate Plan:	Demonstrates proper Corporate Governance.
Policy Implications:	The Governance Statement demonstrates proper compliance with the Accounts and Audit Regulations 2015.
Financial Implications: (Authorised by the Section 151 Officer)	Sound corporate governance and proper systems of internal control are essential for the long-term financial health and reputation of the Council.
Legal Implications: (Authorised by the Borough Solicitor)	The production of the statement meets the requirements of the Accounts and Audit Regulations 2015.
Risk Management:	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.
Access to Information:	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: wendy.poole@tameside.gov.uk

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 that should not only be sound but need to be seen to be sound by the public.
- 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 ANNUAL GOVERNANCE STATEMENT

- 2.1 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”.
- 2.2 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.
- 2.3 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.
- 2.4 The Annual Governance Statement covers both Tameside MBC and the Greater Manchester Pension Fund.
- 2.5 The Draft Annual Governance Statement was presented to the Single Leadership Team for challenge and comments on 14 May 2019 and then presented to the Audit Panel on 4 June 2019. Consultation with Executive Members was undertaken during June 2018.
- 2.6 The Draft Annual Governance Statement was submitted to External Audit together with the Draft Statement of Accounts for review on 30 May 2019.
- 2.7 All comments received have been incorporated into the final version which is attached at **Appendix 1** for approval. The external audit is yet to be finalised, however, once any comments are received they will be incorporated into the document prior to the final signing of the document by the Executive Leader and Chief Executive.

2.8 The Annual Governance Statement covers the governance framework in place for 2018/19 and up to the date the accounts are signed off by External Audit.

3 RECOMMENDATIONS

3.1 As detailed at the front of the report.

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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 by helping to maintain low stable pension contribution rates 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 in line with Government policy, regulations and guidelines. 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. The Ofsted Inspection of Children's Services, which was undertaken in May 2019, has recognised the improvements made and judged the service as Requiring Improvement. The Inspection Report comments that more recently, significant changes in senior leadership have supported the adoption of a much strengthened 'whole-council' commitment to improving the quality and impact of services for children. This has not only been the case within the children's services department but also more widely within the local multi-agency safeguarding arrangements and political leadership. As a result, there has been a notable increase in the pace and effectiveness of service development. Leaders have an improved understanding of how well services are working for children and of their key priorities.
- 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>The Ofsted Inspection of Children’s Services, which was undertaken in May 2019, has now judged the service as Requiring Improvement. The Inspection Report comments that more</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>	<p>recently, significant changes in senior leadership have supported the adoption of a much strengthened 'whole-council' commitment to improving the quality and impact of services for children. This has not only been the case within the children's services department but also more widely within the local multi-agency safeguarding arrangements and political leadership. As a result, there has been a notable increase in the pace and effectiveness of service development. Leaders have an improved understanding of how well services are working for children and of their key priorities.</p>	
3	Pension Fund Pooling of Investments (Carry Forward)	<p>Greater Manchester Pension Fund is working with 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</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</p>	<p>A formal joint committee governance structure will be established in the next few months.</p> <p>Representatives of the Fund will continue to work closely and seek professional advice, as required, in order to</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
		<p>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 realised.</p>	arrangements will shortly transfer to the new provider.	<p>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>	
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	An Action plan has been agreed and work is in progress to improve the system in place.	The Post Audit Review has now been completed and improvements to the	Director of Governance and Pensions

Ref	Area of Review	Improvement Identified 2018/19	Progress as at March 2019	Improvement Identified 2019/20	Improvement Owner and Completion Date
		internal audit review.	A steering group has been meeting to consider the performance and improvements needed during 2018/19. Performance has improved.	control environment have been implemented. Whilst some developments are still required, these can now be managed by the service, and removed from the Improvement Plan going forward.	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 help inform options for the delivery of an integrated estates and property service.	New Director of Growth is developing a new structure, which will be implemented during the 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.	Director of Growth March 2020
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	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

Ref	Area of Review	Improvement Identified 2018/19	Progress as at March 2019	Improvement Identified 2019/20	Improvement Owner and Completion Date
			Leadership Team.		
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 progress.	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 updated.	Director of Governance and Pensions Director of Finance March 2020
10	Implementation of a Strategic Commissioning Function (New)			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
11	Debtors (New)			Improvements to the debtors system have been highlighted as part of an internal audit review.	Director of Governance & Pensions Director of Finance April 2020

Agenda Item 9.

Report To:	AUDIT PANEL
Date:	29 July 2019
Executive Member/Reporting Officer:	Councillor Ryan – Executive Member – Finance and Economic Growth Tom Wilkinson – Assistant Director of Finance
Subject:	TREASURY MANAGEMENT ACTIVITIES 2018/19
Report Summary:	<p>The report sets out the Treasury Management activities for the financial year 2018/19.</p> <p>As investment interest rates were lower than external borrowing rates throughout the year, available cash reserves were used to fund internal borrowing on a temporary basis. This resulted in lower than anticipated borrowing costs, with an overall interest saving of £1.326m, mostly due to the decision not to take up any borrowing in year.</p> <p>At year-end the total investment balance was £105m and total long term borrowing was £111m. Investment income was £1.721m.</p>
Recommendations:	<p>Audit Panel are asked to:</p> <ol style="list-style-type: none">1. Note the treasury management activities undertaken on behalf of both Tameside MBC and the Greater Manchester Metropolitan Debt Administration Fund (GMMDAF).2. Note the outturn position for the prudential indicators in Appendix A.
Links to Community Strategy:	The Treasury Management function of the Council underpins the ability to finance the Council's priorities.
Policy Implications:	In line with Council Policies
Financial Implications: (Authorised by the Section 151 Officer)	<p>The achievement of savings on the cost of financing the Council's debt through repayment, conversion and rescheduling, together with interest earned by investing short term cash surpluses, is a crucial part of the Council's medium term financial strategy. This has to be carefully balanced against the level of risk incurred.</p> <p>The financial implications are determined by:</p> <ol style="list-style-type: none">1. The value and timing of any borrowing undertaken (if any)2. The amount of cash available for investment and the return achieved on this investment <p>A saving on interest of £1.326m was achieved against the 2018/19 budget. Borrowing and investment rates will continue to be monitored in order to ensure any borrowing is taken up at the optimum time.</p> <p>The investment returns for 2018/19 were £0.354m greater than</p>

the London Interbank Bid Rate (LIBID) benchmark.

**Legal Implications:
(Authorised by the Borough
Solicitor)**

There is a statutory duty for the Council to set, monitor and comply with its requirements to ensure a balanced budget, and sound treasury management is a key tool in managing this process. Demonstration of sound treasury management will in turn provide confidence to the Council that it is complying with its fiduciary duty to the public purse, and allows the Council to better plan and fulfil its key priorities for the coming year. Members should ensure they understand the meaning of Appendix A and the outturn of prudential indicators they are being asked to approve, and the reasons for the same, before making their decision.

Risk Management:

Financial investments are inherently risky and a number of Local Authorities lost significant investments as part of the financial crisis in 2009. Through the Council's Treasury Management Advisers, a robust investment framework is used which aims to limit counterparty risk by only investing with high rated, institutions, placing limits on the size of investments with any one institution, and restricting the length of time that investments can be held with any one institution. Advice is also provided on the timing of any borrowings to try to minimise the rates paid. Failure to properly manage and monitor the Council's loans and investments could lead to service failure and loss of public confidence.

Access to Information:

The background papers relating to this report can be inspected by contacting Tom Austin, Financial Management, by:



phone: 0161 342 3857



e-mail: Thomas.austin@tameside.gov.uk

1. INTRODUCTION

- 1.1 This is the Annual Report on Treasury Management activities for the financial year 2018/19. The report is required to be submitted to the Overview (Audit) Panel, in accordance with CIPFA's Code of Practice on Treasury Management, the Council's Financial Regulations and the CIPFA Prudential Code.
- 1.2 The report is in respect of both Tameside and the Greater Manchester Metropolitan Debt Administration Fund (GMMDAF), which is the former Greater Manchester County Council Debt of which Tameside is the responsible Authority on behalf of the ten Greater Manchester Councils.

The objective of the report is:

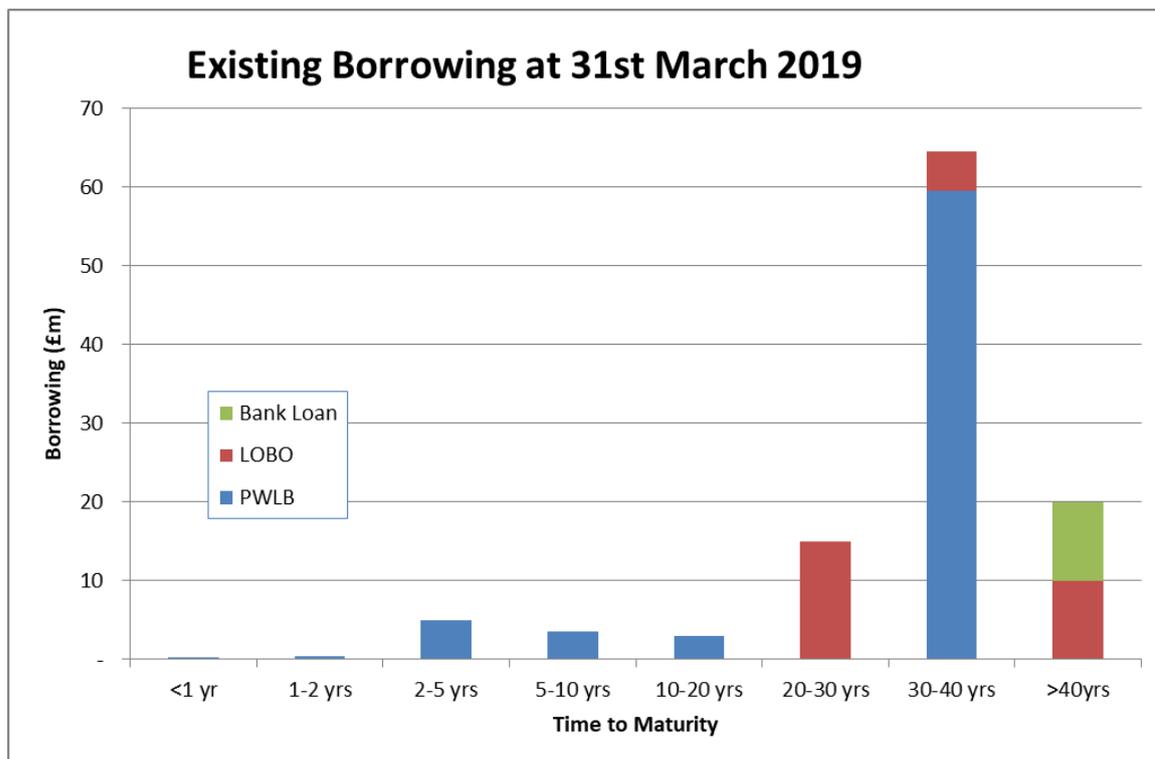
- a) To outline how the treasury function was managed during the year and how this compares to the agreed strategy;
- b) To set out the transactions made in the year;
- c) To summarise the positions with regard to loans and investments at 31 March 2019; and
- d) To set out the outturn position of the Council's prudential indicators.

2. TREASURY MANAGEMENT

- 2.1 Treasury Management is defined as:
"The management of the local authority's cash flows, its borrowings and its investments, the management of associated risks, and the pursuit of the optimum performance or return associated with these risks".
- 2.2 Within this definition, the Council has traditionally operated a relatively low risk strategy. This in effect means that controls and strategy are designed to ensure that borrowing costs are kept reasonably low over the longer term, rather than subject to volatility that a high risk strategy might deliver. Where investments are involved, the policy is to ensure the security of the asset rather than pursue the highest returns available. These objectives are in line with the Code of Practice.
- 2.3 The global financial crisis has raised the overall possibility of default. The Council continues to maintain strict credit criteria for investment counterparties to manage this risk. A system of counterparty selection was agreed by the Council as part of the budget setting process.

