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## OVERVIEW (AUDIT) PANEL

**Day:** Monday  
**Date:** 12 September 2016  
**Time:** 2.00 pm  
**Place:** Lesser Hall - Dukinfield Town Hall

Item No.	AGENDA	Page No
1.	<b>APOLOGIES FOR ABSENCE</b> To receive any apologies for the meeting from Members of the Panel.	
2.	<b>DECLARATIONS OF INTEREST</b> To receive any declarations of interest from Members of the Panel.	
3.	<b>MINUTES</b> The Minutes of the meeting of the Overview (Audit) Panel held on 18 July 2016 to be signed by the Chair as a correct record.	1 - 2
4.	<b>AUDIT FINDINGS REPORT (ISA260) - TAMESIDE MBC AND GREATER MANCHESTER PENSION FUND 2015/16</b> To consider a report of the Assistant Executive Director (Finance).	3 - 74
5.	<b>CAPITAL MONITORING - OUTTURN 2015/16</b> To consider a report of the Assistant Executive Director (Finance).	75 - 100
6.	<b>REVENUE MONITORING - OUTTURN 2015/16</b> To consider a report of the Assistant Executive Director (Finance).	101 - 126
7.	<b>TREASURY MANAGEMENT ACTIVITIES 2015/16</b> To consider a report of the Assistant Executive Director (Finance).	127 - 138
8.	<b>ANNUAL GOVERNANCE STATEMENT 2015/16</b> To consider a report of the Assistant Executive Director (Finance).	139 - 156
9.	<b>AUDITED STATEMENT OF ACCOUNTS 2015/16</b> To consider a report of the Assistant Executive Director (Finance).	157 - 310
10.	<b>SCRUTINY REPORT - CHILD SEXUAL EXPLOITATION</b> To consider a report of the People Scrutiny Panel and the Executive Member for Children and Families.	311 - 332

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From: Democratic Services Unit – any further information may be obtained from the reporting officer or from Charlotte Forrest on [charlotte.forrest@tameside.gov.uk](mailto:charlotte.forrest@tameside.gov.uk) or 0161 342 2346, to whom any apologies for absence should be notified.

Item No.	AGENDA	Page No
11.	<b>SCRUTINY ANNUAL WORK PROGRAMME 2016/17</b> To consider a report of the Executive Director Governance, Resources and Pensions.	333 - 346
12.	<b>URGENT ITEMS</b> To consider any additional items the Chair is of the opinion shall be dealt with as a matter of urgency.	

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From: Democratic Services Unit – any further information may be obtained from the reporting officer or from Charlotte Forrest on [charlotte.forrest@tameside.gov.uk](mailto:charlotte.forrest@tameside.gov.uk) or 0161 342 2346, to whom any apologies for absence should be notified.

## OVERVIEW (AUDIT) PANEL

Monday, 18 July 2016

**Commenced:** 2.00 pm

**Terminated:** 2.30 pm

**Present:** Councillors Ricci (Chair), Ryan (Deputy Chair), Bell, Fairfoull, J Fitzpatrick, Peet, K Quinn and K Welsh

**Apologies for Absence:** Councillors Bailey, Kitchen, Pearce and Taylor

### 1. DECLARATIONS OF INTEREST

There were no declarations of interest.

### 2. MINUTES

The Minutes of the meeting of the Overview (Audit) Panel held on 23 November 2016 were agreed and signed as a correct record.

### 3. GRANT THORNTON - ASSURANCE FROM OVERVIEW (AUDIT) PANEL CHAIR AND MANAGEMENT 2015/16

The Assistant Executive Director (Finance) submitted a report, which explained that Grant Thornton as part of their risk assessment procedures were 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 presented the response to the letters and questionnaires received from Grant Thornton for consideration by the Panel ahead of the document being signed by the Chair of the Panel and the Assistant Executive Director (Finance).

#### **RESOLVED:**

**That the schedule be signed by both the Chair of the Overview (Audit) Panel and the Assistant Executive Director (Finance) ahead of it being provided to Grant Thornton.**

### 4. SCRUTINY REPORT - VICTIM BASED CRIME

Consideration was given to the outcome of the review of Victim Based Crime, which explored ways that the Council and partners could work effectively together to reduce the incidence and impact of victim based crime in Tameside.

The Executive response of the Deputy Executive Leader and the report of the Statutory and External Partners Scrutiny Panel were appended to the report.

#### **RESOLVED:**

**That the report and executive response be noted.**

## **5. SCRUTINY ANNUAL REPORT 2015/16**

The Executive Director of Governance, Resources and Pensions submitted a report, detailing the Annual Report of the Scrutiny Panels for 2015/16, which informed the Council and the community of Tameside about their work during the past year. The report also contained a message from the Executive Leader that underlined the fact that Scrutiny involved all of the Council and not just non-executive members.

It was reported that the Scrutiny Panels would identify more intelligent ways of working and regularly monitor the progress of services, reviewing the way recommendations were actioned, helping to make Tameside a better place for all. The Chair of each Scrutiny Panel also submitted a summary of the work carried out by each of the Panels.

### **RESOLVED:**

**That the report be noted.**

## **6. SCRUTINY ANNUAL WORK PROGRAMME 2016/17**

The Executive Director of Governance, Resources and Pensions submitted a report detailing the draft work programmes for the Council's two Scrutiny Panels for 2016/17. The work programmes were linked to the Council's Corporate Plan priorities and items included would add value to services.

It was explained that the Scrutiny Panels' Work Programmes included follow up reviews to consider the progress and implementation of recommendations already adopted by the Executive, the systematic monitoring of the achievement of Tameside's People and Place Scorecard and initial in-depth review topics. The review topics selected by each panel for the first quarter were as follows:

**Integrated Care and Wellbeing Scrutiny Panel** – Carers in Tameside

**Place and External Relations Scrutiny Panel** – Impact of Bin Swap and Delivering Future Improvements to Recycling

In order for work programmes to be as robust as possible further time would be taken to liaise with Members, Senior Management Teams and partners prior to finalisation for the 2016/17 municipal year. A report would be prepared for the next meeting of the Overview (Audit) Panel to present the final work programmes.

### **RESOLVED:**

**(1) That the draft work programmes for the first quarter of 2016/17 be noted.**

**(2) That a report be prepared for the next meeting of the Overview (Audit) Panel detailing the final work programmes for 2016/17.**

## **7. URGENT ITEMS**

There were no urgent items.

**CHAIR**

# Agenda Item 4.

<b>Report To:</b>	<b>OVERVIEW (AUDIT) PANEL</b>
<b>Date:</b>	12 September 2016
<b>Reporting Officer:</b>	Councillor J M Fitzpatrick – First Deputy Performance and Finance Ian Duncan – Assistant Executive Director Resources (Section 151 Officer)
<b>Subject:</b>	<b>AUDIT FINDINGS REPORT (ISA 260) TAMESIDE MBC AND GREATER MANCHESTER PENSION FUND</b>
<b>Report Summary:</b>	This report highlights the key matters arising from Grant Thornton's audit of the 2015/16 financial statements of both Tameside MBC and Greater Manchester Pension Fund, ( <b>Appendix 3</b> ) which Grant Thornton is required to report under the Audit Commission's Code of Audit Practice and the International Standard of Auditing. This report also incorporates the annual Value for Money conclusion.
<b>Recommendations:</b>	It is recommended that the Panel: <ol style="list-style-type: none"><li>1. Considers the matters raised in the report.</li><li>2. Notes the positive relationship with the audit team and successful progress of the audit.</li><li>3. Agrees to the minor adjustments and presentational changes to the accounts, as detailed in the Audit Findings report (<b>Appendix 1</b>).</li><li>4. Notes the value for money conclusion included in the Audit Findings report (<b>Appendix 1</b>).</li><li>5. Confirms that the Council has complied with all matters set out in the Letter of Representation and ensure that a signed copy is forwarded to the External Auditor (<b>Appendix 2</b>).</li></ol>
<b>Financial Implications:</b> (Authorised by the Section 151 officer)	The Statement of Accounts sets out full details of the Council's financial position as at 31 March 2016. The audit process ensures that this position is stated clearly and accurately in line with the relevant guidance.
<b>Legal Implications:</b> (Authorised by the Borough Solicitor)	This is the annual report/assessment prepared by our external auditors following the audit of the financial statements/accounts and consideration of the Council's financial resilience. It is a key tool in assessing how well the Council is performing in respect of its finance and governance.
<b>Links to Community Strategy:</b>	The Community Strategy has helped determine priorities for Council spending, which is summarised in the 2015/16 Annual Report and Accounts.
<b>Policy Implications:</b>	There are no policy implications flowing from the Statement of Accounts.
<b>Risk Management:</b>	The audit provides external verification of the Council's financial statements.

**Access to Information:**

The background papers relating to this report can be inspected by contacting the report writer, Beverley Stephens, Head of Resource Management :



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## 1. BACKGROUND

- 1.1 The Audit Findings Report (ISA260), as attached at **Appendix 1**, is a standard report delivered by the External Auditors – Grant Thornton.
- 1.2 The report highlights the key issues following the results of the audit carried out by Grant Thornton on the Council's Statement of Accounts for the year ended 31 March 2016. A separate **Appendix 3** considers the audit of the accounts of the Greater Manchester Pension Fund. Once these have been considered, the audited accounts can be agreed (subject to any further changes that are proposed by the Panel).
- 1.3 Many of the terms used in the report are defined and have precise meanings. Grant Thornton has guideline formulae which specify the importance of any adjustments they recommend. These are 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 around £250,000 or less are regarded as 'trivial'. Amounts which are above this level but (in total) less than about £10m are described as 'non-trivial'. Cumulative amounts above £10m are regarded as material, although this may vary for different statements.

## 2. INTRODUCTION

### External Auditor – Grant Thornton

- 2.1 This is the fourth year that Grant Thornton has audited the accounts. The Panel will be aware that subsequent to the Department for Communities and Local Government announcing that the Audit Commission had been wound up, audit work within the North West Region is now carried out by Grant Thornton.