3. LONG TERM BORROWING

- 3.1 The long-term debt of the Council reflects capital expenditure financed by loans, which are yet to be repaid. Total borrowing at the start of the year was £112.0m, reducing to £111.7m by 31 March 2019. This reduction was purely a result of scheduled maturities and no rescheduling was undertaken. Of this borrowing £40m is market loans at an average interest rate of 4.27% and the remainder is from the PWLB at an average interest rate of 4.95%. The maturity profile is as follows:



- 3.2 The amount of long-term debt that the Council may have is governed by the Prudential Limits set by the Council at the start of the financial year. This is based on the amount of borrowing which the Council has deemed to be prudent. It also allows for advance borrowing for future years' capital expenditure.
- 3.3 The Council must also allow for repayment of the debt, by way of the Minimum Revenue Provision (MRP). This is the minimum amount that the Council must set aside annually. The Local Authority (Capital Finance and Accounting) Regulations 2008 revised the previous detailed regulations and introduced a duty that an authority calculates an amount of MRP which it considered prudent, although the 2008 Regulations do not define "prudent provision", they provide guidance to authorities on how they should interpret this.
- 3.4 The Council's MRP policy for 2018/19 was set out in the Treasury Management Strategy 2018/19, which was approved by Executive Cabinet and Overview (Audit) Panel on 7 February 2018. The MRP charge for 2018/19 was £3.898m
- 3.5 The majority of the Council's debt has been borrowed from the Public Works Loan Board (PWLB), and is solely made up of long term fixed interest loans. In previous years, use has also been made of loans from banks. The main type of loan used is called a LOBO (Lender's Option - Borrower's Option) where after a pre-set time the lending bank has the option of changing the original interest rate. These loans are classified as variable interest rate loans when they reach option date. If we do not agree with the new interest rate, we have the option of repaying the loan. One of the Council's LOBO providers, Barclays, has waived their right to change the rate on their LOBO. This essentially converted that loan into a standard fixed rate loan with no risk of any increase in rate. The Council's current LOBO and bank loan portfolio is as follows:

Principal £m	Lender	Current Rate	Start Date	Maturity Date
5	Just Retirement Ltd	4.65	27/01/2003	27/01/2043
10	KBC	4.375	09/04/2003	09/04/2043
5	Dexia	4.5	16/12/2004	16/12/2054
10	Barclays	3.8	23/11/2005	23/11/2065
10	Dexia	4.31	03/08/2007	03/08/2077

3.6 The mixture of fixed and variable rates means that, although the Council can take some advantage when base rates are considered attractive, interest charges are not subject to high volatility which might occur if all debt was variable. However, longer term fixed rates are normally higher than variable rates.

3.10 Short term borrowing and lending are used to support cash flow fluctuations caused by uneven income and expenditure, and to temporarily finance capital expenditure when long term rates are high and expected to fall. It is an extremely important aspect of Treasury Management to ensure that funds are available to meet the Council's commitments, and that temporary surplus funds attract the best available rates of interest. No short term borrowing was taken up in year.

4. INTEREST RATES

4.1 Interest rates (both long term and short term) vary constantly, even though headline rates (e.g. base rate, mortgage rate) may remain the same for months at a time.

4.2 In addition, different banks may pay different rates depending on their need for funds, and more particularly their credit status. Rates for borrowing are significantly higher than lending for the same period.

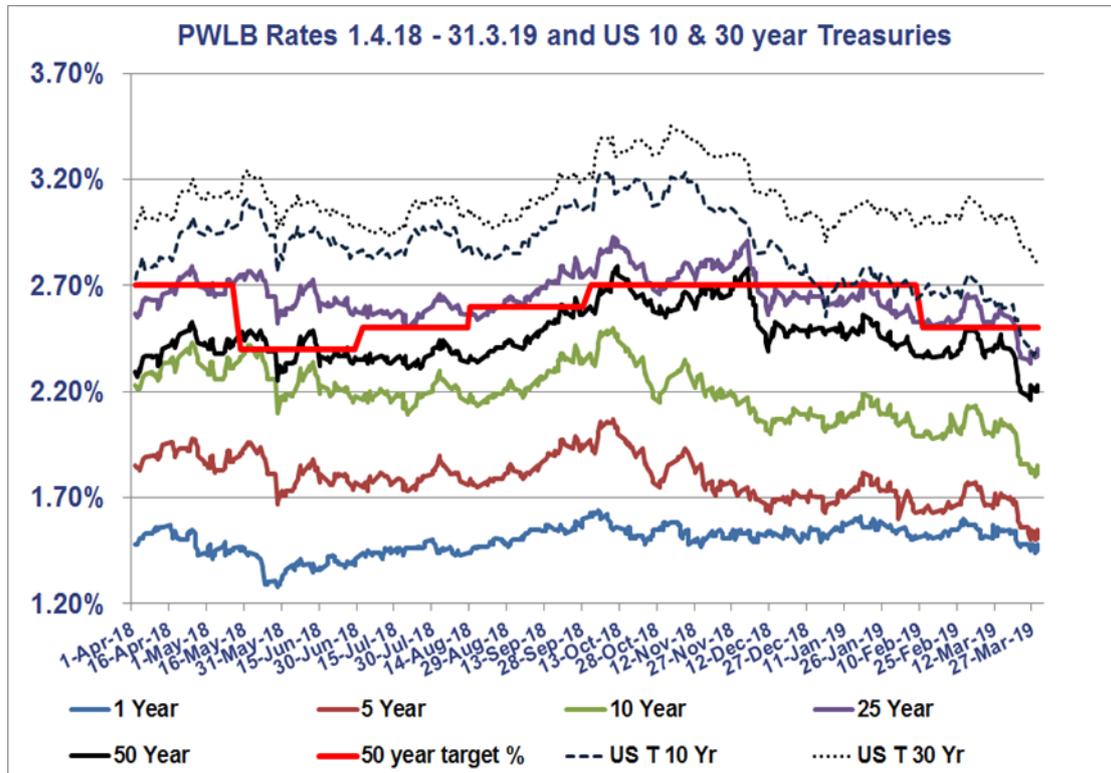
4.3 Long term interest rates are based on Government securities (Gilts), which are potentially volatile with rates changing every day, throughout the day. PWLB fixed loan rates are changed on a daily basis. In view of this, gilts and all matters which affect their prices are continually reviewed.

4.4 Investment returns remained low during 2018/19. The expectation for interest rates within the treasury management strategy for 2018/19 was that Bank Rate would rise from 0.50% to 0.75%. At the start of 2018-19, and after UK GDP growth had proved disappointingly weak in the first few months of 2018, the expectation for the timing of this increase was pushed back from May to August 2018. Investment interest rates were therefore on a gently rising trend in the first half of the year after April, in anticipation that the MPC would raise Bank Rate in August. This duly happened at the MPC meeting on 2 August 2018. During this period, investments were, therefore, kept shorter term in anticipation that rates would be higher later in the year.

4.5 It was not expected that the MPC would raise Bank Rate again during 2018-19 after August in view of the fact that the UK was entering into a time of major uncertainty with Brexit due in March 2019. Value was therefore sought by placing longer term investments.

4.6 Investment rates were little changed during August to October but rose sharply after the MPC meeting of 1 November was unexpectedly hawkish about their perception of building inflationary pressures, particularly from rising wages. However, weak GDP growth data after December, plus increasing concerns generated by Brexit, resulted in investment rates falling back again.

- 4.7 Continued uncertainty in the aftermath of the 2008 financial crisis has promoted a cautious approach whereby investments would continue to be dominated by low counterparty risk considerations, resulting in relatively low returns compared to borrowing rates.
- 4.8 The table shown below (published by Link) shows the comparative Public Works Loan Board interest rates available during 2018/19, for a range of maturity periods.



5. ACTIVITIES 2018/19

Borrowing

- 5.1 The Council is entitled to borrow in order to finance capital expenditure that is not funded by other means such as grants and contributions. The Council has elected not to take up this borrowing due to unfavourable differences between borrowing and investment rates alongside existing large cash balances. When this occurs, the Council rolls forward this financing need in order to take up borrowing when market conditions are more favourable. This gave a potential borrowing requirement for the year of £69.464m based on initial assumptions around capital spend and financing.
- 5.2 The actual amount of long term borrowing which was required due to Council activity was £69.548m as outlined below: -

	£m
Loan financed capital expenditure:	
Outstanding for 2018/19	4.417
Outstanding from prior years	68.378
Plus debt maturing in year	0.320
	73.446
Less MRP repayments (excluding PFI)	-3.898
Net under borrowed position	69.548

- 5.3 Due to the unfavourable differences between borrowing rates and investment rates, and also to reduce the risk to the Council from investment security concerns, the borrowing requirement of £69.548m identified above continues to be met from internal borrowing (i.e. reducing the cash balances of the Council rather than taking up additional external borrowing). This has reduced the level of investment balances that would be placed with banks and financial institutions, therefore reducing the Council's exposure to credit risk.
- 5.4 The outstanding borrowing requirement of £69.548m will be taken up when both interest rates and investment security are deemed to be favourable, in consultation with the Council's treasury management advisors, Link. The need to borrow could be accelerated by the reduction of the Council's reserves due to cost pressures and other planned use. This situation, along with the interest rate environment, will be monitored closely to ensure borrowing is taken up at the optimum time.

Rescheduling

- 5.5 Rescheduling involves the early repayment and re-borrowing of longer term PWLB loans, or converting fixed rate loans to variable and vice versa. This can involve paying a premium or receiving a discount, but is intended to reduce the overall interest burden, since the replacement loan (or reduction of investment) is normally borrowed at a lower interest rate.
- 5.6 The use of rescheduling is a valuable tool for the Council, but its success depends on the frequent movement of interest rates, and therefore it cannot be estimated for. It will continue to be used when suitable opportunities arise, in consultation with our treasury management advisors, although such opportunities may not occur.
- 5.7 A key change in the options for borrowing and rescheduling occurred on 1 November 2007 when the PWLB changed its interest rate structure to a more sensitive pricing method and also increased the relative cost of repaying debt. This change has reduced the ability of the Council to achieve savings from the rescheduling of debt.
- 5.8 In October 2010 the PWLB increased the borrowing rates above gilt rates by a further 0.75% – 0.85% without changing debt redemption interest rates. This change has made new borrowing more expensive and has significantly reduced the opportunities for PWLB debt re-scheduling.
- 5.9 The Section 151 Officer and our treasury management advisors will continue to monitor prevailing rates for any opportunities to reschedule debt during the year.

Year end position

- 5.10 The following table sets out the position of the Council's debt at 1 April 2018, the net movement for the year, and the final position at 31 March 2019.

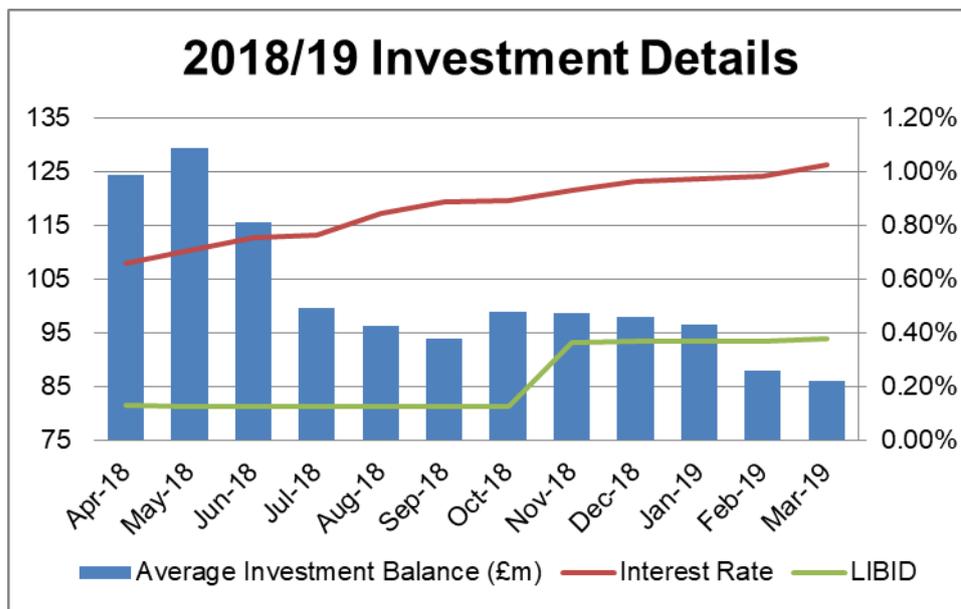
	Debt Outstanding	Cash Movement in Year	Debt O/S
	01/04/18		31/03/19
Principal Amounts	£000	£000	£000
PWLB - fixed interest	71,584	(442)	71,142
PWLB - variable interest	0		0
Market Loans	40,000		40,000
* Manchester Airport	553	(3)	550
Temp Loans / (Investments)	(108,195)	23,431	(84,764)
Trust Funds, Contractor Deposits etc.	148	1	149
Net loans outstanding	4,090	22,987	27,077

- 5.11 The amount of gross external loans outstanding (£111.7m) represents 19% of the Council's total long term assets (£592.1m) as at 31 March 2019
- 5.12 In addition, the Council temporarily utilised internal funds, balances and reserves including Insurance Funds and capital reserves, to finance capital expenditure rather than borrow externally.