### Financial Statements

- 2.2 There have been minimal changes in the requirements for the 2015/16 accounts. Details of the proposed accounting policies, critical judgements made in applying the accounting policies and assumptions made about the future and other major sources of estimated uncertainty within the accounts were outlined to Members in May 2016, in preparation for the closure of the accounts.
- 2.3 The accounts have been prepared by Officers on behalf of the Council. Following the conclusion of the audit, possible adjustments are recommended to the Panel by Grant Thornton, as set out in the Audit Findings report in **Appendix 1**.

## 3. OUTCOMES OF THE AUDIT

- 3.1 This year has again proved to be a very challenging year to close the accounts. The finance team has continued to reduce in size following the previous service review and efficiencies have needed to be embedded into the closure process for 2015/16.
- 3.2 Despite these challenges, the year end closure of the accounts and the subsequent external audit process has been completed within the statutory timescales and the conclusion of the audit indicates that the accounts continue to be prepared to a high degree of accuracy and reliability. Members should take considerable reassurance from the reliability of the accounts. Once again, this year the auditors have been very positive about the overall quality of the accounts and they have commented on the high level of support given by Council Officers.
- 3.3 The audit identified a small number of minor adjustments and presentational changes to the accounts, as detailed in the Audit Findings report prepared by Grant Thornton (attached at

**Appendix 1).** Members are advised that none of the adjustments altered the reported surplus on the Council's General Fund Balance. A number of changes were made to improve the disclosure notes to the financial statements, but these had no impact on the overall financial position of the Council.

3.4 It should be noted that the absence of any impact from these changes on the General Fund Balance confirms that they are technical and presentational and do not change the financial position of the Council first calculated by Officers.

3.5 Officers are currently reviewing the outcomes of the audit and the recommendations arising from it to identify changes needed to improve the closure process in 2016/17.

#### **4. LETTER OF REPRESENTATION**

4.1 **Appendix 2** includes the Council's Letter of Representation for 2015/16. 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

#### **5. VALUE FOR MONEY**

5.1 Grant Thornton is also required to provide a value for money conclusion. The conclusion as set out in Section 3 of the Audit Findings Report (**Appendix 1**) follows a review of the arrangements put in place by the Council to:

- Secure economy, efficiency and effectiveness in its use of resources
- Ensure proper stewardship and governance
- Review regularly the adequacy and effectiveness of these arrangements

5.2 Grant Thornton is required to give a value for money conclusion based on the following criteria:

- Proper arrangements for challenging how it secures economy, efficiency and effectiveness

5.3 The outcome of this detailed review is included in Section 3 of the Audit Findings Report (**Appendix 1**). The key findings from this are as follows:

5.4 *Grant Thornton has issued an unqualified value for money conclusion stating that the Council has proper arrangements for challenging how it secures economy, efficiency and effectiveness in its use of resources.*

5.5 For the fourth year the Council has been awarded green (the most positive outcome) in all categories this demonstrates the council is well placed to deal with the financial challenges that it is faced with. The definition of green is that the authority has adequate arrangements in place.

5.6 This outcome is extremely positive within the current financial environment. This reemphasises that the authority has the support of officers, members, internal and external audit in ensuring that strong financial management continues.

#### **6. RECOMMENDATIONS**

6.1 As set out at the front of the report.

# The Audit Findings Report for Tameside Metropolitan Borough Council

Year ended 31 March 2016

25 August 2016

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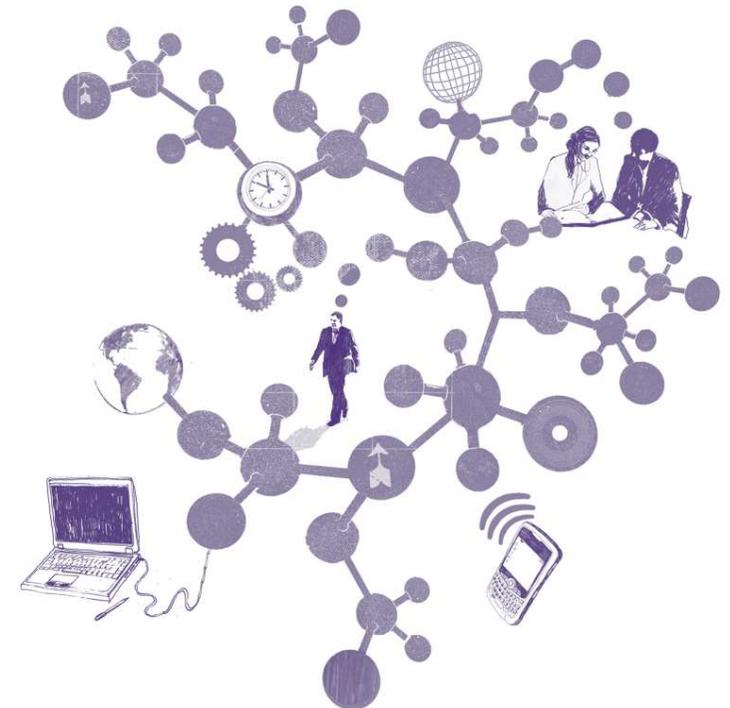
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25 August 2016

Dear Overview (Audit) Panel

**Audit Findings for Tameside Metropolitan Borough Council for the year ended 31 March 2016**

This Audit Findings report highlights the key findings arising from the audit for the benefit of those charged with governance (in the case of Tameside Metropolitan Borough Council, the Overview (Audit) Committee), as required by International Standard on Auditing (UK & Ireland) 260, the Local Audit and Accountability Act 2014 and the National Audit Office Code of Audit Practice. Its contents have been discussed with management.

As auditors we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements and giving a value for money conclusion. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

We would like to take this opportunity to record our appreciation for the kind assistance provided by the finance team and other staff during our audit.

Yours sincerely

*Mike Thomas*

Engagement Lead

**Chartered Accountants**

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5. Fees, non-audit services and independence	26
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## **Appendix**

A Audit opinion

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# Section 1: Executive summary

01. Executive summary

02. Audit findings

03. Value for Money

04. Other statutory powers and duties

05. Fees, non audit services and independence

06. Communication of audit matters

We anticipate giving an unqualified audit opinion on the financial statements and an unqualified value for money conclusion

## Purpose of this report

This report highlights the key issues affecting the results of Tameside Metropolitan Borough Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2016. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing (UK & Ireland) 260, and the Local Audit and Accountability Act 2014 ('the Act').

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the Council's financial statements give a true and fair view of the financial position of the Council and its income and expenditure for the year and whether they have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting. .

We are also required to consider other information published together with the audited financial statements, whether it is consistent with the financial statements and in line with required guidance.

We are required to carry out sufficient work to satisfy ourselves on whether the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion').

Auditor Guidance Note 7 (AGN07) clarifies our reporting requirements in the Code and the Act. We are required to provide a conclusion whether in all significant respects, the Council has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The Act also details the following additional powers and duties for local government auditors, which we are required to report to you if applied:

- a public interest report if we identify any matter that comes to our attention in the course of the audit that in our opinion should be considered by the Council or brought to the public's attention (section 24 of the Act);

- written recommendations which should be considered by the Council and responded to publicly (section 24 of the Act);
- application to the court for a declaration that an item of account is contrary to law (section 28 of the Act);
- issue of an advisory notice (section 29 of the Act); and
- application for judicial review (section 31 of the Act)

We have had no reason to enact any of these statutory powers during 2015/16.

We are also required to give electors the opportunity to raise questions about the accounts and consider and decide upon objections received in relation to the accounts under sections 26 and 27 of the Act.

## Introduction

In the conduct of our audit we have not had to alter or change our audit approach, which we communicated to you in our Audit Plan dated 24<sup>th</sup> March 2016.

Our audit is substantially complete although we are finalising our procedures in the following areas:

- completion of a small number of administrative audit steps and final audit file quality review;
- review of the final version of the financial statements;
- obtaining and reviewing the management letter of representation;
- updating our post balance sheet events review, to the date of signing the opinion; and
- carrying out the Whole of Government Accounts review (will be completed by 30 September 2016, deadline for submission 21 October 2016).

We received draft financial statements and accompanying working papers at the commencement of our work, in accordance with the agreed timetable. This was achieved despite the disruption caused to the Council finance team due to staff turnover and reduced headcount.

## Key audit and financial reporting issues

### Financial statements opinion

We have not identified any adjustments affecting the Council's reported financial position (details are recorded in section two of this report). The draft financial statements for the year ended 31 March 2016 recorded net expenditure of £491 million.

Regular liaison meetings were held between the audit team and management prior to year end and weekly during the audit. This enabled early resolution of emerging issues.

The key messages arising from our audit of the Council's financial statements are:

- the draft accounts were of a good standard and contained no material errors;
- the audit matters related mainly to classification and disclosure matters in the notes to the financial statements. Our audit has not identified any adjustments affecting the Council's expenditure or level of useable reserves;
- management cooperated fully with our audit and agreed to amend for all the matters we raised. The audited accounts therefore contain no unadjusted misstatements identified during our audit; and
- due to the good standard of the draft accounts and supporting working papers it has not been necessary to raise any actions or recommendations.

Further details are set out in section two of this report.

We anticipate providing a unqualified audit opinion in respect of the financial statements (see Appendix A).

### Other financial statement responsibilities

As well as an opinion on the financial statements, we are required to give an opinion on whether other information published together with the audited financial statements is consistent with the financial statements. This includes if the Annual Governance Statement or Narrative Report does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit.

We have no matters to raise in respect of the Annual Governance Statement or Narrative Report.

### Whole of government accounts

We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. At the time of writing we have yet to conclude on the WGA consolidation pack.

We expect to conclude this work by the end of September 2016, in advance of the national timetable, and are satisfied that this work will not have a material effect on our opinion on the financial statements or value for money conclusion.

## Controls

### Roles and responsibilities

The Council's management is responsible for the identification, assessment, management and monitoring of risk, and for developing, operating and monitoring the system of internal control.