** Manchester Airport reflects debt taken over from Manchester City Council on 31 March 1994, which had been lent on to Manchester Airport. In 2009/10 the Airport re-negotiated the terms of this arrangement with the 10 Greater Manchester Authorities; previously the Airport reimbursed all costs, however from 9 February 2010 the Council receives fixed annual interest of 12% of the amount outstanding at that date (£8.667m). This is on a maturity basis and is due to be repaid in 2055. The underlying debt, shown above, is due to mature in 2027*

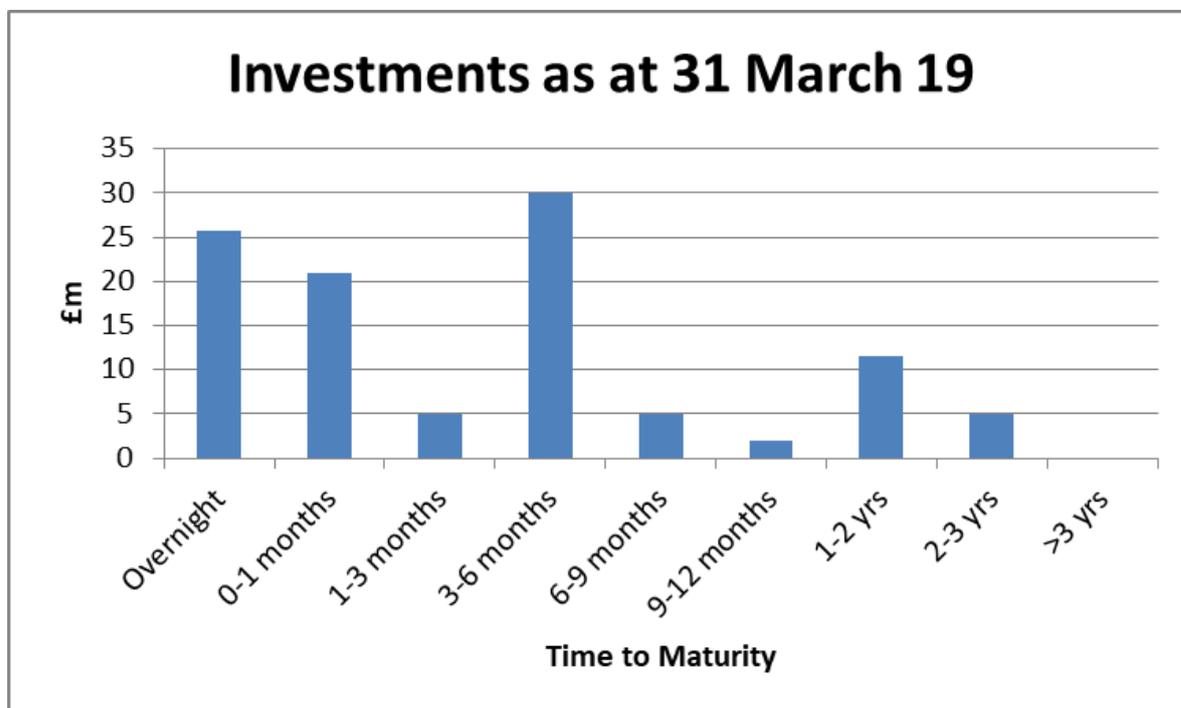
Investments – managing cash flow

- 5.13 Short term cash flow activity was such that throughout the year the Council was always in a positive investment position. Since interest earned on credit balances with our own bankers is low and overdraft rates are high, investment and borrowing is carried out through the London Money Markets. The Council invests large sums of money, which helps ensure the interest rates earned are competitive. The following table shows the average investment balances by month, along with the interest rate earned and the LIBID benchmark for comparison.



- 5.14 The reduction in overall cash levels over the course of the year is largely due to capital investment funded by reserves (£34.9m) and by borrowing not taken up in year (£4.4m).
- 5.15 The Local Government Act 2003 governs investments made by local authorities. The types of investments that may be made are controlled by guidance from the Department for Communities and Local Government. This guidance has split investments into two main categories – specified and non-specified investments.
- 5.16 Specified investments consist mainly of deposits with very highly rated financial institutions and other local authorities for periods of less than one year. The Council’s approved “Annual Investment Strategy” for 2018/19 stated that at least 50% of our investments would be “specified”.
- 5.17 The Council’s counterparty list mirrors that of the Council’s advisors, Link Asset Services. The Link Asset Services creditworthiness service uses a wider array of information than just primary ratings. Furthermore, by using a risk weighted scoring system; it does not give undue preponderance to just one agency’s ratings.
- 5.18 Typically the minimum credit ratings criteria the Council use will be a Short Term rating (Fitch or equivalents) of F1 and a Long Term rating of A-. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances consideration will be given to the whole range of ratings available, or other topical market information, to support their use.
- 5.19 All investments placed in the year were in line with the approved strategy. Within this low risk strategy, the aim is to maximise the rate of return for the investments. In order to gauge whether the performance is satisfactory, it is necessary to compare it with a suitable benchmark. The normal benchmarks used to measure market rates are 7 day London Interbank Offer Rate (LIBOR) for loans, and 7 day London Interbank Bid Rate (LIBID) for investments. The actual returns for loans and investments were therefore measured against the theoretical performance of the above rates, using actual cash flow figures.
- 5.20 Tameside achieved an average investment rate of 0.85% on the average weekly investment of £102.2m, against a benchmark LIBID rate of 0.51%. This equated to a gain of £354k. Gains, such as this, can only be made by strategic investment, where interest rates do not follow the general “market” expectations. In effect, some investments were made for longer durations, attracting higher interest rates, while the shorter dated rates did not increase in line with market pricing.

- 5.21 The annual turnover for investments was £455m. A total of 143 individual investments were made, 15 of which were fixed term deals with banks and other Local Authorities.
- 5.22 As at 31 March 2019 the total investment portfolio was £105.3m. This consisted of £25.8m of Money Market Fund investments at an average rate of 0.80%, a £10m notice deposit with the Council's bankers, Barclays, and £69.5m of fixed term investments at an average interest rate of 1.09%. The weighted average rate of the entire portfolio at 31st March was 1.0%. The maturity profile of the fixed investments was as follows:



Interest payable and receivable in the year

- 5.23 As detailed above, the £69.548m outstanding borrowing requirement has been met from internal borrowing during the year. This has reduced the level of investment balances placed with banks and financial institutions.
- 5.24 The overall result of the various activities undertaken during the year was that net interest charge was £1.326m less than the original estimate.
- 5.25 Interest payments associated with the above activities were:-

	Budget	Actual	Variation
	£m	£m	£m
External Interest			
Paid on Loans	6.218	5.219	(0.999)
Early repayment Discounts	(0.105)	(0.101)	0.004
Less received on Investments	(1.360)	(1.721)	(0.361)
Net external Interest paid	4.753	3.397	(1.356)
Internal Interest Paid	0.130	0.160	(0.030)
Total Interest Paid	4.883	3.557	(1.326)

- 5.26 Accounting rules do not allow interest to be paid on internal funds and revenue balances. Payments however are made in respect of such funds as insurance and trust funds etc. held by the Council on behalf of external bodies. The net effect on the Council is neutral.

6. CURRENT ACTIVITIES

- 6.1 Since the start of the 2018/19 financial year, no new rescheduling opportunities have been identified. The portfolio of loans held by the Council is reviewed on a regular basis by both the Treasury Management Section and by the Council's treasury management advisors (Link Asset Services).
- 6.2 In the 2017/18 Strategy, the Council expanded its counterparty list to include asset backed investments. No investments of this nature have been made to date.

Manchester Airport Investments

- 6.3 A capital investment of £11.3m in Manchester Airport was approved by Executive Cabinet in February 2018. The investment takes the form of a shareholder loan which was advanced in two tranches during 2018/19. Interest will be paid at a rate of 10% per annum, which will generate a revenue stream for the Council of approximately £1m (after allowing for the loss of interest earned on cash used to fund the investment) which will support the revenue budget. This income has been included in the Medium Term Financial Plan approved by Council in February 2019.
- 6.4 In February 2019, Executive Cabinet approved an equity investment of £5.6m in Manchester Airport which will be funded by prudential borrowing. The investment is expected to be drawdown in three tranches over the course of 2019/20 and 2020/21 with the first dividend payment expected in 2021.
- 6.5 These investments in Manchester Airport are in addition to the Council's existing 3.22% shareholding in Manchester Airport Group. This shareholding has been valued at £52.7m as at 31 March 2019. The Council receives dividend income from this investment (£5.6m in 2018/19) which is a key item in the Council's Medium Term Financial Strategy. None of the investments in Manchester Airport are reflected in the figures reported in sections 1 to 5 above.

7. GREATER MANCHETSER METROPOLITAN DEBT ADMINISTRATION FUND (GMMDAF) ACTIVITIES

- 7.1 Tameside 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.
- 7.2 The GMMDAF incurs no capital expenditure, and therefore the total debt outstanding reduces annually by the amount of debt repaid by the constituent authorities. However, further loans are taken out to replace loans that mature during the year. In addition, short term loans and investments are required to optimise the cashflow position, due to the difference in timing between receiving payments from the ten district councils and making loan and interest payments to the PWLB etc. Like the Council, rescheduling opportunities are taken if the right conditions exist.
- 7.3 During 2018/19 the debt outstanding reduced by £17.699m. The debt will be fully repaid by 31 March 2022.
- 7.4 The following table sets out the position at 1 April 2018, the net repayments and the final position at 31 March 2019.

Principal Amounts	Debt O/S 01/04/17	Debt Maturing	New Loans/ Investments	Debt O/S 31/03/18
	£000	£000	£000	£000
PWLB	64,963	(16,000)	0	48,963
Pre 1974 Transferred Debt	161	(32)	0	129
Temp Loans / (Investments)	9,116	(6,628)	0	2,488
Other Balances incl. creditors and accruals	2,303	0	4,961	7,264
	76,543	(22,660)	4,961	58,844

- 7.5 No long term borrowing was required for 2018/19. The timing of any future borrowing will be carried out in consultation with our treasury management advisors, when interest rates are deemed favourable. However, it is unlikely that any long term borrowing will be taken up due to the limited remaining duration of the fund.
- 7.6 Although the portfolio of loans held by the Fund is reviewed on a regular basis by both Treasury Management officers and by the Council's treasury management advisors, Link Asset Services, no rescheduling opportunities were identified in 2018/19. Rescheduling will continue to be used when suitable opportunities arise, however long term borrowing is restricted by the end date of the Fund (2022), which has meant that it is difficult to reschedule debt in the present interest rate yield curve.
- 7.7 During the year, the fund made overall interest payments of £4.002m. This equated to an average "pool rate" of 5.22%, against the original estimate of 5.28%, and compares with 4.74% in 2017/18.
- 7.8 Manchester Airport re-negotiated the terms of its loan arrangement with the 10 Greater Manchester Councils in 2009/10. As a result of this arrangement the 10 Councils took responsibility to service the former Manchester Airport share of the GMMDAF. Previously the debt was serviced by the airport itself.

8. PRUDENTIAL LIMITS

- 8.1 At the start of the financial year the Council sets Prudential Indicators and limits in respect of Capital expenditure and borrowing. The outturn position for the Prudential Indicators are shown at **Appendix A**. Prudential indicators do not provide an effective comparative tool between Local Authorities, and therefore should not be used for this purpose.

9. RECOMMENDATIONS

- 9.1 As detailed at the front of the report.

APPENDIX A

Prudential Indicators – Actual outturn 2018/19

1. Ratio of Financing Costs to Net Revenue Stream

Limit/Indicator	Limit	Actual
	%	%
Ratio of financing costs to net revenue stream	5.5	4.8

- This ratio represents the total of all financing costs e.g. interest payable and minimum revenue provision (MRP) that are charged to the revenue budget as a percentage of the amount to be met from Government grants and taxpayers (net revenue stream).