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these to the Council.

Our work has not identified any control weaknesses which we wish to highlight for your attention.

Further details are provided within section two of this report.

## Value for Money

We are required by section 21 of the Local Audit and Accountability Act 2014 ('the Act') and the NAO Code of Audit Practice ('the Code') to satisfy ourselves that the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VFM) conclusion.

In arriving at our conclusion we have considered the Council's financial management, decision making framework and collaborative working with partners across the region. In particular we have been impressed with the strides that the Council and CCG have made to progress the Integrated Care Organisation (Care Together Programme), bringing together health and social care commissioning to the benefit of Tameside residents. Financial challenges are identified and lie ahead, however the commitment of the Council, CCG and Tameside Hospital NHS Foundation Trust to work together and deliver a better joined up service should be recognised as a significant achievement.

Based on our VFM review, we are satisfied that, in all significant respects, the Council had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources.

Further detail of our work on Value for Money are set out in section three of this report.

## Other statutory powers and duties

We have not identified any issues that have required us to apply our statutory powers and duties under the Act.

Further details of our work on other statutory powers and duties is set out in section four of this report.

## Grant certification

In addition to our responsibilities under the Code, we are required to certify the Council's Housing Benefit subsidy claim on behalf of the Department for Work and Pensions. At present our work on this claim is in progress and is not due to be finalised until 30 November 2016. We will report the outcome of this certification work through a separate report to the Audit Panel in November 2016.

In arriving at our opinion on the accounts it is necessary to test welfare benefits expenditure and for efficiency we have already carried out some Housing Benefit subsidy testing on Rent Allowances and Non HRA rebates.

Our testing of the Academy system parameter updates for Rent Allowances and Non HRA rebates and initial testing of a sample of individual claims has not identified any issues that we wish to bring to your attention.

## The way forward

Matters arising from the financial statements audit and our review of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources have been discussed with the Assistant Executive Director, Finance and senior members of the finance team.

## Acknowledgement

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit.

**Grant Thornton UK LLP**  
**August 2016**

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## Section 2: Audit findings

01. Executive summary

02. Audit findings

03. Value for Money

04. Other statutory powers and duties

05. Fees, non audit services and independence

06. Communication of audit matters

# Materiality

In performing our audit, we apply the concept of materiality, following the requirements of International Standard on Auditing (UK & Ireland) (ISA) 320: Materiality in planning and performing an audit. The standard states that 'misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements'.

As we reported in our audit plan, we determined overall materiality to be £10.345 million (being 2% of 2014/15 gross revenue expenditure). We have considered whether this level remained appropriate during the course of the audit and have updated materiality based upon the 2015/16 draft financial statements, leading to a revised overall materiality of £9.83 million (being 2% of 2015/16 gross revenue expenditure).

We also set an amount below which misstatements would be clearly trivial and would not need to be accumulated or reported to those charged with governance because we would not expect that the accumulated effect of such amounts would have a material impact on the financial statements. We have defined the amount below which misstatements would be clearly trivial to be £250k. This remains the same as reported in our audit plan.

As we reported in our audit plan, we identified the following items where we decided that separate materiality levels were appropriate. These remain the same as reported in our audit plan.

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Balance/transaction/disclosure	Explanation	Materiality level
Cash and cash equivalents	All transactions made by the Council can affect the cash balance and it is therefore considered to be material by nature.	£1k
Disclosures of officers' remuneration, salary bandings and exit packages in notes to the statements	Due to public interest in these disclosures and the statutory requirement for them to be made.	£1k
Disclosure of auditors' remuneration in notes to the statements	Due to public interest in these disclosures and the statutory requirement for them to be made.	£1k
Disclosure of related party transactions in notes to the statements	Due to public interest in these disclosures and the statutory requirement for them to be made.	£1k
Disclosure of members' allowances in notes to the statements	Due to public interest in these disclosures and the statutory requirement for them to be made.	£1k

# Audit findings against significant risks

"Significant risks often relate to significant non-routine transactions and judgemental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgemental matters may include the development of accounting estimates for which there is significant measurement uncertainty" (ISA (UK&I) 315).

In this section we detail our response to the significant risks of material misstatement which we identified in the Audit Plan. As we noted in our plan, there are two presumed significant risks which are applicable to all audits under auditing standards.

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
1.  Page 16	<p><b>The revenue cycle includes fraudulent transactions</b></p> <p>Under ISA (UK&amp;I) 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at Tameside Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> <li>• there is little incentive to manipulate revenue recognition;</li> <li>• opportunities to manipulate revenue recognition are very limited; and</li> <li>• the culture and ethical frameworks of local authorities, including Tameside Council, mean that all forms of fraud are seen as unacceptable.</li> </ul>	<p>Our audit work has not identified any issues in respect of revenue recognition.</p>
2.	<p><b>Management over-ride of controls</b></p> <p>Under ISA (UK&amp;I) 240 it is presumed that the risk of management over-ride of controls is present in all entities.</p>	<p>Summary of work performed:</p> <ul style="list-style-type: none"> <li>• review of entity controls;</li> <li>• testing of journal entries;</li> <li>• review of accounting estimates, judgements and decisions made by management; and</li> <li>• review of unusual significant transactions.</li> </ul>	<p>Our audit work has not identified any evidence of management over-ride of controls. In particular the findings of our review of journal controls and testing of journal entries has not identified any significant issues.</p> <p>We set out later in this section of the report our work and findings on key accounting estimates and judgements.</p>

# Audit findings against significant risks continued

We have also identified the following significant risks of material misstatement from our understanding of the entity. We set out below the work we have completed to address these risks.

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
3.	<p><b>Valuation of property, plant and equipment</b> The Council revalues its assets on a rolling basis over a five year period. The Code requires that the Council ensures that the carrying value at the balance sheet date is not materially different from the current value. This represents a significant estimate by management in the financial statements.</p>	<p>Summary of work performed:</p> <ul style="list-style-type: none"> <li>• review of management's processes and assumptions for the calculation of the estimate;</li> <li>• review of the competence, expertise and objectivity of management's expert valuer, Matthews and Goodman;</li> <li>• review of the instructions issued to valuation experts and the scope of their work;</li> <li>• review and challenge of the information used by the valuer to ensure it was robust and consistent with our understanding;</li> <li>• testing of revaluations made during the year to ensure they were input correctly into the Council's asset register; and</li> <li>• evaluation of the assumptions made by management for those assets not revalued during the year and how management satisfied themselves that these were not materially different to current value.</li> </ul>	<p>Our audit work has not identified any significant issues in relation to the risk identified.</p>

# Audit findings against significant risks continued

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
Page 18	<p><b>4. Valuation of surplus assets and investment property and fair value disclosures under IFRS 13</b></p> <p>The CIPFA Code of Practice has implemented IFRS 13 for the 2015/16 financial statements. The Council is required to include surplus assets within property, plant and equipment in its financial statements at fair value, as defined by IFRS13.</p> <p>The basis on which fair value is defined for investment property is also different to that used in previous years.</p> <p>This represents a significant change in the basis for estimation of these balances in the financial statements.</p> <p>There are also extensive disclosure requirements relating to financial assets and liabilities under IFRS 13 which the Council needs to comply with.</p>	<p>Summary of work performed:</p> <ul style="list-style-type: none"> <li>• review of management's processes and assumptions for the calculation of the estimate;</li> <li>• review of the competence, expertise and objectivity of management expert valuer, Matthews and Goodman;</li> <li>• review of the instructions issued to valuation experts and the scope of their work;</li> <li>• testing of revaluations made during the year to ensure they were input correctly into the Council's asset register; and</li> <li>• review of the disclosures made by the Council in its financial statements to ensure they were in accordance with the requirements of the CIPFA Code of Practice and IFRS 13.</li> </ul>	<p>Our audit work has not identified any significant issues in relation to the risk identified.</p>
	<p><b>5. Valuation of pension fund net liability</b></p> <p>The Council's pension fund asset and liability as reflected in its balance sheet represent significant estimates in the financial statements.</p>	<p>Summary of work performed:</p> <ul style="list-style-type: none"> <li>• documentation of the key controls that were put in place by management to ensure that the pension fund liability was not materially misstated;</li> <li>• walkthrough of the key controls to assess whether they were implemented as expected and mitigate the risk of material misstatement in the financial statements;</li> <li>• review of the competence, expertise and objectivity of the actuary who carried out the Council's pension fund valuation;</li> <li>• gaining an understanding of the basis on which the IAS 19 valuation was carried out, undertaking procedures to confirm the reasonableness of the actuarial assumptions made; and</li> <li>• review of the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary.</li> </ul>	<p>Our audit work has not identified any significant issues in relation to the risk identified.</p>

# Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan and related matters.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<p><b>Employee remuneration</b></p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 19</p>	<p>Employee remuneration accruals understated (Payroll costs understated)</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>documented our understanding of processes and key controls over the transaction cycle;</li> <li>undertaken walkthrough of the key controls to assess whether those controls were in line with our documented understanding;</li> <li>undertaken a predictive analytical review and trend analysis of salaries and wages costs and reconciled this to the costs reported in the draft accounts;</li> <li>substantively tested a sample of employee costs to supporting contracts to ensure valid spend and classification to cost of services;</li> <li>agreed senior managers and members allowances to underlying records;</li> <li>reconciled the year end payroll system output to the general ledger; and</li> <li>agreed the year end creditor for tax and NI and pension to underlying records.</li> </ul>	<p>Our audit work has not identified any significant issues in relation to the risk identified.</p>
<p><b>Operating expenses</b></p>	<p>Creditors understated or not recorded in the correct period (Operating expenses understated)</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>documented our understanding of processes and key controls over the transaction cycle</li> <li>undertaken walkthrough of the key controls to assess the whether those controls were in line with our documented understanding</li> <li>substantively tested a sample of expenditure items, including goods received not invoiced, to source documents</li> <li>Review and testing of year end creditors and accruals including correct year (cut off) testing</li> <li>reviewed post year end payments to identify any unrecorded liabilities</li> <li>reconciled the year end accounts payable system to the general ledger.</li> </ul>	<p>Our audit work has not identified any significant issues in relation to the risk identified.</p> <p>Management agreed to amend a disclosure error regarding the GM Debt Administration Fund as set out on page 19.</p>

# Accounting policies, estimates and judgements and other matters

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the Council's financial statements.

Accounting area	Summary of policy	Comments	Assessment
<p><b>Housing Subsidy and Welfare expenditure</b></p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 20</p>	<p>The Council includes Housing Subsidy income based upon the unaudited submission to central government.</p> <p>As part of our work on expenditure we have reviewed the following on welfare expenditure:</p> <ul style="list-style-type: none"> <li>reconciliation of the welfare benefits expenditure system to the general ledger and financial statements;</li> <li>reconciliation of welfare benefit income to subsidy claim;</li> <li>substantively tested a sample of 11 welfare benefit payments (rent allowance and non HRA rent rebates);</li> <li>substantive testing to ensure the welfare benefits system parameters are updated correctly for 2015/16; and</li> <li>analytical review of benefits paid.</li> </ul> <p>These procedures also form part of the Housing Benefit Subsidy Claim audit which has a certification deadline of 30 November 2016.</p>	<p>Our audit has not identified any significant issues in relation to welfare benefit expenditure which would impact on the audit opinion. We will report the findings of our Housing Benefit Subsidy audit in November 2016.</p>	<p style="text-align: center;">● <b>Green</b></p>
<p><b>Revenue recognition</b></p>	<ul style="list-style-type: none"> <li>NDR and Council tax income is recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the Council and the amount of revenue can be measured reliably</li> <li>government grants and third party confirmations and donations are recognised as due when there is reasonable assurance that the Council will comply with conditions attached to the payment and the grants or contributions will be received</li> <li>Revenue relating to the provision of services is recognised when the amount of revenue can be measured reliably, it is probable the revenue will be received and the stage of completion of the service can be measured</li> </ul>	<p>Revenue recognition policies are in line with the requirements of the Code of Practice on Local Authority Accounting 2015-16 and accounting standards.</p> <p>We have undertaken substantive testing of grants and other revenues and are satisfied that the Council has recognised income in accordance with its accounting policies.</p>	<p style="text-align: center;">● <b>Green</b></p>

**Assessment**

● Marginal accounting policy which could potentially attract attention from regulators  
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● Accounting policy appropriate but scope for improved disclosure

● Accounting policy appropriate and disclosures sufficient

# Accounting policies, estimates and judgements and other matters continued

Accounting area	Summary of policy	Comments	Assessment
<b>Judgements and estimates</b>	Judgements and estimates have been considered in a number of areas including: <ul style="list-style-type: none"> <li>• asset revaluations;</li> <li>• useful economic lives in relation to depreciation;</li> <li>• pension fund valuations and settlements;</li> <li>• investments in Manchester Airport Group;</li> <li>• financial instruments fair values; and</li> <li>• provisions.</li> </ul>	<ul style="list-style-type: none"> <li>• the Council has disclosed its significant judgements and estimates appropriately;</li> <li>• the Council has appropriately relied on the work of experts for asset revaluations, borrowings, pension fund valuations and the value of its investments in Manchester Airport Group;</li> <li>• note 12 to the accounts sets out the Councils rolling programme of asset revaluation which takes place over a five year period with interim desk top revaluations by the external valuer as required. We are satisfied that the basis chosen will not result in a material difference between carrying value and fair value at the end of the reporting period;</li> <li>• we have discussed alternative methods of valuing the Council's provision for equal pay claims and former landfill restitution costs but are content with management's chosen methodology; and</li> <li>• management agreed to amend the NNDR provision within the collection fund to correct a disclosure arising from an incorrect linkage within the working papers</li> </ul>	 <b>Green</b>
<b>Other accounting policies</b>	We have reviewed the Council's policies against the requirements of the CIPFA Code of Practice and accounting standards.	The Council's accounting policies are appropriate and consistent with previous years.	 <b>Green</b>
<b>Related Parties Review</b>	As part of our interim audit testing we reviewed the Companies House website for information on members of the Executive Cabinet and senior officers (Assistant Executive Directors and above) to identify any related party interests.	At our final accounts audit we compared the Companies House information to the Members and Senior Officers register of interests and disclosures in the financial statements. There are no matters arising that we wish to draw to your attention.	 <b>Green</b>

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**Assessment**

● Marginal accounting policy which could potentially attract attention from regulators  
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● Accounting policy appropriate but scope for improved disclosure

● Accounting policy appropriate and disclosures sufficient

# Accounting policies, estimates and judgements and other matters continued

Accounting area	Summary of policy	Comments
<p><b>Future Accounting Development:</b></p> <p><b>Transport Infrastructure Accounting – Highways Network Asset</b></p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 22</p>	<p>Looking ahead to 2016/17, infrastructure assets such as roads, bridges, street lighting and street furniture will need to be recognised separately in the Council's accounts as one highways network asset class within property, plant and equipment disclosure. The 1 April 2016 opening balance will need amending also.</p> <p>The changes will make for much additional work for the finance team. It will impact the depreciation rate of highways arising from work required to componentise the roads and brings changes in the way that accumulated depreciation is accounted for upon revaluation. Also the Council will need to identify all land beneath roads for recognition and valuation. The valuation methodology for roads (using national or local rates) is complex.</p> <p>This is likely to have a significant effect on the Council's balance sheet as the roads network represents by far the biggest asset the public sector holds.</p> <p>The 2016/17 Code of Practice has been adapted to reflect this change in highway network accounting and in order to support this significant development CIPFA has produced LAAP Bulletin 100 "Project Plan for Implementation of the Measurement Requirements for Transport Infrastructure Assets by 2016/17".</p> <p>CIPFA is also to issue a new Highway Network Asset Code in August 2016 which will replace the existing Transport Infrastructure Code.</p>	<p>We are aware from discussions during the year that the Council has reviewed the LAAP Bulletin and noted the consequences and requirements to prepare for this major change in local authority accounting.</p> <p>Processes are already in place at the Council to separately identify highway network assets.</p> <p>As further guidance is issued, including the new Highway Network Asset Code, we will work closely with the senior finance team during 2016/17 on implementing the change and regularly keep track on progress at our regular liaison meetings with the finance team.</p>

# Other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

	Issue	Commentary
1.	<b>Matters in relation to fraud</b>	We have previously discussed the risk of fraud with the Audit Panel. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
2.	<b>Matters in relation to related parties</b>	From the work we carried out, we have not identified any related party transactions which have not been disclosed
3.	<b>Matters in relation to laws and regulations</b>	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
4.	<b>Written representations</b>	A standard letter of representation has been requested from the Council.
5.	<b>Confirmation requests from third parties</b>	We requested and received direct confirmations for bank balances from the Council's bankers. For the Council's borrowings we received confirmations direct from PWLB and from Capita in respect of the Council's commercial LOBO borrowings.
6.	<b>Disclosures</b>	Our review found no material omissions in the financial statements.
7.	<b>Matters on which we report by exception</b>	We have not identified any issues we would be required to report by exception in the following areas: <ul style="list-style-type: none"> <li>• If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit</li> <li>• The information in the Narrative Report is materially inconsistent with the information in the audited financial statements or our knowledge of the Council acquired in the course of performing our audit, or otherwise misleading.</li> </ul>
8.	<b>Specified procedures for Whole of Government Accounts</b>	We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.  As the Council exceeds the specified group reporting threshold of £350k we are required to examine and report on the consistency of the WGA consolidation pack with the Council's audited financial statements. The Council secured an extension of the submission deadline beyond 12 August meaning that our review of the consolidation pack is not yet complete. The deadline set by the NAO for the review is 21 October, however we anticipate completing our review by 30 September.  We are satisfied that our review will not have any material impact on our audit opinion or VFM conclusion.

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## Internal controls

The purpose of an audit is to express an opinion on the financial statements.

Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. We considered and walked through the internal controls for Employee Remuneration and Operating Expenses as set out on page 13 above and found controls to be operating effectively.

As part of our audit we engage the firm's IT specialist auditors to carry out a review of entity level IT controls. Arising from this review were three minor points that management agreed to address. These related to:

- extending password length to minimum best practice (8 characters);
- improving password complexity to access the Agresso general ledger system; and
- improving the process for removing access to Agresso, Academy and Active Directory.

We do not consider that these matters present a risk to the audit opinion.

## Misclassifications and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been adjusted for the final set of financial statements. All suggested changes were amended by management.

	Adjustment type	Adjustment £'000	Account balance	Impact on the financial statements
1	Disclosure	n/a	Various	There were a small number of disclosure and typographical changes such as correcting rounding errors and adding additional narrative to disclosure notes.
2	Disclosure	474	Note 16 Capital Expenditure and Capital Financing	The closing Capital Finance Requirement (CFR) was overstated by £474k.
Page 25	Misclassification	7,355	Note 19 Financial Instruments – investments and borrowings (and Balance Sheet)	GMMDAF borrowings double counted within both investments and borrowings. This is also shown on the face of the balance sheet. The amendment is a misclassification error only with no impact on General Fund.
	4	Disclosure	n/a	Note 36 Officers Remuneration
5	Disclosure	577	Collection Fund: Income and Expenditure Account	Correction of movement in NDR provision for appeals and non collection on the face of the Collection Fund – reduced from £1,051k to £474k. This matter arose due to a linkage failure within the consolidated working papers.

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## Section 3: Value for Money

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01.	Executive summary
02.	Audit findings
<b>03.</b>	<b>Value for Money</b>
04.	Other statutory powers and duties
05.	Fees, non-audit services and independence
06.	Communication of audit matters

## Background

We are required by section 21 of the Local Audit and Accountability Act 2014 ('the Act') and the NAO Code of Audit Practice ('the Code') to satisfy ourselves that the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VFM) conclusion.