2. Capital Financing Requirement (CFR)

Limit/Indicator	Limit	Actual
	£000	£000
Capital Financing Requirement	191,071	181,976

- The Capital Financing Requirement is aimed to represent the underlying need to borrow for a capital purpose and is calculated from the aggregate of specified items on the balance sheet.
- The CFR increases by the value of capital expenditure not immediately financed (i.e. borrowing) and is reduced by the annual MRP repayment.

3. Capital Expenditure

Limit/Indicator	Limit	Actual
	£000	£000
Capital expenditure	158,961	51,543

- This is the total capital expenditure incurred (from all funding sources).

4. Incremental Impact of Capital Investment Decisions

Limit/Indicator	Limit	Actual
	£	£
For the Band D Council Tax	15.68	nil

- This is the estimate of the net incremental impact of the capital investment decisions, based on the level of borrowing set out in the report and reflects the total cost of this additional borrowing (interest payments and minimum revenue provision), as a cost on Council Tax.
- The actual cost will depend on final funding. For every £1 increase on Band D properties, approximately £0.062m would be raised.

5. Operational Boundary and Authorised Limit on External Debt and Other Long Term Liabilities

Limit/Indicator	Limit	Actual
	£000	£000
Operational Boundary for external debt	195,662	111,838
Authorised Limit for external debt	215,662	111,838

- The Authorised Limit for External Debt sets the maximum level of external borrowing on a gross basis (i.e. excluding investments) for the Council.
- The operational boundary for External Debt comprises the Council's existing debt plus the most likely estimate of capital expenditure/financing for the year. It excludes any projections for cash flow movements. Unlike the authorised limit breaches of the operational boundary (due to cash flow movements) are allowed during the year as long as they are not sustained over a period of time.
- These limits include provision for borrowing in advance of the Council's requirement for future capital expenditure. This may be carried out if it is thought to be financially advantageous to the Council.

6. Upper and lower limits on Interest Rate Exposures

Limit/Indicator	Limit	Actual
	£000	£000
Upper limit for fixed interest rate exposure	191,071	17,186
Upper limit for variable interest rate exposure	63,690	(75,155)

- These limits are in respect of our exposure to the effects of changes in interest rates.
- The limits reflect the net amounts of fixed/variable rate debt (i.e. fixed/variable loans less fixed/variable investments).

7. Upper Limit for Total Principal Sums Invested for Over 364 Days

Limit/Indicator	Limit	Actual
	£000	£000
Upper limit for sums invested over 364 days	30,000	16,500

- This limit is in respect of treasury investments made for a duration longer than one year.

8. Maturity structure for fixed rate borrowing

Indicator	Limit	Outturn
Under 12 months	0% to 15%	0.30%
12 months and within 24 months	0% to 15%	0.31%
24 months and within 5 years	0% to 30%	4.46%
5 years and within 10 years	0% to 40%	3.18%
10 years and above	50% to 100%	91.75%

- This indicator is in respect of all of the Council's fixed rate borrowing with PWLB or other market lenders.

Agenda Item 10.

Report To:	AUDIT PANEL
Date:	29 July 2019
Reporting Officer:	Wendy Poole – Head of Risk Management and Audit Services
Subject:	PROGRESS REPORT ON RISK MANAGEMENT AND AUDIT ACTIVITIES APRIL TO JUNE 2019
Report Summary:	To advise members of the work undertaken by the Risk Management and Audit Service between April and June 2019 and to comment on the results.
Recommendations:	That members note the report and the performance of the Service Unit for the period April to June 2019.
Links to Corporate Plan:	Internal Audit supports the individual operations, which deliver the objectives within the Corporate Plan.
Policy Implications:	Effective Risk Management and Internal Audit supports the achievement of Council objectives and demonstrates a commitment to high standards of corporate governance.
Financial Implications: (Authorised by the Section 151 Officer)	Effective Risk Management and 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 and compensation payments to a minimum and provides assurance that a sound control environment is in place.
Legal Implications: (Authorised by the Borough Solicitor)	Demonstrates compliance with the Accounts and Audit Regulations 2015.
Risk Management:	Assists in providing the necessary levels of assurance that the significant risks relating to the council's operations are being effectively managed.
Access to Information:	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: wendy.poole@tameside.gov.uk

1. INTRODUCTION

- 1.1 This is the first progress report for the current financial year and covers the period April to June 2019.
- 1.2 The main objective of this report is to summarise the work undertaken by the Risk Management and Audit Service during the first quarter of the year in respect of the approved Plan for 2019/2020, which was presented to the Audit Panel on 4 June 2019.

2. RISK MANAGEMENT AND INSURANCE

- 2.1 The Risk Management and Insurance Team provide services to the whole Council including schools. The key priorities for the team during 2018/2019 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.

- 2.2 Work in Quarter 1 has been concentrated on the review of the Corporate Risk Register and the risk management system in place across the Strategic Commission. A series of visits to Management Teams have been scheduled and are underway and one of the planned outcomes is the production of updated operational risk registers.

- 2.3 During February/March 2019, an Information Governance Survey was rolled out via Survey Monkey to collate views on information governance practices and to help inform future work plans. The results overall were very positive, but there were a few areas of improvement identified relating to awareness, definitions, storage, data sharing and incident reporting.

3. INTERNAL AUDIT OVERVIEW

- 3.1 The Audit Plan approved on 4 June 2019 covered the period April 2019 to March 2020 and totalled 1,515 Days. This was made up of 1,191 days on planned audits and 324 days on reactive fraud work.

- 3.2 Table 1 below provides a summary of progress to 30 June 2019. The Table details the Planned Days, Profiled Days and Actual Days delivered at Quarter 1. The actual days in total are 331, compared to profiled days of 331. **Appendix 1** provides a detailed breakdown of the 2019/20 Audit Plan and shows; the Auditable Area, Planned Days,

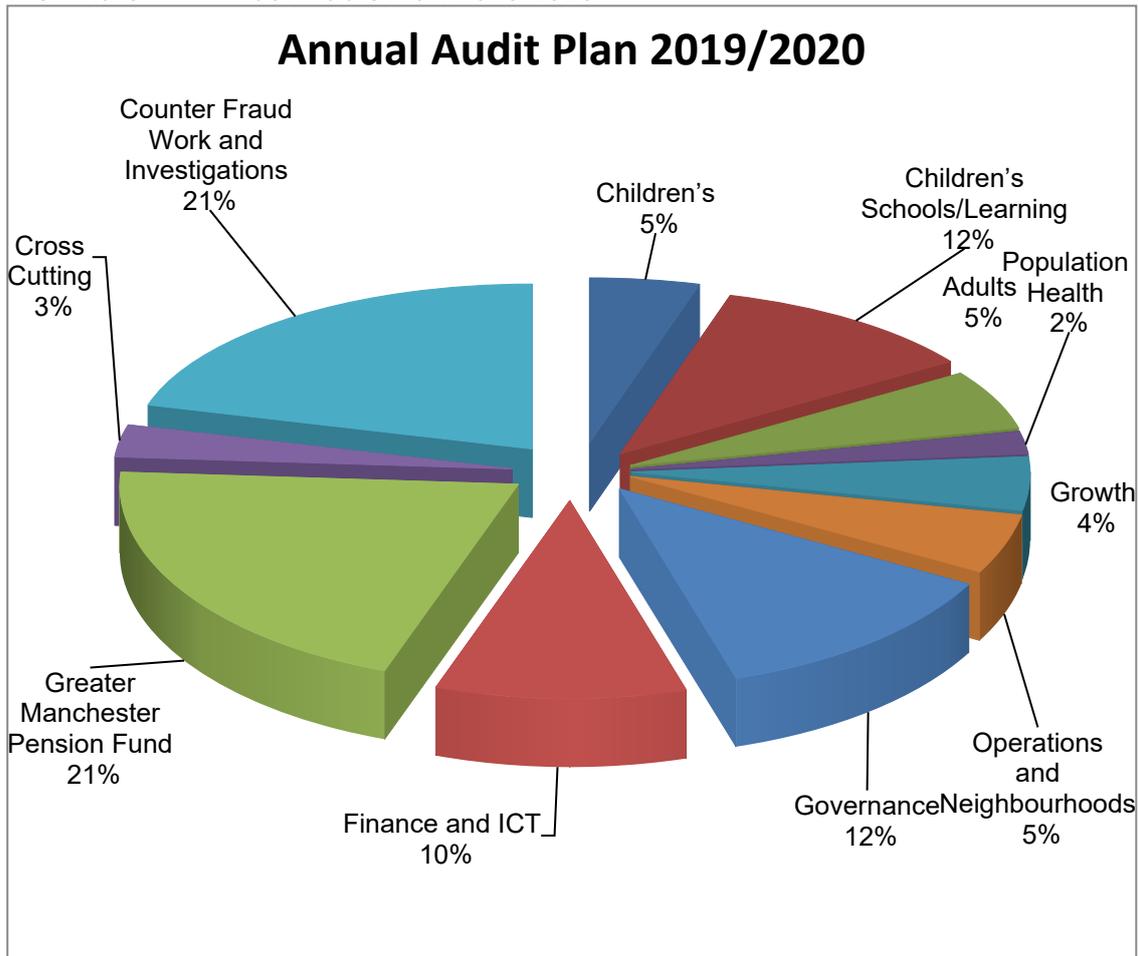
Quarter 1 Profiled Days, Actual Days, Variance, Quarters 2, 3, and 4 Profiled Days, Status and Level of Assurance.

3.3 The Pie Charts below present the plan for the year, the profiled plan for Quarter 1 and the actual days delivered to 30 June 2019.

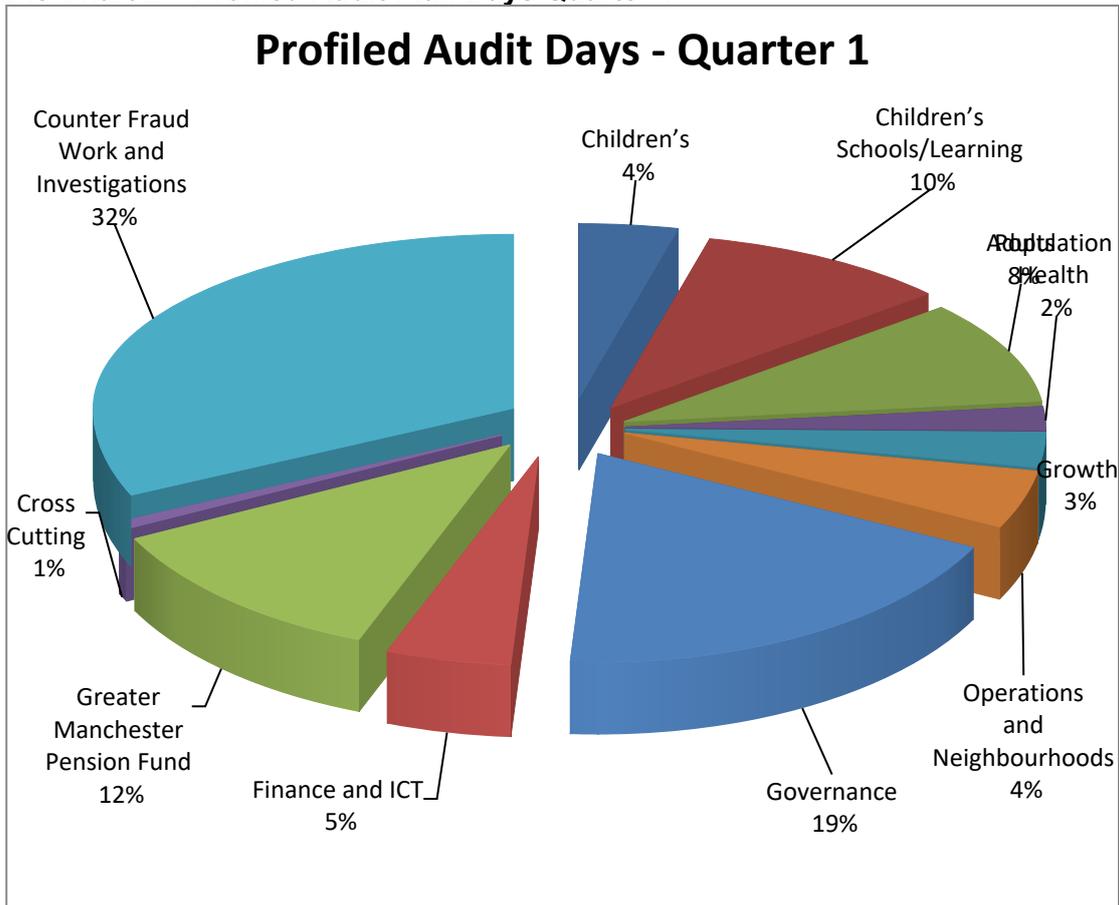
3.4 **Table 1 – Annual Audit Plan Summary 2019/2020**