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the Council. The Act and NAO guidance state that for local government bodies, auditors are required to give a conclusion on whether the Council has put proper arrangements in place.

In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in November 2015. AGN 03 identifies one single criterion for auditors to evaluate:

*In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.*

AGN03 provides examples of proper arrangements against three sub-criteria but specifically states that these are not separate criteria for assessment purposes and that auditors are not required to reach a distinct judgement against each of these.

## Risk assessment

Our Audit Plan dated 24 March 2016 was presented to the Audit Panel on 31 May 2016. We updated the Audit Panel with the outcome of our initial risk assessment and our proposed work to meet our duties in respect of the VFM conclusion. We reported that, as a result of our initial risk assessment, we had not identified any significant risks requiring further work.

We have continued our review of relevant documents up to the date of giving our report, and have not identified any significant risks where we need to perform further work.

## Significant qualitative aspects

AGN 03 requires us to disclose our views on significant qualitative aspects of the Council's arrangements for delivering economy, efficiency and effectiveness.

We have focused our work on the identification of significant risks in the Council's arrangements. No significant risks were identified. Our main considerations in arriving at our conclusion were:

- the Council remained within its 2015/16 budget overall. Net expenditure was less than budget by £6.663m at the end of March 2016. This positive result was mainly due to prudent management of financial risk pressures and savings as a result of changes to calculation of debt (£3.7m) and an increased airport dividend (£2.25m);
- the Council's Pension Fund deficit has reduced from £348.3m to £273.9m in 2015/16. This is largely due to changes in market conditions and a reduction in liabilities;
- the Council approved its Medium Term Financial Strategy (MTFS) in February 2016 covering the period up to 2019/20. Funding reductions and demand pressures has resulted in a savings requirements of £24m in 2015/16, £14.1m in 2016/17 and an additional estimated £51m in the next three years from 2017/18 to 2019/20. The Council is fully aware of the pressures faced and the scale of the measures needed to address the financial gaps;
- the Council, and its partners are progressing well with the Integrated Care Organisation (ICO) to develop a sustainable future for integrated health and social care, meeting the needs of local residents across the borough. This is consistent with the aims set out in the Locality Plan and brings together the Council and partners at Tameside & Glossop Clinical Commissioning Group (CCG) and Tameside NHS Foundation Trust. The Single Commissioning Function of the Council and the CCG became operational on 1 April 2016 and it is proposed that the ICO will become operational from 1 April 2017;

- governance and financial reporting arrangements for the ICO are in place. A memorandum of understanding and Section 75 Pooled Budget hosted by the Council is agreed. For services that can not be statutorily provided under a pooled budget such as children's social care, these have been encompassed in other collaborative agreements, to ensure that barriers do not prevent the success of the ICO;
- not surprisingly the financial commitment to the ICO is significant and includes the entire CCG commissioning budget together with Adult Services, Children's Services and Public Health within the Council. A total of £435m is initially committed for 2016/17 between the CCG and the Council under the premise of an Integrated Commissioning Fund (ICF). A Single "Care Together" Commissioning Board has been established from 1 April 2016 to oversee the Integrated Commissioning Fund. The financial gap to deliver the ambitions of such large scale change is however significant, underpinned by the commitment to achieve a balanced position by 2020/21 or earlier. During 2016/17 the CCG and Council as commissioners forecast a £21.5m gap, added to which will include the financial gap for Tameside NHS Foundation Trust. For 2016/17 these shortfalls remain the responsibility of individual bodies, with arrangements from 1<sup>st</sup> April 2017 to be confirmed during 2016/17;
- notwithstanding the financial challenges to build a successful integrated care system across Tameside, the Council is a front runner nationally in the integrated care agenda. Its successes are already being reflected in improved A&E waiting times at Tameside FT, better understanding of contracts and avoidance of duplication of services. The Single Commissioning Function could not have happened without close cooperation between the Council and CCG, evidenced by a single leadership team headed by the Council Chief Executive and a commitment from both organisations to pool £6.4m of non recurrent investment funding to pump prime the ICO;

- looking further ahead, the ICO has made a bid for £23.2m transformation funding from GM Health and Social Care Partnership which, if successful will drive further improvements for local residents such as the provision of an enhanced home care offer and integrated neighbourhood hubs providing services from a range of partner agencies together with a system wide approach to self care;
- as well as the ICO, the Council is mid way through its major Vision Tameside capital investment across the borough. Good progress has been made with implementing phases 1 & 2 of the project which includes the construction of Clarendon Sixth Form College, Skills Centre and new Council administration block in the centre of Ashton Under Lyne. This is contributing to an ambitious and exciting regeneration of the borough. Overall costs are being kept within the £48.7m net budget, with project management overseen by the Vision Tameside Project Board; and
- lastly, our work has not identified any external reviews such as OFSTED that could significantly impact on our VFM conclusion

### **Overall conclusion**

Based on the work we performed to address the significant risks, we concluded that: The Council had proper arrangements in all significant respects to ensure it delivered value for money in its use of resources. The text of our report, which confirms this can be found at Appendix A.

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## Section 4: Other statutory powers and duties

01. Executive summary

02. Audit findings

03. Value for Money

**04. Other statutory powers and duties**

05. Fees, non audit services and independence

06. Communication of audit matters

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# Other statutory powers and duties

We set out below details of other matters which we, as auditors, are required by the Act and the Code to communicate to those charged with governance.

	Issue	Commentary
1.	<b>Public interest report</b>	We have not identified any matters that would require a public interest report to be issued.
2.	<b>Written recommendations</b>	We have not made any written recommendations that the Council is required to respond to publicly.
3.	<b>Application to the court for a declaration that an item of account is contrary to law</b>	We have not had recourse to use this duty.
4.	<b>Issue of an advisory notice</b>	We have not had recourse to use this duty.
5.	<b>Application for judicial review</b>	We have not had recourse to use this duty.

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## Section 5: Fees, non-audit services and independence

01. Executive summary

02. Audit findings

03. Value for Money

04. Other statutory powers and duties

**05. Fees, non audit services and independence**

06. Communication of audit matters

We confirm below our final fees charged for the audit and confirm there were no fees for the provision of non audit services.

## Fees

	Budget £	Actual £
Council audit	105,017	105,017
Grant certification	38,773	38,773
<b>Total audit fees (excluding VAT)</b>	<b>143,790</b>	<b>143,790</b>

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### Grant certification

Our fees for grant certification cover only housing benefit subsidy certification, which falls under the remit of Public Sector Audit Appointments Limited.

Fees in respect of other grant work, such as reasonable assurance reports, are shown under 'Fees for other services'.

## Fees for other services

Service	Fees £
<b>Audit related services:</b>	
• Teachers' Pension Return	4,200
• George Frederick Byrom Trust – charity independent examination	1,000
<b>Total audit fees (excluding VAT)</b>	<b>5,200</b>

## Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.

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## Section 6: Communication of audit matters

01. Executive summary

02. Audit findings

03. Value for Money

04. Other statutory powers and duties

05. Fees, non audit services and independence

**06. Communication of audit matters**

# Communication to those charged with governance

International Standards on Auditing ISA (UK&I) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

The Audit Plan outlined our audit strategy and plan to deliver the audit, while this Audit Findings report presents the key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

## Respective responsibilities

The Audit Findings Report has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by Public Sector Audit Appointments Limited (<http://www.psa.co.uk/appointing-auditors/terms-of-appointment/>)

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England at the time of our appointment. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the NAO (<https://www.nao.org.uk/code-audit-practice/about-code/>). Our work considers the Council's key risks when reaching our conclusions under the Code.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence.	✓	✓
Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged		
Details of safeguards applied to threats to independence		
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Non compliance with laws and regulations		✓
Expected modifications to auditor's report		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓

# Appendix

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# Appendix A: Proposed Unmodified Audit Opinion

## DRAFT INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TAMESIDE METROPOLITAN BOROUGH COUNCIL

We have audited the financial statements of Tameside Metropolitan Borough Council for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014 (the "Act"). The financial statements comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the related notes and the Collection Fund and related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

This report is made solely to the members of Tameside Metropolitan Borough Council, as a body, in accordance with Part 5 of the Act and as set out in paragraph 43 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 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 Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of the Assistant Executive Director, Finance (Section 151 Officer) and Auditor

As explained more fully in the Statement of the Assistant Executive Director, Finance (Section 151 Officer) Responsibilities, the Assistant Executive Director, Finance (Section 151 Officer) 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 2015/16, which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Assistant Executive Director, Finance (Section 151 Officer); and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Narrative Report and Financial Summary and the Annual Governance Statement to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### Opinion on financial statements

In our opinion the financial statements: present a true and fair view of the financial position of the Authority as at 31 March 2016 and of its expenditure and income for the year then ended; and have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and applicable law.

### Opinion on other matters

In our opinion, the other information published together with the audited financial statements in the Narrative Report and Financial Summary and the Annual Governance Statement is consistent with the audited financial statements.

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

We are required to report to you if: in our opinion the Annual Governance Statement does not comply with the guidance included in 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or we issue a report in the public interest under section 24 of the Act; or we make a written recommendation to the Authority under section 24 of the Act; or we exercise any other special powers of the auditor under the Act.

We have nothing to report in these respects.

### Conclusion on the Authority's arrangements to secure value for money through economic, efficient and effective use of its resources

#### Respective responsibilities of the Authority and auditor

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

We are required under Section 20(1)(c) of the Act to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

#### Scope of the review of the Authority's arrangements to secure value for money through economic, efficient and effective use of its resources

We have undertaken our review in accordance with the Code of Audit Practice prepared by the Comptroller and Auditor General as required by the Act (the "Code"), having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, as to whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources

to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code in satisfying ourselves whether the Authority put in place proper arrangements to secure value for money through the economic, efficient and effective use of its resources for the year ended 31 March 2016.

We planned our work in accordance with the Code. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether in all significant respects the Authority has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources.

**Conclusion**

On the basis of our work, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, we are satisfied that in all significant respects Tameside Metropolitan Borough Council has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources for the year ended 31 March 2016.