Service Area / Directorate	Approved Plan 2019/20	Quarter 1 Profiled Planned Days	Actual Days To June 2019	% Complete of Quarter 1 Profiled Plan
Children's	80	15	15	100
Children's Schools/Learning	175	35	30	86
Adults	77	28	30	107
Population Health	28	6	6	100
Growth	66	9	7	78
Operations and Neighbourhoods	74	15	10	67
Governance	186	62	68	110
Finance and ICT	154	16	18	113
Greater Manchester Pension Fund	311	39	38	97
Cross Cutting	40	2	2	100
Counter Fraud Work/Investigations	324	106	106	100
Total Planned Days for 2019/20	1,515	331	331	100

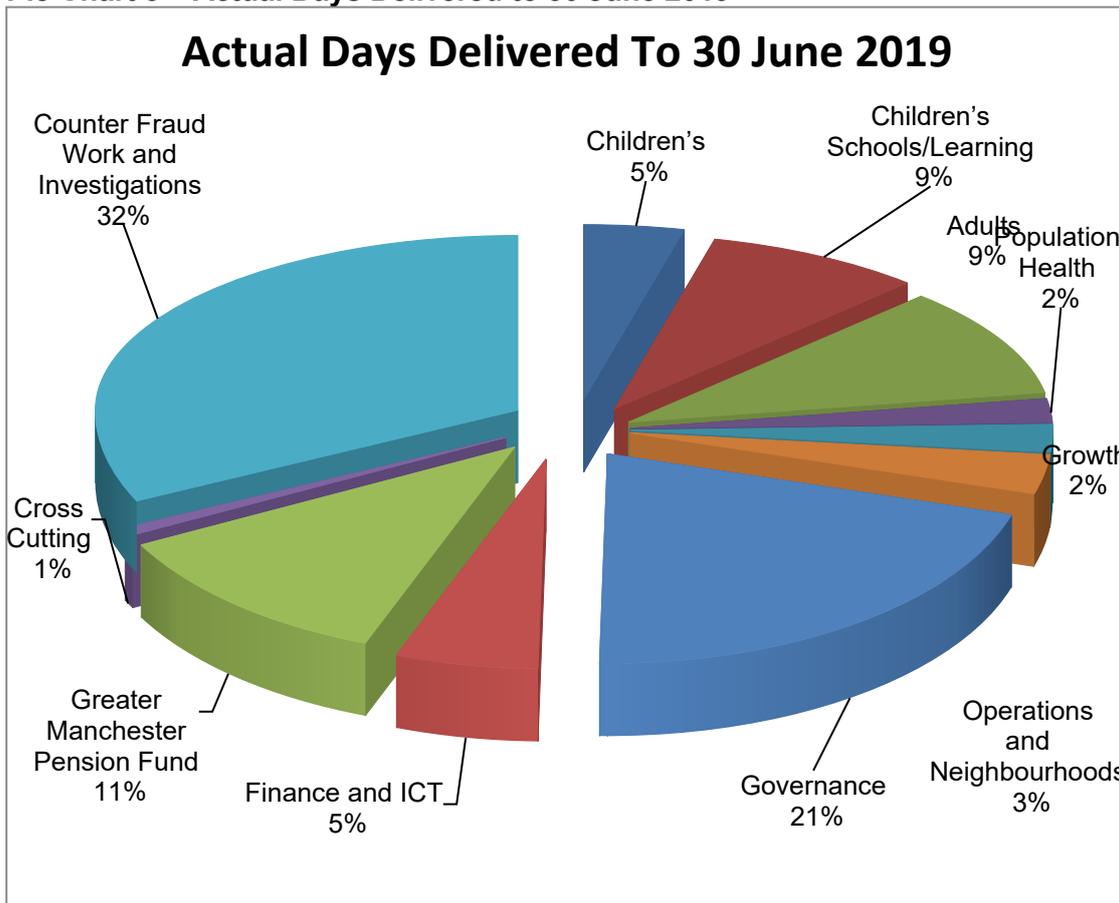
3.5 **Pie Chart 1 – Annual Audit Plan 2019/2020**



3.5 **Pie Chart 2 – Profiled Audit Plan Days Quarter 1**



3.6 **Pie Chart 3 – Actual Days Delivered to 30 June 2019**



4. AUDIT ACTIVITY TO 30 JUNE 2019

- 4.1 During the first quarter of the year, 6 Final Reports were issued in relation to systems and, risk based audits, the results of which are summarised in Table 2 below.

Table 2 – Final Reports System/Risk Based Audits 2019/20

Opinion	Number	%	Total To Date	Total for 2018/19
High	0	0	0	11 (9)
Medium	4 (1)	67	4 (1)	13 (5)
Low	2	33	2	6 (3)
Totals	6	100	6	30 (17)

Note: The figures in brackets relate to Final Reports issued for the Pension Fund.

- 4.2 In addition to the final reports issued above, 8 Draft Reports (5 Audits and 3 Control Reports) have been issued for management review and responses and these will be reported to the Panel in due course.
- 4.3 Not all work undertaken by the team generates an audit opinion and several pieces of work undertaken in the period fall into this category:-
- Mossley Hollins DfE Teaching School Grant – Assurance work;
 - Investigation Control Reports and follow Ups;
 - GMPF Annual Return – Compliance Checks;
 - Assurance Checks in Relation to the Revised Pay Structure
- 4.4 3 Final Audit Reports Audits in relation to Schools were issued during the period, the results of which are summarised in Table 3 below.

Table 3 – Final Reports Schools

Opinion	Number	%	Total To Date	Total for 2018/19
High	0	0	0	8
Medium	2	67	2	13
Low	1	33	1	2
Totals	3	100	3	23

- 4.5 In addition to the final reports issued above, 2 further audits have been completed and the draft reports have been issued to the Schools for management review and responses and they will be reported to the Panel in due course.
- 4.6 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. 11 Post Audit Reviews have been completed during the period and a summary of the Post Audit Reviews completed is presented in Table 4 below and details the number of recommendations implemented. The percentage rate of recommendations implemented is currently 86%. 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. A further 18 Post Audit Reviews are in progress which will be reported to the Panel at a future meeting.

4.7 **Table 4 – Post Audit Reviews – Recommendations Implemented**

Post Audit Reviews	Recommendations			Comments
	Made	Implemented		
	No.	No.	%	
Visit to Contributing Body - Bury Council	4	4	100	
St Anne's Primary Denton	2	2	100	
Stalyhill Infants	6	6	100	
St Thomas More RC College	6	6	100	
Gorse Hall Primary and Nursery	6	6	100	
St Johns C E Primary	4	4	100	
Holden Clough Primary School	24	22	92	The outstanding recommendations related to the Business Charge Card and are being addressed.
DBS Procedures	22	20	91	The two outstanding recommendations related to schools and are no longer applicable.
Learning Disabilities Client Accounts	21	18	86	Controls in respect of the operation of the Pre-Payment cards within the service need improvement and the work is ongoing.
Treasury Management (TMBC)	15	11	73	The outstanding recommendations relate to procedure notes, the retention of documents, training and updating the Business continuity Plan.
Visit To Contributing Body - Salford City Council	8	3	38	A second Post Audit Review is to be scheduled to follow up the outstanding issues.

5. REVIEW OF INTERNAL AUDIT

- 5.1 The review of Internal Audit reported to the Audit Panel on 4 June 2019 highlighted that the service is fully compliant with the requirements of the Public Sector Internal Audit Standards (PSIAS).
- 5.2 The standards require a Quality Assurance and Improvement Programme to be in place and this was also presented and approved by the Audit Panel on 4 June 2019. The service developments listed in Table 5 below were included for 2019/20.

Table 5 – Service Developments 2019/20

Developments	Progress to Date
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.
Consideration should be given to identifying the skills needed by the audit team to assist the Council with its current transformation programme and provide training and development opportunities to address any skills shortage.	This has been addressed as part of the Annual Development Review process with the team and will be kept under review during the year as Seminars, Workshops and Webinars become available.
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.
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.	This piece of work has been scheduled for the second half of the year.
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.	Updated/Refreshed documents have been produced and are currently being reviewed.
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.	Ongoing
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.	Initial discussions have taken place and more work is now underway to identify the structure needed.

6. ANNUAL GOVERNANCE STATEMENT 2018/19

- 6.1 The Draft Annual Governance Statement for 2018/19 was presented to the Audit Panel on 4 June 2019. The Final Annual Governance Statement 2018/19 has been considered as a separate item on this agenda. The improvements identified therefore have not been

included in this report, however, progress updates will be provided to future meetings of the Panel.

7 IRREGULARITIES/COUNTER FRAUD WORK

- 7.1 Fraud, irregularity and whistle-blowing 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.
- 7.2 All investigations and assistance cases are reported to the Monitoring Officer on a regular basis for challenge and comment and where appropriate further guidance and direction is provided. Liaison with Legal Services takes place on a case by case basis.
- 7.3 Ongoing 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. This work can range from analysing expenditure records, internet usage, identification of undeclared assets and assisting other organisations to progress their investigations.
- 7.4 The two Fraud Investigators/Counter Fraud Specialists have recently qualified as Accredited Counter Fraud Technicians, which has enhanced their skills and knowledge which they have brought back into the team to help improve the processes adopted.
- 7.5 In line with the Quality Assurance and Improvement Programme a review of all fraud, bribery and corruption policies plans etc. including the whistleblowing and money laundering policies, is underway to ensure they are fit for purpose and meet with recommended best practice. Another element to the review is to consider how to effectively deliver training and awareness for members and employees. A number of revised documents have been produced which are currently being reviewed and once finalised the appropriate governance process will be followed to ascertain approval.
- 7.6 The number of cases investigated during the period April to June 2019 is summarised in Table 6 below.

Table 6 – Investigations Undertaken from April to June 2019

Detail	No. of Cases
Cases B/Forward from 2017/2018	6
Current Year Referrals	1
Total	7
Cases Closed	0
Cases Still under Investigation	7
Total	7
Assistance Cases	6

- 7.7 The above investigations can be categorised by fraud type as shown in Table 7 below.

Table 7 – Investigations by Fraud Type

Fraud Type	No. of Cases	Value of Fraud £	Recovered To Date £	Potential Annual Savings £
Direct Payment	5	2,798.57	1,012.94	18,404.52
Misappropriation of Service User's monies	1	Not Known	N/A	Not Known
Procurement	1	Not Known	N/A	Not Known
Falsifying expenditure claims / manipulation of timesheets	0	N/A	N/A	N/A
Misappropriation of public funds	0	N/A	N/A	N/A
Theft	0	N/A	N/A	N/A
Total	7	2,798.57	1,012.94	18,404.52

7.8 In relation to previous years, income is still expected from some of the cases investigated and Table 8 provides shows a summary.

Table 8 – Previous Investigations - Monies Outstanding

No. of Cases	Amount to be Recover	Amount Collected in Previous Years	Amount collected in 2019/20	Total amount Outstanding
11	£293,895.41	£8,708.22	£16,422.45	£268,764.74

7.9 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 the savings/errors highlighted to date. Further updates will be provided to the Audit Panel as investigations are progressed.

Table 9 – National Fraud Initiative (NFI) Findings

NFI Data Set	NFI Report Ref.	Total Number of Matches	Report Match Rating	Comments		
				Processed	In Progress	No. of Error/Frauds and Value
Pensions to DWP Deceased Persons	52	897	High		897	
Pensions to Payroll	54-56	2,150	High		2,150	
Deferred Pensions to DWP Deceased	53	145	High		145	
Housing Benefits to Student Loans	2	31	High	4	27	
Housing Benefits Claimants to DWP Deceased	49.1	82	High	39	43	
Housing Benefit Claimants to Pensions	13.1 14.1	496	High	8	488	2 Errors £3,972
Council Tax Reduction Scheme to Pensions	435.1 436.1	783	High		783	
Council Tax Reduction Scheme to Payroll	435 436	82	High		82	
Personal Budgets to DWP Deceased	400.1	2	High	2	0	

NFI Data Set	NFI Report Ref.	Total Number of Matches	Report Match Rating	Comments		
				Processed	In Progress	No. of Error/Frauds and Value
Blue Badge to DWP Deceased	172.1	34	High	34		13 Errors £7,475 (Notional)
Private Residential Care Homes to DWP Deceased	173	50	High	50		
Totals		4,752		137	4,615	15 Errors £11,447

7.10 The Blue Badge saving of £7,475 is based on a notional figure of £575 per blue badge error, which is provided by the Cabinet Office and represents the estimated loss of income.