**Certificate**

We cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Act and the Code until we have completed the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2016. We are satisfied that this work does not have a material effect on the financial statements or on our conclusion on the Authority's arrangements for securing value for money through economic, efficient and effective use of its resources.

*Mike Thomas*

Mike Thomas  
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

4 Hardman Square  
Spinningfields  
Manchester  
M3 3EB

Date to be confirmed (2016)



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**Ian Duncan**  
**Assistant Executive Director - Finance**  
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[www.tameside.gov.uk](http://www.tameside.gov.uk)  
email: [ian.duncan@tameside.gov.uk](mailto:ian.duncan@tameside.gov.uk)

Ask for Ian Duncan  
Direct Line 0161 342 3864  
Date 12 September 2016

Dear Sirs

**Tameside Metropolitan Borough Council**  
**Financial Statements for the year ended 31 March 2016**

This representation letter is provided in connection with the audit of the financial statements of Tameside Metropolitan Borough Council for the year ended 31 March 2016 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

**Financial Statements**

- i We have fulfilled our responsibilities for the preparation of 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 2015/16 ("the Code"); which give a true and fair view in accordance therewith.
- ii We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.
- iii The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

- vi We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. There are no other material judgements that need to be disclosed.
- vii Except as disclosed in the financial statements:
  - a there are no unrecorded liabilities, actual or contingent
  - b none of the assets of the Council has been assigned, pledged or mortgaged
  - c there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- viii We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- ix Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of the Code.
- x All events subsequent to the date of the financial statements and for which the Code requires adjustment or disclosure have been adjusted or disclosed.
- xi Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of the Code.
- xii We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
- xiii We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiv We believe that the Council'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 Council's needs. We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements.

### **Information Provided**

- xv We have provided you with:
  - a 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 matters;
  - b additional information that you have requested from us for the purpose of your audit; and
  - c unrestricted access to persons within the Council from whom you determined it necessary to obtain audit evidence.
- xvi We have communicated to you all deficiencies in internal control of which management is aware.
- xvii All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xviii We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

- xix We have disclosed to you all our knowledge of fraud or suspected fraud affecting the Council involving:
  - a management;
  - b employees who have significant roles in internal control; or
  - c others where the fraud could have a material effect on the financial statements.
- xx We have disclosed to you all our knowledge of any allegations of fraud, or suspected fraud, affecting the Council's financial statements communicated by employees, former employees, regulators or others.
- xxi We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xxii We have disclosed to you the identity of all the Council's related parties and all the related party relationships and transactions of which we are aware.
- xxiii We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

**Annual Governance Statement**

xxiv We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

**Narrative Report and Financial Summary**

xxv The disclosures within the Narrative Report and Financial Summary fairly reflect our understanding of the Council's financial and operating performance over the period covered by the financial statements.

**Approval**

The approval of this letter of representation was minuted by the Council's Overview Audit Panel at its meeting on 12 September 2016.

**Signed on behalf of the Overview Audit Panel / Council**

Name .....	Name.....
Position .....	Position .....
Date .....	Date .....

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# The Audit Findings Report for Greater Manchester Pension Fund

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**Year ended 31 March 2016**

18 August 2016

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**Mike Thomas**

Director / Engagement Lead

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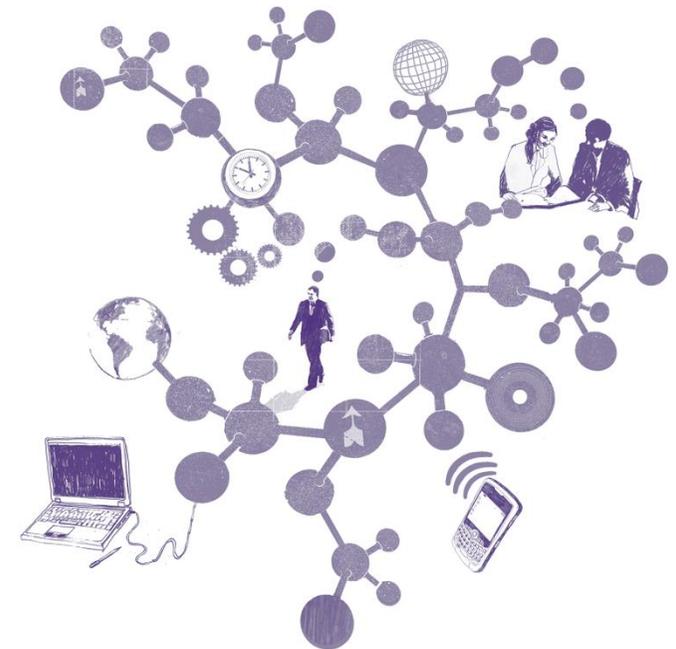
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Overview (Audit) Panel  
Tameside MBC  
Dukinfield Town Hall  
King Street  
Dukinfield  
SK16 4LA

16 August 2016

Dear Members

**Audit Findings for Greater Manchester Pension Fund for the year ending 31 March 2016**

This Audit Findings report highlights the significant findings arising from the audit for the benefit of those charged with governance (in the case of the Greater Manchester Pension Fund, the Overview (Audit) Panel of Tameside MBC), as required by International Standard on Auditing (UK & Ireland) 260, the Local Audit and Accountability Act 2014 and the National Audit Office Code of Audit Practice. Its contents have been discussed with management.

As auditors we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

The contents of this report relates only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

We would like to take this opportunity to record our appreciation for the kind assistance provided by the finance team and other staff during our audit.

Yours sincerely

Mike Thomas

Engagement Lead

**Chartered Accountants**

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## **Appendices**

- A Audit opinion
- B Audit opinion on the annual report

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# Section 1: Executive summary

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01. Executive summary

02. Audit findings

03. Fees, non audit services and independence

04. Communication of audit matters

## Purpose of this report

This report highlights the key issues affecting the results of the Greater Manchester Pension Fund ('the Fund') and the preparation of the Fund's financial statements for the year ended 31 March 2016. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing (UK & Ireland) 260, and the Local Audit and Accountability Act 2014 ('the Act').

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the Fund's financial statements give a true and fair view of the financial position of the Fund and its income and expenditure for the year and whether they have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting.

We are also required consider other information published together with the audited financial statements, whether it is consistent with the financial statements and in line with required guidance. This includes the Narrative Report and the Pension Fund Annual Report.

## Introduction

In the conduct of our audit we have not had to alter or change our audit approach, which we communicated to you in our Audit Plan dated 18 April 2016.

Our audit is substantially complete although we are finalising our procedures in the following areas:

- review of the final version of the financial statements
- review of the final version of the Annual Report
- completion of our final internal reviews
- obtaining and reviewing the management letter of representation and
- updating our post balance sheet events review, to the date of signing the opinion.

We received draft financial statements on the 9<sup>th</sup> June 2016 and accompanying working papers at the commencement of our work, in accordance with the agreed timetable.

We anticipate providing a unqualified audit opinion in respect of the financial statements (see Appendix A). We have also included our anticipated opinion on the Annual Report at Appendix B.

## Key audit and financial reporting issues

### Financial statements opinion

We have identified no adjustments affecting the Fund's reported net assets position in the draft financial statements. The draft financial statements for the year ended 31 March 2016 recorded net assets of £17,324,623k and the audited financial statements record the same outcome.

There were no significant issues arising from our work. The draft financial statements provided to audit were of a high quality and supported by good working papers. The finance team responded promptly and knowledgeably to audit requests and queries. We have recommended a very small number of adjustments to improve disclosure and the presentation of the financial statements, further details of which can be seen within section two of this report.

We anticipate providing an unqualified opinion in respect of the Fund's financial statements.

## Controls

### Roles and responsibilities

The Fund's management is responsible for the identification, assessment, management and monitoring of risk, and for developing, operating and monitoring the system of internal control.

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these to the Fund.

## Findings

Our work has not identified any control weaknesses which we wish to highlight for your attention. Further details are provided within section two of this report.

### **The way forward**

Matters arising from the financial statements audit have been discussed with the Assistant Executive Director of Pensions and the Assistant Director of Resources (section 151 Officer to the Fund).

### **Acknowledgement**

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit.

**Grant Thornton UK LLP**  
**August 2016**

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## Section 2: Audit findings

01. Executive summary

02. Audit findings

03. Fees, non audit services and independence

04. Communication of audit matters

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This section summarises the findings of the audit, we report on the final level of materiality used and the work undertaken against the risks we identified in our initial audit plan. We also conclude on the accounting policies, estimates and judgements used and highlight any weaknesses found as part of the audit in internal controls. As required by auditing standards we detail both adjusted and unadjusted misstatements to the accounts and their impact on the financial statements.

# Materiality

In performing our audit, we apply the concept of materiality, following the requirements of International Standard on Auditing (UK & Ireland) (ISA) 320: Materiality in planning and performing an audit. The standard states that 'misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements'.

As we reported in our audit plan, we determined overall materiality to be £175,9120k (being 1% of net assets from the prior year audited accounts). We have considered whether this level remained appropriate during the course of the audit and have made no changes to our overall materiality.

We also set an amount below which misstatements would be clearly trivial and would not need to be accumulated or reported to those charged with governance because we would not expect that the accumulated effect of such amounts would have a material impact on the financial statements. We have defined the amount below which misstatements would be clearly trivial to be £8,769k. This remains the same as reported in our audit plan.

As we reported in our audit plan, we identified the following items as key figures / disclosures in the accounts that should be reviewed in more detail to ensure they do not affect the users understanding of the financial statements.

Balance/transaction/disclosure	Explanation	Materiality level
Management expenses	Due to public interest in these disclosures and the statutory requirement for them to be made	Any errors identified by testing will be considered as to whether they would affect the users understanding of the financial statements
Related party transactions	Due to public interest in these disclosures and the statutory requirement for them to be made.	Any errors identified by testing will be assessed individually, with due regard given to the nature of the error and its potential impact on users of the financial statements. We are unable to quantify a materiality level as the concept of related party transactions takes in to account what is material to both the Pension Fund and the related party.
Auditor's remuneration	This is a statutory requirement and also a requirement of ethical and auditing standards.	Any errors identified by testing will be recommended for correction.
Cash and cash equivalents	The balance of cash and cash equivalents is usually material, and as the majority of your transactions affect the balance it is therefore considered to be material by nature also.	Any errors identified by testing will be considered as to whether they would affect the users understanding of the financial statements.