8 NATIONAL ANTI FRAUD NETWORK DATA AND INTELLIGENCE SERVICES

8.1 NAFN exists 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. A breakdown of the membership is provided in Table 10 below:-

Table 10 – NAFN Membership

Member Type	June 2019	March 2019	Target	%	% Increase (Decrease)
Local Authorities	351	359	420	84	(2.2)
Housing Associations	56	57	N/A	-	(1.7)
Other Public Bodies	15	15	N/A	-	-
Totals	422	431	-	-	(2.1)
Registered Users	12,854	12,040	N/A	-	6.8

8.2 The commencement of the Investigatory Powers Act has provided NAFN with the opportunity to enter into collaboration agreements with four wider public authorities (NHS Scotland, Food Standards Agency for England and Wales, Food Standards Scotland and the Department of Health). This provides the legal gateway for NAFN to offer its communications data single point of contact service to those members.

8.3 NAFN has completed a series of National Roadshows raising awareness and supporting members on the commencement of the Investigatory Powers Act 2016. The NAFN Delivery Team provided face-to-face training sessions in Cardiff, Preston Durham, Glasgow, Kensington, Birmingham and Belfast. The events attracted almost 1,000 delegates and feedback was exceptionally positive. At most events the team were accompanied by guest speakers representing the Investigatory Powers Commissioners Office all of whom shared their experiences and spoke highly about opportunities to acquire communications data using services available via NAFN.

8.4 The number of requests received during Quarter 1 2019/20 as detailed in Table 11 below has increased overall by 13% from the same period in the previous year. The decrease in the number of communication data requests (43%) was due to the pending commencement of Investigatory Powers Act, 11 June 2019. This saw the introduction of an independent authorisation body, Office for Communications Data Authorisation and removed the need for local authorities to obtain judicial approval when seeking to acquire communications data. Significantly, 60% of these requests were received post implementation, which is very encouraging.

8.5 **Table 11 – NAFN Requests Received**

Type of Request	2019/20 Apr-Jun	2018/19 Apr-Jun	2018/19 Full Year	% Increase (Decrease)
General Data Protection	7,239	8,680	33,530	(16.6)
Driver and Vehicle Licensing Agency	3,871	3,869	15,584	0.5
Investigatory Powers Act	128	225	1,032	(43.1)
Prevention of Social Housing Fraud Act/Council Tax Reduction Scheme	2,488	3,066	12,108	(18.9)
Type B (Online)	40,800	32,487	152,762	25.6
Grand Total	54,526	48,327	215,016	12.8

8.6 Type B (Online) requests continue to grow and further development is planned to add further online services.

9 RECOMMENDATIONS

9.1 As detailed at the front of the report..

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INTERNAL AUDIT PLAN ACTIVITY REPORT AS AT 30 JUNE 2019

Auditable Area	Planned Days 2019/20	Quarter 1 Profiled Plan	Actual Days 30/06/2019	Variance Based On Quarter 1	Quarter 2 Profiled Plan	Quarter 3 Profiled Plan	Quarter 4 Profiled Plan	Status	Level of Assurance
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CHILDREN'S

Troubled Families	10.0	1.0	0.6	-0.4		9.0		Work In Progress	
Budgetary Control and Financial Management	15.0	5.0	3.3	-1.8	10.0			Work In Progress	
Procurement of Placements for Children	15.0	0.0	0.0	0.0			15.0	Q4	
Children's Services - Post OFSTED work	10.0	0.0	0.0	0.0		10.0		Q3	
Special Education Needs and Disability (SEND) (B/F from 2018/19)	2.0	2.0	4.5	2.5				Completed	
PAR - St Lawrence Road Investigation Control Report (B/F from 2018/19)	0.7	0.7	0.0	-0.7				Covered in Children's Home Audit	
PAR - Leaving Care (B/F 2018/19)	1.3	1.3	2.6	1.3				Work in Progress	
PAR - Safeguarding	1.5	1.0	1.0	0.0	0.5			Work in Progress	
Planning and Control	6.0	3.0	2.8	-0.2	1.0	1.0	1.0	Ongoing	
Advice and Support	2.0	0.5	0.1	-0.4	0.5	0.5	0.5	Ongoing	
Post Audit Reviews	16.5	0.0	0.0	0.0	5.0	5.5	6.0	Will be allocated as Post Audit Reviews are undertaken	
TOTAL FOR CHILDREN'S	80.0	14.5	14.9	0.4	17.0	26.0	22.5		

SCHOOLS

Hollingworth Primary & Nursery	6.0	0.0	0.0	0.0			6.0	Q4	
Arundale Primary & Nursery	6.0	0.0	0.0	0.0		6.0		Q3	
Lyndhurst Primary & Nursery	6.0	0.0	0.0	0.0		6.0		Q3	
Wild Bank Primary & Nursery	6.0	0.0	0.0	0.0			6.0	Q4	
The Heys Primary School	6.0	0.0	0.0	0.0	6.0			Q2	
Fairfield Road Primary & Nursery	6.0	0.0	0.0	0.0			6.0	Q4	
Greswell Primary & Nursery	6.0	0.0	0.0	0.0			6.0	Q4	
St Georges C E Primary - Hyde	6.0	0.0	0.0	0.0		6.0		Q3	
St Peters C E Primary	6.0	0.0	0.0	0.0	6.0			Q2	
St Stephens C E Primary Audenshaw	6.0	0.0	0.0	0.0		6.0		Q3	
Canon Burrows C E Primary	6.0	0.0	0.0	0.0		6.0		Q3	
St Stephens R C Primary Droylsden	6.0	0.0	0.0	0.0			6.0	Q4	
St Christopher's R C Primary	6.0	5.7	5.7	0.0	0.3			Draft Report Issued	
Lady Of Mount Carmel	6.0	0.0	0.0	0.0			6.0	Q4	
Oakdale (2 Sited School)	6.0	0.0	0.0	0.0		6.0		Q3	
Denton Community College	10.0	0.0	0.0	0.0	10.0			Q2	
Pupil Referral Service	10.0	0.0	0.0	0.0		10.0		Q3	
PAR - Holden Clough Primary & Nursery	1.5	1.5	1.5	0.0				Completed	
PAR - St. Anne's Primary, Denton	1.5	1.5	1.3	-0.3				Completed	
PAR - St Johns C E Primary	1.5	1.5	1.4	-0.1				Completed	

INTERNAL AUDIT PLAN ACTIVITY REPORT AS AT 30 JUNE 2019

Auditable Area	Planned Days 2019/20	Quarter 1 Profiled Plan	Actual Days 30/06/2019	Variance Based On Quarter 1	Quarter 2 Profiled Plan	Quarter 3 Profiled Plan	Quarter 4 Profiled Plan	Status	Level of Assurance
PAR - Stalyhill Infants	1.5	1.5	1.5	0.0				Completed	
PAR - Gorse Hall Primary & Nursery	1.5	1.5	1.4	-0.1				Completed	
PAR - St Thomas More R C Maths & Computing College (B/F 2018/19)	1.5	1.5	1.5	0.0				Completed	
PAR - Buckton Vale Primary	1.0	0.1	0.1	0.0	0.9			Work In progress	
Mossley Hollins High - Grant Claim - Assurance Work	2.0	2.0	2.0	0.0				Completed	
St Marys C E Infant & Nursery Droylsden (B/F 2018/19)	0.9	0.9	0.7	-0.2				Final Report Issued	Reported in
Holy Trinity C E Primary (B/F 2018/19)	0.7	0.7	0.9	0.2				Final Report Issued	Reported in
St John-Fisher R C Primary (B/F 2018/19)	1.2	1.2	1.0	-0.2				Final Report Issued	Low
Samuel Laycock School (B/F 2018/19)	1.2	1.2	1.1	-0.1				Final Report Issued	Medium
Cromwell High School (B/F 2018/19)	1.2	1.2	1.1	-0.1				Final Report Issued	Medium
Payroll - Schools. incl Third Party Providers (B/F 2018/19)	4.5	4.5	3.3	-1.2				Draft Report Issued	
Pinfold Primary & Nursery - Theft of iPads August 2018 (B/F 2018/19)	0.5	0.5	0.0	-0.5				Draft Report Issued	
PAR - Mossley Hollins High (B/F 2018/19)	1.6	1.6	0.8	-0.8				Work In progress	
PAR - Holy Trinity C E Gee Cross (B/F 2018/19)	0.9	0.9	0.0	-0.9				Work In progress	
Planning and Control	10.0	4.0	4.3	0.3	2.0	2.0	2.0	Ongoing	
Advice and Support	10.0	1.0	0.8	-0.2	3.0	3.0	3.0	Ongoing	
Post Audit Reviews	20.0	0.0	0.0	0.0	7.0	7.0	6.0	Will be allocated as Post Audit Reviews are undertaken	
TOTAL FOR SCHOOLS	174.8	34.5	30.4	-4.1	35.2	58.0	47.0		

ADULTS									
Home Care	15.0	0.0	0.0	0.0			15.0	Q4	
Homemaker Service	15.0	15.0	15.7	0.7				Work In Progress	
Nursing and Residential Home Contractual Arrangements/Payments	15.0	2.0	1.6	-0.4	13.0			Work In Progress	
Integrated Urgent Care Team (B/F 2018/19)	1.0	1.0	1.2	0.2				Final Report Issued	Medium
Locality Teams Care Management (B/F 2018/19)	2.5	2.5	5.5	3.0				Work In Progress	
PAR - Learning Disabilities Client Accounts	0.5	0.5	0.5	0.0				Completed	
PAR - Community Response	1.5	1.5	1.7	0.2				Work In Progress	
Control Report - Integrated Urgent Care Team (B/F 2018/19)	1.5	1.5	1.0	-0.5				Draft Report Issued	
Planning and Control	5.0	2.0	1.9	-0.1	1.0	1.0	1.0	Ongoing	
Advice and Support	10.0	2.0	1.5	-0.5	3.0	2.0	3.0	Ongoing	
Post Audit Reviews	10.5	0.0	0.0	0.0	3.5	3.0	4.0	Will be allocated as Post Audit Reviews are undertaken	
TOTAL FOR ADULTS	77.5	28.0	30.5	2.5	20.5	6.0	23.0		

INTERNAL AUDIT PLAN ACTIVITY REPORT AS AT 30 JUNE 2019

Auditable Area	Planned Days 2019/20	Quarter 1 Profiled Plan	Actual Days 30/06/2019	Variance Based On Quarter 1	Quarter 2 Profiled Plan	Quarter 3 Profiled Plan	Quarter 4 Profiled Plan	Status	Level of Assurance
POPULATION HEALTH									
Disabled Facilities Grant	2.0	0.0	0.0	0.0	2.0			Q2	
Active Tameside	15.0	0.0	0.0	0.0			15.0	Q4	
Health Visiting Service (B/F 2018/19)	2.5	2.5	2.2	-0.3				Work in Progress	
PAR - Information Investigation Control Report (B/F 2018/19)	2.5	2.5	3.6	1.1				Work in Progress	
Planning and Control	3.0	0.5	0.1	-0.4	0.5	1.0	1.0	Ongoing	
Advice and Support	1.0	0.0	0.0	0.0	0.5		0.5	Ongoing	
Post Audit Reviews	2.0	0.0	0.0	0.0		2.0		Will be allocated as Post Audit Reviews are undertaken	
TOTAL FOR POPULATION HEALTH	28.0	5.5	6.0	0.5	3.0	3.0	16.5		
GROWTH									
Capital Projects	15.0	5.0	4.1	-0.9		10.0		Work In Progress	
Inspired Spaces - Monitoring Of The Catering Contract	15.0	0.0	0.0	0.0			15.0	Q4	
Hattersley Collaboration Agreement	6.0	0.0	0.0	0.0			6.0	Q4	
Planning Process (B/F 2018/19)	12.0	0.0	0.0	0.0			12.0	Q4	
Hattersley Collaboration Agreement (B/F 2018/19)	0.8	0.8	1.5	0.7				Completed	
PAR - Section 106 Agreements, Developer Levy and Community Infrastructure Levy (B/F 2018/19)	1.5	1.5	0.0	-1.5				Work In Progress	
Planning and Control	5.0	1.0	0.6	-0.4	1.0	2.0	1.0	Ongoing	
Advice and Support	3.0	1.0	0.8	-0.3	1.0		1.0	Ongoing	
Post Audit Reviews	8.0	0.0	0.0	0.0	3.0	3.0	2.0	Will be allocated as Post Audit Reviews are undertaken	
TOTAL FOR GROWTH	66.3	9.3	6.8	-2.5	5.0	15.0	37.0		
OPERATIONS AND NEIGHBOURHOODS									
Homelessness and Advice	15.0	0.0	0.0	0.0		15.0		Q3	
Local Authority Bus Subsidy Grant	2.0	0.0	0.0	0.0	2.0			Q2	
Audit of Final Accounts	10.0	0.0	0.0	0.0			10.0	Q4	
Provision of the Integrated Transport Service (B/F 2018/19)	2.3	2.3	0.4	-1.9				Final Report Issued	Low
Youth Service (B/F 2018/19)	1.0	1.0	1.7	0.7				Final Report Issued	Low
Control Report - Theft at Droylsden Library (B/F 2018/19)	1.0	1.0	1.0	0.0				Completed	
Control Report - Youth Service - Unauthorised Use of a Vehicle and Equipment (B/F 2018/19)	1.5	1.5	0.4	-1.1				Completed	
Control Report - Facilities Management (B/F 2018/19)	3.5	3.5	2.3	-1.2				Work In Progress	
Control Report - Thefts at Tame Street - First Floor Offices (B/F 2018/19)	1.0	1.0	0.3	-0.7				Work In Progress	
Control Report - Waste Services (B/F 2018/19)	2.5	2.5	2.5	0.0				Completed	

INTERNAL AUDIT PLAN ACTIVITY REPORT AS AT 30 JUNE 2019

Auditable Area	Planned Days 2019/20	Quarter 1 Profiled Plan	Actual Days 30/06/2019	Variance Based On Quarter 1	Quarter 2 Profiled Plan	Quarter 3 Profiled Plan	Quarter 4 Profiled Plan	Status	Level of Assurance
Environmental Services - Sign Off - Accident Reporting System (B/F 2018/19)	5.0	1.0	0.6	-0.4		4.0		Work In Progress	
Planning and Control	6.0	1.0	0.8	-0.2	1.0	2.0	2.0	Ongoing	
Advice and Support	8.0	0.5	0.4	-0.1	2.5	2.5	2.5	Ongoing	
Post Audit Reviews	15.0	0.0	0.0	0.0	5.0	5.0	5.0	Will be allocated as Post Audit Reviews are undertaken	
TOTAL FOR OPERATIONS AND NEIGHBOURHOODS	73.8	15.3	10.3	-5.0	10.5	28.5	19.5		

GOVERNANCE									
Softbox	15.0	0.0	0.0	0.0	15.0			Q2	
Deferred Payment Scheme	10.0	0.0	0.0	0.0		10.0		Q3	
Review of Financial Systems - Housing Benefits	15.0	1.5	1.5	0.0			13.5	Work in Progress	
Clients Financial Affairs - Deputyships and Appointeeships	10.0	0.0	0.0	0.0			10.0	Q4	
Health Assessments LAC	15.0	7.0	7.0	0.0	8.0			Work in Progress	
ICS Data Checks	15.0	0.0	0.0	0.0		15.0		Q3	
iTRENT Self Service	10.0	6.8	6.8	0.0	3.2			Work in Progress	
GMPF Annual Return - Compliance Checks	4.0	4.0	5.6	1.6				Completed	
External Audit Checks - Payroll	10.0	0.0	0.0	0.0			10.0	Q4	
Registrars Financial Audit	5.0	0.0	0.0	0.0	2.5		2.5	Q2 and Q4	
Members Allowances - Publication	3.0	0.0	0.0	0.0	3.0			Q2	
Car Allowances Annual Review	2.0	0.0	0.0	0.0		2.0		Q3	
Revised Pay Structure	3.6	3.6	3.6	0.0				Completed	
Control Report - NNDR Refund Fraud	0.0	0.0	2.5	2.5				Draft Report issued	
PAR - Council Tax Full System	1.5	1.0	1.0	0.0	0.5			Work in Progress	
PAR - Payroll Whole System (B/F 2018/19)	0.7	0.7	0.6	-0.1				Work in Progress	
Determination and Recovery of Adult Service Care and Support Charges (B/F 2018/19)	11.0	11.0	8.9	-2.1				Work in Progress	
Debtors Full System (B/F 2018/19)	3.5	3.5	5.3	1.8				Draft Report issued	
Deferred Payment Scheme - Reconciliation Exercise (B/F 2018/19)	1.5	1.5	1.9	0.4				Draft Report issued	
System Sign Off - Complaints and Information System (B/F 2018/19)	5.0	0.0	0.0	0.0	5.0			Q2	
Apprenticeship Levy (B/F 2018/19)	1.2	1.2	0.7	-0.5				Draft Report issued	
Liquid Logic (B/F 2018/19)	0.5	0.5	0.7	0.2				Final Report Issued	Medium
Agresso Upgrade - Sign Off (B/F 2018/19)	0.5	0.5	0.3	-0.2				Completed	
Social Media Controls (B/F 2018/19)	0.7	0.7	1.1	0.4				Draft Report issued	
PAR - Procure and Pay (B/F 2018/19)	4.0	4.0	6.4	2.4				Work in Progress	
PAR - DBS Procedures (B/F 2018/19)	0.7	0.7	1.0	0.3				Completed	
PAR - NNDR Full System (B/F 2018/19)	1.2	1.2	0.6	-0.6				Work in Progress	
Planning and Control	10.0	3.0	3.0	0.0	2.0	3.0	2.0	Ongoing	

INTERNAL AUDIT PLAN ACTIVITY REPORT AS AT 30 JUNE 2019

Auditable Area	Planned Days 2019/20	Quarter 1 Profiled Plan	Actual Days 30/06/2019	Variance Based On Quarter 1	Quarter 2 Profiled Plan	Quarter 3 Profiled Plan	Quarter 4 Profiled Plan	Status	Level of Assurance
Advice and Support	11.4	9.1	9.1	0.0	2.3			Ongoing	
Post Audit Reviews	14.5	0.0	0.0	0.0	5.0	5.0	4.5	Will be allocated as Post Audit Reviews are undertaken	
TOTAL FOR GOVERNANCE	185.5	61.5	67.5	6.0	46.5	35.0	42.5		

FINANCE									
Procurement	20.0	0.0	0.0	0.0		20.0		Q3	
Cashiers	10.0	0.0	0.0	0.0	10.0			Q2	
General Ledger and Budgetary Control	15.0	0.0	0.0	0.0		15.0		Q3	
Information Governance	15.0	0.0	0.0	0.0			15.0	Q4	
ICT Business Continuity and Disaster Recovery	20.0	0.0	0.0	0.0			20.0	Q4	
Network Security	15.0	0.0	0.0	0.0		15.0		Q3	
3rd Party Access	10.0	6.0	5.9	-0.1	4.0			Work In Progress	
External Audit Checks - General Expenditure	10.0	0.0	0.0	0.0			10.0	Q4	
PAR - VAT	1.5	0.3	0.3	0.0	1.2			Work In Progress	
Cyber Security Review (B/F 2018/19)	0.7	0.7	1.3	0.6				Draft Report Issued	
Bank Reconciliation Procedures (B/F 2018/19)	2.5	2.5	4.1	1.6				Final Report Issued	Medium
External Audit Checks - General Expenditure (B/F 2018/19)	1.3	1.3	1.2	-0.1				Completed	
PAR - Treasury Management (B/F 2018/19)	0.4	0.4	0.8	0.4				Completed	
Planning and Control	10.0	3.5	3.4	-0.1	2.0	2.5	2.0	Ongoing	
Advice and Support	10.0	1.5	1.5	0.0	3.0	3.0	2.5	Ongoing	
Post Audit Reviews	12.5	0.0	0.0	0.0	4.0	4.0	4.5	Will be allocated as Post Audit Reviews are undertaken	
TOTAL FOR FINANCE	153.8	16.2	18.5	2.3	24.2	59.5	54.0		

PENSION FUND									
GLIL	15.0	4.5	4.5	0.0	10.5			Work In Progress	
Compliance Function	15.0	0.0	0.0	0.0			15.0	Q4	
First Bus Asset Transfers	10.0	1.0	0.6	-0.4	9.0			Work In Progress	
Transfer of Assets to new Custodian	15.0	0.0	0.0	0.0	15.0			Q2	
iConnect (including visits to LA Employers)	35.0	7.0	6.8	-0.2	9.0	10.0	9.0	Work In Progress	
Altair - Admin to Payroll Upgrade	10.0	0.1	0.1	0.0	9.9			Work In Progress	
Benchmarking / KPI's	10.0	0.0	0.0	0.0			10.0	Q4	
Move from Citrix re Altair	5.0	0.0	0.0	0.0	5.0			Q2	
Information Governance/GDPR	15.0	0.0	0.0	0.0		15.0		Q3	
Visits to Employers/Payroll Providers	80.0	0.0	0.0	0.0	10.0	35.0	35.0	Q2, Q3 and Q4	
Creditor Payments	15.0	0.0	0.0	0.0	15.0			Q2	
Retirement Process	15.0	0.0	0.0	0.0		15.0		Q3	

INTERNAL AUDIT PLAN ACTIVITY REPORT AS AT 30 JUNE 2019

Auditable Area	Planned Days 2019/20	Quarter 1 Profiled Plan	Actual Days 30/06/2019	Variance Based On Quarter 1	Quarter 2 Profiled Plan	Quarter 3 Profiled Plan	Quarter 4 Profiled Plan	Status	Level of Assurance
Property Contract Management	10.0	0.6	0.6	0.0	9.4			Work In Progress	
PAR - VAT	1.5	0.4	0.4	0.0	1.1			Work In Progress	
2nd PAR - Unitisation	2.0	2.0	2.0	0.0				Work In Progress	
PAR - Visit to Contributing Body - Bury Borough Council	1.5	1.5	1.5	0.0				Completed	
PAR - Visit to Contributing Body - Manchester City Council	1.5	1.0	1.0	0.0	0.5			Work In Progress	
PAR - Visit to Contributing Body - Trafford Borough Council	1.5	0.4	0.4	0.0	1.1			Work In Progress	
PAR - Visit to Contributing Body - Southway Housing (Manchester) Ltd	2.0	0.2	0.2	0.0	1.8			Work In Progress	
Business Continuity and Disaster Recovery (B/F 2018/19)	8.5	4.0	4.0	0.0	4.5			Work In Progress	
Control Report - Pension Overpayment (B/F 2018/19)	0.5	0.5	0.1	-0.4				Draft Report Issued	
Visit to Contributing Body - Bolton at Home (B/F 2018/19)	1.4	1.4	1.4	0.0				Final Report Issued	Medium
PAR - Visit to Contributing Body - Salford City Council (B/F 2018/19)	0.6	0.6	0.4	-0.2				Completed	
Planning and Control	15.0	4.0	4.4	0.4	3.0	4.0	4.0	Ongoing	
Advice and Support	15.0	9.4	9.4	0.0	2.0	2.0	1.6	Ongoing	
Computer Audit Advice	2.0	0.0	0.0	0.0	1.0	0.5	0.5	Not Allocated	
Post Audit Reviews	0.0	0.0	0.0	0.0				Will be allocated as Post Audit Reviews are undertaken	
Irregularity Investigations	5.0	0.0	0.0	0.0	2.0	2.0	1.0	Will be allocated as and when needed.	
NFI Data Matching Advice and Support	3.0	0.0	0.0	0.0	1.0	1.0	1.0	Will be allocated as and when needed.	
TOTAL FOR PENSION FUND	311.0	38.6	37.9	-0.8	110.8	84.5	77.1		
CROSS CUTTING									
GMCA - Assurance/Grant Work	15.0	0.0	0.0	0.0	5.0	5.0	5.0	Q2, Q3 and Q4	
Statutory Compliance	20.0	0.0	0.0	0.0		20.0		Q3	
UK Mail - Advice and Support	3.0	2.0	1.9	-0.1	1.0			Work In Progress	
Post Audit Reviews	2.0	0.0	0.0	0.0		2.0		Will be allocated as Post Audit Reviews are undertaken	
TOTAL FOR CROSS CUTTING	40.0	2.0	1.9	-0.1	6.0	27.0	5.0		
TOTAL PLANNED DAYS	1190.5	225.4	224.7	-0.7	278.7	342.5	344.1		
COUNTER FRAUD AND INVESTIGATIONS	324.0	106.0	106.2	0.2	88.0	65.0	65.0		
TOTAL AUDIT DAYS FOR 2019/20	1514.5	331.4	330.8	-0.6	366.7	407.5	409.1		

Report To:	AUDIT PANEL
Date:	29 July 2019
Executive Member / Reporting Officer:	Councillor Ryan – Finance and Economic Growth Kathy Roe – Director of Finance Tom Wilkinson – Assistant Director of Finance
Subject:	AUDIT PANEL FORWARD PLAN AND TRAINING
Report Summary:	In May 2019 Full Council approved changes to the terms of reference for the Audit Panel. This report sets out a proposed forward plan and training programme for the Audit Panel.
Recommendations:	Members are asked to: <ol style="list-style-type: none">1) approve the frequency and timing of Audit Panel meetings, and the proposed work programme, including training, as set out in Appendix 3; and2) note the CIPFA Statement on the role of the Audit Committee (Appendix 3) and consider whether any further training would be beneficial for the Audit Panel.
Links to Community Strategy:	The functions of the Audit Panel support the operations of the Council, which deliver the objectives of the Community Strategy.
Policy Implications:	An effective Audit Committee supports the achievement of Council objectives and demonstrates a commitment to high standards of corporate governance.
Financial Implications: (Authorised by the Section 151 Officer & Chief Finance Officer)	An effective Audit Committee supports corporate governance, internal control, risk management and arrangements to ensure value for money.
Legal Implications: (Authorised by the Borough Solicitor)	Failure to organise in this way would put the Council at greater risk of successful regulatory, judicial and ombudsman challenge.
Risk Management:	The Audit Committee supports effective risk management and internal control arrangements across the Council.
Access to Information:	The report is to be considered in public
Background Papers:	The background papers relating to this report can be inspected by contacting Heather Green  Telephone: 0161 342 2929  e-mail: heather.green@tameside.gov.uk

1. BACKGROUND

- 1.1 The Audit Panel is the Committee of Tameside Council that undertakes the role of the Audit Committee. In May 2019 Full Council approved some changes to the Audit Panel terms of reference. The revised terms of reference are listed in **Appendix 1**.
- 1.2 The purpose of an audit committee is to provide to those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and governance processes. By overseeing both internal and external audit it makes an important contribution to ensuring that effective assurance arrangements are in place.
- 1.3 The Audit Panel is a key component of the Council's governance framework. Its function is to provide an independent and high-level resource to support good governance and strong public financial management.

2 ROLE OF THE AUDIT COMMITTEE

- 2.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) recently issued an updated position statement on the role of the Audit Committee in Local Government (**Appendix 2**). This sets out the core functions of the Audit Committee, which should include:

- To be satisfied that the authority's assurance statements, including the annual governance statement, properly reflect the risk environment and any actions required to improve it, and demonstrate how governance supports the achievement of the authority's objectives;
- In relation to the authority's internal audit functions:
 - oversee its independence, objectivity, performance and professionalism
 - support the effectiveness of the internal audit process
 - promote the effective use of internal audit within the assurance framework;
- Consider the effectiveness of the authority's risk management arrangements and the control environment, reviewing the risk profile of the organisation and assurances that action is being taken on risk-related issues, including partnerships and collaborations with other organisations;
- Monitor the effectiveness of the control environment, including arrangements for ensuring value for money, supporting standards and ethics and for managing the authority's exposure to the risks of fraud and corruption;
- Consider the reports and recommendations of external audit and inspection agencies and their implications for governance, risk management or control;
- Support effective relationships between external audit and internal audit, inspection agencies and other relevant bodies, and encourage the active promotion of the value of the audit process; and
- Review the financial statements, external auditor's opinion and reports to members, and monitor management action in response to the issues raised by external audit.

3. FORWARD PLAN

- 3.1 To assist the Audit Panel with delivering its terms of reference, officers have prepared a work plan for the year. The work plan set out in **Appendix 3** sets out the areas that should be considered by the Audit Panel and identifies proposed training for the coming year.

Members of the panel are asked to consider whether any additional items or training is required, with reference to the CIPFA position statement on the role of the Audit Committee.

4. RECOMMENDATIONS

4.1 As set out on the front of the report.

APPENDIX 1

Audit Panel Terms of Reference (Approved by Full Council May 2019)

Role

To provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment and to oversee the financial reporting process.

To undertake the functions of an Audit Committee in accordance with the CIPFA Statement on Audit Committees in Local Authorities.

The Panel shall comprise a membership of 8 Members and is subject to the rules of political balance. The Panel shall be chaired by the Chair of the Overview Panel.

Terms of Reference

1. To overview the arrangements for internal control (both financial and nonfinancial).
2. Consider the Annual Audit Letter from our External Auditors.
3. Approve (but not direct) both external and internal audit's strategy, annual plans and monitor performance.
4. Review summary internal audit reports and the main issues arising and seek assurance that management action has been taken where necessary.
5. Receive the annual report and Head of Internal Audit opinion on the Council's corporate governance, risk management and internal control arrangements.
6. Consider the reports of other regulators and inspectors.
7. Consider the effectiveness of the authority's risk management arrangements, the control environment and associated anti-fraud and anticorruption arrangements. Seek assurances that action is being taken on risk related issues identified by auditors and inspectors.
8. Be satisfied that the authority's assurance statements, including the Annual Governance Statement, properly reflect the risk environment and any actions required to improve it.
9. To review existing and proposed arrangements, recommend changes and receive assurance that the systems of corporate governance are operating effectively and in accordance with best practice.
10. Review and approval of the annual Statement of Accounts, including the Annual Governance Statement and related matters. Approval of accounting policies and consideration of whether there are any concerns arising from the financial statements or external audit that need to be brought to the attention of the Council.
11. Receive and consider the external auditor's report and opinion on the financial statements.
12. Monitor action taken in response to any matters raised in the external auditor's report.
13. Monitor action taken in response to any matters raised in the Annual Governance Statement.

APPENDIX 3

PROPOSED WORKPLAN AND TRAINING FOR AUDIT PANEL

22 July 2019	November 2019	March 2020	June 2020
Financial Reporting and Accounts			
Audited Statement of Accounts (Approval)		Accounting Policies and Critical Judgements	Draft Statement of Accounts
	Revenue and Capital Monitoring Report	Revenue and Capital Monitoring Report	Capital and Revenue Outturn Report
	Treasury Mid-Year review		Treasury Annual Report
Internal Audit			
Internal Audit Progress Report	Internal Audit Progress Report	Internal Audit Progress Report Internal Audit Plan	Internal Audit Progress Report
			Internal Audit Annual Report and Head of Internal Audit Opinion Annual Review of Effectiveness of Internal Audit
	NAFN Data and Intelligence Services Annual Report		NAFN Data and Intelligence Services Annual Report

22 July 2019	November 2019	March 2020	June 2020
		CIPFA Fraud and Corruption Tracker – Tameside Report	
External Audit			
Progress report & technical update	Progress report & technical update	Progress report & technical update	Progress report & technical update
Audit Completion Report (ISA260)	Annual Audit Letter	Audit Strategy Memorandum	Audit Fees Letter
			Assurance Letters from Management and Those Charged with Governance
Risk Management			
	Corporate Risk Register Review	Risk Management Policy and Strategy and Corporate Risk Register	Corporate Risk Register Review
	Information Governance Update Report	Information Governance Update Report	Information Governance Update Report
Internal Control and Governance Environment			
	Procurement Update		Code of Corporate Governance
			Review against the Code of Corporate Governance

22 July 2019	November 2019	March 2020	June 2020
Approve Final Annual Governance Statement	Annual Governance Statement Action Plan update	Annual Governance Statement Action Plan update	Draft Annual Governance Statement
	Review of policies and procedures (Whistleblowing, Anti-Money Laundering, Fraud etc)		
Other, including Training			
Terms of reference	Private Meeting with Internal and External Audit	Informal meeting with CCG Audit Committee	Private Meeting with Internal and External Audit
TRAINING – Accounts	TRAINING – Role of the Audit Panel	TRAINING – Risk Management	TRAINING – Accounts
Work Programme and Forward Plan	Work Programme and Forward Plan	Work Programme and Forward Plan	Work Programme and Forward Plan

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CIPFA's Position Statement: Audit Committees in Local Authorities and Police

The scope of this Position Statement includes all principal local authorities in the UK, the audit committees for PCCs and chief constables in England and Wales, and the audit committees of fire and rescue authorities.

- 1** Audit committees are a key component of an authority's governance framework. Their function is to provide an independent and high-level resource to support good governance and strong public financial management.
- 2** The purpose of an audit committee is to provide to those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and governance processes. By overseeing both internal and external audit it makes an important contribution to ensuring that effective assurance arrangements are in place.
- 3** Authorities and police audit committees should adopt a model that establishes the committee as independent and effective. The committee should:
 - act as the principal non-executive, advisory function supporting those charged with governance
 - in local authorities, be independent of both the executive and the scrutiny functions and include an independent member where not already required to do so by legislation
 - in police bodies, be independent of the executive or operational responsibilities of the PCC or chief constable
 - have clear rights of access to other committees/functions, for example, scrutiny and service committees, corporate risk management boards and other strategic groups
 - be directly accountable to the authority's governing body or the PCC and chief constable.
- 4** The core functions of an audit committee are to:
 - be satisfied that the authority's assurance statements, including the annual governance statement, properly reflect the risk environment and any actions required to improve it, and demonstrate how governance supports the achievement of the authority's objectives
 - in relation to the authority's internal audit functions:
 - oversee its independence, objectivity, performance and professionalism

- support the effectiveness of the internal audit process
 - promote the effective use of internal audit within the assurance framework
 - consider the effectiveness of the authority’s risk management arrangements and the control environment, reviewing the risk profile of the organisation and assurances that action is being taken on risk-related issues, including partnerships and collaborations with other organisations
 - monitor the effectiveness of the control environment, including arrangements for ensuring value for money, supporting standards and ethics and for managing the authority’s exposure to the risks of fraud and corruption
 - consider the reports and recommendations of external audit and inspection agencies and their implications for governance, risk management or control
 - support effective relationships between external audit and internal audit, inspection agencies and other relevant bodies, and encourage the active promotion of the value of the audit process.
 - review the financial statements, external auditor’s opinion and reports to members, and monitor management action in response to the issues raised by external audit.
- 5 An audit committee can also support its authority by undertaking a wider role in other areas including:
- considering governance, risk or control matters at the request of other committees or statutory officers
 - working with local standards and ethics committees to support ethical values
 - reviewing and monitoring treasury management arrangements in accordance with [Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes](#) (CIPFA, 2017)
 - providing oversight of other public reports, such as the annual report.
- 6 Good audit committees are characterised by:
- a membership that is balanced, objective, independent of mind, knowledgeable and properly trained to fulfil their role. The political balance of a formal committee of a council will reflect the political balance of the council, however, it is important to achieve the right mix of apolitical expertise
 - a membership that is supportive of good governance principles and their practical application towards the achievement of organisational objectives
 - a strong independently minded chair – displaying a depth of knowledge, skills and interest. There are many personal qualities needed to be an effective chair, but key to these are:
 - promoting apolitical open discussion
 - managing meetings to cover all business and encouraging a candid approach from all participants
 - an interest in and knowledge of financial and risk management, audit, accounting concepts and standards, and the regulatory regime
 - unbiased attitudes – treating auditors, the executive and management fairly

- the ability to challenge the executive and senior managers when required.
- 7 To discharge its responsibilities effectively the committee should:
- meet regularly – at least four times a year, and have a clear policy on those items to be considered in private and those to be considered in public
 - be able to meet privately and separately with the external auditor and with the head of internal audit
 - include, as regular attendees, the CFO(s), the chief executive, the head of internal audit and the appointed external auditor. Other attendees may include the monitoring officer (for standards issues) and the head of resources (where such a post exists). These officers should also be able to access the committee, or the chair, as required
 - have the right to call any other officers or agencies of the authority as required, while recognising the independence of the chief constable in relation to operational policing matters
 - report regularly on its work to those charged with governance, and at least annually report an assessment of their performance. An annual public report should demonstrate how the committee has discharged its responsibilities.

Additional guidance to support those acting as audit committee members in local authorities can be found in CIPFA's publication *Audit Committees: Practical Guidance for Local Authorities and Police* (2018), available from www.cipfa.org.uk/publications

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