# Audit findings against significant risks

"Significant risks often relate to significant non-routine transactions and judgemental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgemental matters may include the development of accounting estimates for which there is significant measurement uncertainty" (ISA(UK&I)315).

In this section we detail our response to the significant risks of material misstatement which we identified in the Audit Plan. As we noted in our plan, there are two presumed significant risks which are applicable to all audits under auditing standards.

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
Page 53	<p><b>1. The revenue cycle includes fraudulent transactions</b></p> <p>Under ISA (UK&amp;I)240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA(UK&amp;I)240 and the nature of the revenue streams at Greater Manchester Pension Fund, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> <li>• there is little incentive to manipulate revenue recognition</li> <li>• opportunities to manipulate revenue recognition are very limited due to clear separation of duties between the Fund, fund managers, custodian and accountancy partner (HSBC); and</li> <li>• the culture and ethical frameworks of local authorities, including Tameside MBC as the administering authority, mean that all forms of fraud are seen as unacceptable.</li> </ul>	<p>Our audit work has not identified any material issues in respect of revenue recognition.</p>
	<p><b>2. Management over-ride of controls</b></p> <p>Under ISA(UK&amp;I)240 it is presumed that the risk of management over-ride of controls is present in all entities.</p>	<p>In line with our plan we:</p> <ul style="list-style-type: none"> <li>• reviewed entity-level controls</li> <li>• reviewed journal controls and tested a sample of journal entries</li> <li>• reviewed accounting estimates, judgements and decisions made by management</li> <li>• reviewed any unusual significant transactions</li> </ul>	<p>Our audit work has not identified any evidence of management over-ride of controls. In particular the findings of our review of journal controls and testing of journal entries has not identified any significant issues.</p> <p>We set out later in this section of the report our work and findings on key accounting estimates and judgements.</p>

# Audit findings against significant risks continued

We have also identified the following significant risks of material misstatement from our understanding of the entity. We set out below the work we have completed to address these risks.

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
3.	<p><b>Level 3 Investments – Valuation is incorrect</b></p> <p>Under ISA(UK&amp;I)315 significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end.</p>	<p>In line with our plan we:</p> <ul style="list-style-type: none"> <li>carried out walkthrough tests of the controls identified in the cycle.</li> <li>tested a sample of private equity investments valuations by obtaining and reviewing the latest audited accounts for individual investments and agreeing these to the fund manager reports at that date. Reconciliation of those values to the values at 31 March with reference to known movements in the intervening period.</li> <li>reviewed the qualifications of fund managers as experts to value the level 3 investments at year end and gain an understanding of how the valuation of these investments has been reached.</li> <li>reviewed the nature and basis of estimated values and considered what assurance management has over the year end valuations provided for these types of investments.</li> </ul>	<p>Our audit work has not identified any issues around the valuation of the Level 3 Investments reported at year end.</p>

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# Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan. Recommendations, together with management responses are attached at appendix A.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<b>Investments (income purchases and sales)</b>	Investment Income not correct (Accuracy)  Investment activity not valid. (Occurrence)  Investment valuation not correct. (Valuation gross)	<p><b>We have undertaken the following work in relation to these risks</b></p> <ul style="list-style-type: none"> <li>• updated our understanding of processes and key controls</li> <li>• undertaken walkthrough of the key controls to assess whether those controls operated in line with our understanding</li> <li>• For investments held by fund managers, reviewed reconciliation between JP Morgan, fund managers, HSBC and GMPF following up any significant variance and gain appropriate explanations/evidence for these.</li> <li>• For other investments (eg direct property), agreed a sample to supporting documentation.</li> </ul>	Our audit work has not identified any significant issues in relation to the risk identified.
<b>Investment values – Leg 2 investments</b>	Valuation is incorrect. (Valuation net)	<p><b>We have undertaken the following work in relation to this risk:</b></p> <ul style="list-style-type: none"> <li>• We have performed a walkthrough to gain assurance that the in-year controls were operating in accordance with our documented understanding.</li> <li>• We have reviewed the reconciliation of information provided by the fund managers, the custodian and the Fund's own records and sought explanations for variances</li> <li>• For direct property investments agreed values in total to valuer's report and undertaken steps to gain reliance on the valuer as an expert.</li> </ul>	Our audit work has not identified any significant issues in relation to the risk identified.

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# Audit findings against other risks (continued)

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<b>Contributions</b>	Recorded contributions not correct (Occurrence)	<p><b>We have undertaken the following work in relation to this risk:</b></p> <ul style="list-style-type: none"> <li>performed a walkthrough to gain assurance that the in-year controls were operating in accordance with our documented understanding.</li> <li>Tested a sample of contributions to source data to gain assurance over their accuracy and occurrence.</li> <li>Rationalised contributions received with reference to changes in member body payrolls and numbers of contributing pensioners and ensured that any unexpected trends were satisfactorily explained.</li> </ul>	Our audit work has not identified any significant issues in relation to the risk identified.
<b>Benefits payable</b>	Benefits improperly computed/claims liability understated (Completeness, accuracy and occurrence)	<p><b>We have undertaken the following work in relation to this risk:</b></p> <ul style="list-style-type: none"> <li>performed a walkthrough to gain assurance that the in-year controls were operating in accordance with our documented understanding.</li> <li>Controls testing over completeness, accuracy and occurrence of benefit payments.</li> <li>Sample testing of pension payments, lump sums, and refunds</li> <li>Rationalised pensions paid with reference to changes in pensioner numbers and increases applied in the year and ensured that any unusual trends were satisfactorily explained.</li> </ul>	Our audit work has not identified any significant issues in relation to the risk identified.
<b>Member Data</b>	Member data not correct. (Rights and Obligations)	<p><b>We have undertaken the following work in relation to this risk:</b></p> <ul style="list-style-type: none"> <li>performed a walkthrough to gain assurance that the in-year controls were operating in accordance with our documented understanding.</li> <li>reconciliation of member numbers</li> <li>Sample tested changes to member data for new member, leavers and new pensioners made during the year to source documentation.</li> </ul>	Our audit work has not identified any significant issues in relation to the risk identified.

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## Audit findings against other risks (continued)

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<b>Member Data</b>	Member data not correct. (Rights and Obligations)	<p><b>We have undertaken the following work in relation to this risk:</b></p> <ul style="list-style-type: none"> <li>performed a walkthrough to gain assurance that the in-year controls were operating in accordance with our documented understanding.</li> <li>reconciliation of member numbers</li> <li>Sample tested changes to member data for new member, leavers and new pensioners made during the year to source documentation.</li> </ul>	Our audit work has not identified any significant issues in relation to the risk identified.

# Accounting policies, estimates and judgements

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the Fund's financial statements.

Accounting area	Summary of policy	Comments	Assessment
<b>Revenue recognition</b>  <div style="writing-mode: vertical-rl; transform: rotate(180deg); font-weight: bold; font-size: 2em;">Page 58</div>	<p>The financial statements include policies for recognition of the following:</p> <ul style="list-style-type: none"> <li>• Contributions</li> <li>• Investment income</li> <li>• Transfers in to the scheme</li> </ul> <p>Contributions and Investment Income are recognised on an accruals basis, whilst transfers in are recognised on a cash basis, with the exception of bulk transfers, which are accounted for on an accruals basis in accordance with the terms of the transfer agreement.</p>	<p>Review of your policies for revenue recognition confirms they are in line with the requirements of the CIPFA Code of Practice and cover all the expected areas in accordance with the Fund's activities.</p> <p>Our testing has confirmed that these policies have been correctly and consistently applied.</p>	 <b>Green</b>
<b>Judgements and estimates</b>	<p>Key estimates and judgements include:</p> <ul style="list-style-type: none"> <li>• Pension Fund Liability – present value of future retirement benefits</li> <li>• Valuation of investments - unquoted equities, infrastructure and special opportunities.</li> </ul>	<p>Our review of your key judgements disclosed in the draft financial statements has confirmed they are complete in accordance with our understanding of the Fund.</p> <p>Our testing has confirmed that the accounting policies in relation to these areas are in accordance with the CIPFA Code of Practice and have been correctly and consistently applied.</p>	 <b>Green</b>
<b>Going concern</b>	<p>Officers have a reasonable expectation that the services provided by the Fund will continue for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.</p>	<p>We have reviewed officers' assessment and are satisfied with management's assessment that the going concern basis is appropriate for the 2015/16 financial statements.</p>	 <b>Green</b>

**Assessment**  
● **Red** - Marginal accounting policy which could potentially attract attention from regulators  
● **Amber** - Accounting policy appropriate but scope for improved disclosure  
● **Green** - Accounting policy appropriate and disclosures sufficient

# Other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

	Issue	Commentary
1.	<b>Matters in relation to fraud</b>	<ul style="list-style-type: none"> <li>We have discussed the risk of fraud with the officers and members and have not been made aware of any incidents in the period and no other issues have been identified during the course of our audit procedures.</li> </ul>
2.	<b>Matters in relation to related parties</b>	<ul style="list-style-type: none"> <li>From the work we carried out, we have not identified any related party transactions which have not been disclosed.</li> </ul>
3.	<b>Matters in relation to laws and regulations</b>	<ul style="list-style-type: none"> <li>You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.</li> </ul>
4.	<b>Written representations</b>	<ul style="list-style-type: none"> <li>A standard letter of representation has been requested from the Fund.</li> </ul>
5.	<b>Confirmation requests from third parties</b>	<ul style="list-style-type: none"> <li>We obtained direct confirmations from your fund managers, custodian and accountancy partner for investment balances and from your bank for your cash balances (outside of the cash held by your fund managers). All of these requests have been returned with positive confirmation</li> </ul>
6.	<b>Disclosures</b>	<ul style="list-style-type: none"> <li>Our review found no material errors or omissions but we have requested management to make some minor amendments to further improve the clarity of the information included within the financial statements.</li> </ul>
7.	<b>Matters on which we report by exception</b>	<ul style="list-style-type: none"> <li>We are required to report by exception where the Pension Fund Annual Report is inconsistent with the financial statements. We have not identified any issues we wish to report.</li> </ul>

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## Internal controls

The purpose of an audit is to express an opinion on the financial statements.

Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. We considered and walked through the internal controls for Investment Purchases and Sales, Investment Valuations – Levels 2 and 3, Contributions, Benefits Payable, and Member Data as set out on pages 10 to 13 within this report.

The controls were found to be operating effectively and we have no matters to report..

## Adjusted and unadjusted misstatements

We are required to report all non-trivial misstatements to those charged with governance, whether or not the financial statements have been adjusted by management. There were no adjusted or unadjusted misstatements identified as a result of our procedures.

## Misclassifications and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Adjustment type	Value £'000	Account balance	Impact on the financial statements
1 Disclosure	n/a	Note 3 - Classification of Financial Instruments -	Other Investment liabilities (£21,925k) incorrectly typed into the classification 'designated as Fair value through profit and loss' – this has now been corrected in the revised version of the accounts
Disclosure	n/a	Note 8 - Management Expenses – prior year figures restatement	Whilst only a reclassification of figures, the note is required to highlight this fact in the column of prior year figures.

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## Section 3: Fees, non-audit services and independence

- 01. Executive summary
- 02. Audit findings
- 03. Fees, non audit services and independence**
- 04. Communication of audit matters

We confirm below our final fees charged for the audit and confirm there were no fees for the provision of non audit services.

## Fees

	Proposed fee per Audit Plan £	Actual fees £
Pension fund scale fee	56,341	56,341
IAS 19 work for admitted bodies auditors (PSAA regime only)	5,996	5,996
<b>Total audit fees (excluding VAT)</b>	<b>62,337</b>	<b>62,337</b>

The proposed fees for the year were in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA).

Grant Thornton UK LLP also provides audit services to:

- Matrix Homes Limited Partnership for fees totalling £11,500 and other services of £2,000; and
- Greater Manchester and London Infrastructure Limited Partnership for audit and accounts fees of £9,600 and other services of £1,800.

These are separate engagements outside the remit of Public Sector Audit Appointments Limited.

## Fees for other services

Service	Fees £
<b>Audit related services</b>	<b>Nil</b>
<b>Non-audit services</b>	<b>Nil</b>

## Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.

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## Section 4: Communication of audit matters

01. Executive summary

02. Audit findings

03. Fees, non audit services and independence

04. Communication of audit matters

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# Communication to those charged with governance

International Standards on Auditing (ISA) (UK&I) 260, as well as other ISA(UK&I)s, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

The Audit Plan outlined our audit strategy and plan to deliver the audit, while this Audit Findings report presents the key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

## Respective responsibilities

The Audit Findings Report has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by Public Sector Audit Appointments Limited (<http://www.psa.co.uk/appointing-auditors/terms-of-appointment/>)

We have been appointed as the Fund's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England at the time of our appointment. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice issued by the NAO (<https://www.nao.org.uk/code-audit-practice/about-code/>). Our work considers the Fund's key risks when reaching our conclusions under the Code of Audit Practice.

It is the responsibility of the Fund to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Fund is fulfilling these responsibilities.

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence.	✓	✓
Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged		
Details of safeguards applied to threats to independence		
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Non compliance with laws and regulations		✓
Expected modifications to auditor's report		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓

# Appendix A: Audit opinion

**We anticipate we will provide the Fund with an unqualified audit report .**

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TAMESIDE METROPOLITAN BOROUGH COUNCIL – GREATER MANCHESTER PENSION FUND

We have audited the pension fund financial statements of Greater Manchester Pension Fund ("the pension fund") for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014 (the "Act"). The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

This report is made solely to the members of the Tameside Metropolitan Borough Council ("the authority"), as a body, in accordance with Part 5 of the Act and as set out in paragraph 43 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 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 Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of the Assistant Executive Director –Resources and auditor

As explained more fully in the Statement of the Assistant Executive Director –Resources, the Assistant Executive Director - Resources is responsible for the preparation of the Authority's Statement of Accounts, which includes the pension fund 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 2015/16, which give a true and fair view. Our responsibility is to audit and express an opinion on the pension fund financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### Scope of the audit of the pension fund financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the pension fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Assistant Executive Director - Resources; and the overall presentation of the pension fund financial statements. In addition, we read all the financial and non-financial information in the Authority's Statement of Accounts to identify material inconsistencies with the audited pension fund financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### Opinion on the pension fund financial statements

In our opinion the pension fund financial statements:

- present a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2016 and of the amount and disposition at that date of the fund's assets and liabilities, and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and applicable law.

### Opinion on other matters

In our opinion, the other information published together with the audited pension fund financial statements in the Authority's Statement of Accounts is consistent with the audited pension fund financial statements.

for and on behalf of Grant Thornton UK LLP, Appointed Auditor

4 Hardman Square  
Spinningfields  
Manchester  
M3 3EB

# Appendix B: Proposed audit opinion on the annual report

**We anticipate we will provide the Fund with an unqualified audit report**

## **INDEPENDENT AUDITOR'S STATEMENT TO THE MEMBERS OF TAMESIDE METROPOLITAN BOROUGH COUNCIL ON THE PENSION FUND FINANCIAL STATEMENTS INCLUDED IN THE GREATER MANCHESTER PENSION FUND ANNUAL REPORT**

The accompanying pension fund financial statements of Greater Manchester Pension Fund for the year ended 31 March 2016 which comprise the fund account, the net assets statement and the related notes are derived from the audited pension fund financial statements for the year ended 31 March 2016 included in Tameside Metropolitan Council's ('the authority') Statement of Accounts. We expressed an unmodified audit opinion on the pension fund financial statements in the Statement of Accounts in our report dated xx September 2016

The pension fund annual report, and the pension fund financial statements, do not reflect the effects of events that occurred subsequent to the date of our report on the Statement of Accounts. Reading the pension fund financial statements is not a substitute for reading the audited Statement of Accounts of the Authority.

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 paragraph 20(5) of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our work has been undertaken so that we might state to the members of the Authority 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 Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **The Assistant Executive Director – Resources responsibilities for the pension fund financial statements in the pension fund annual report**

Under the Local Government Pension Scheme Regulations 2013 the Assistant Executive Director - Resources is responsible for the preparation of the pension fund financial statements, which must include the fund account, the net asset statement and supporting notes and disclosures prepared in accordance with proper practices. Proper practices for the pension fund financial statements in both the Authority Statement of Accounts and the pension fund annual report are set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

### **Auditor's responsibility**

Our responsibility is to state to you whether the pension fund financial statements in the pension fund annual report are consistent with the pension fund financial statements in the Authority's Statement of Accounts in accordance with International Standard on Auditing 810, Engagements to Report on Summary Financial Statements.

In addition we read the other information contained in the pension fund annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the pension fund financial statements. The other information consists of the Chair's Introduction, Top 20 Equity Holdings, Investment Report, Financial Performance Report, Actuarial Statement, Scheme Administration, Funding Strategy Statement, Governance Compliance Statement, Statement of Investment Principles and Communications Policy

### **Opinion**

In our opinion, the pension fund financial statements in the pension fund annual report derived from the audited pension fund financial statements in the Authority Statement of Accounts for the year ended 31 March 2016 are consistent, in all material respects, with those financial statements in accordance with proper practices as defined in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and applicable law.

for and on behalf of Grant Thornton UK LLP, Appointed Auditor

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**Grant Thornton LLP**  
**4 Hardman Square**  
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**M3 3EB**

**Ian Duncan**  
**Assistant Executive Director - Finance**  
**Statutory S151 Chief Finance Officer**

PO Box 304  
Ashton under Lyne, OL6 0GA

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[www.tameside.gov.uk](http://www.tameside.gov.uk)  
email: [ian.duncan@tameside.gov.uk](mailto:ian.duncan@tameside.gov.uk)

Ask for Ian Duncan  
Direct Line 0161 342 3864  
Date 12 September 2016

Dear Sirs

**Greater Manchester Pension Fund**  
**Financial Statements for the year ended 31 March 2016**

This representation letter is provided in connection with your audit of the financial statements of Greater Manchester Pension Fund ('the Fund') for the year ended 31 March 2016 for the purpose of expressing an opinion as to whether the financial statements show a true and fair view of the financial transactions of the Fund during the year ended 31 March 2016, and of the amount and disposition at that date of its assets and liabilities other than liabilities to pay pensions and benefits after the end of the Fund year, in accordance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 ('the Code').

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

**Financial Statements**

- 1 We have fulfilled our responsibilities for the preparation of the financial statements in accordance with proper practices as set out in the Code; which give a true and fair view in accordance therewith, and for keeping records in respect of contributions received in respect of active members.
- 2 We have complied with the requirements of all statutory directions affecting the Fund and these matters have been appropriately reflected and disclosed in the financial statements.
- 3 The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- 4 We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- 5 Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

- 6 We acknowledge our responsibilities for making the accounting estimates included in the financial statements. Where it was necessary to choose between estimation techniques that comply with the Code, we selected the estimation technique considered to be the most appropriate to the Fund's particular circumstances for the purpose of giving a true and fair view. Those estimates reflect our judgement based on our knowledge and experience about past and current events and are also based on our assumptions about conditions we expect to exist and courses of action we expect to take.
- 7 We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. There are no other material judgements that need to be disclosed.
- 8 Except as disclosed in the financial statements:
- a) there are no unrecorded liabilities, actual or contingent
  - b) none of the assets of the Fund have been assigned, pledged or mortgaged
  - c) there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- 9 Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of the Code.
- 10
- 11 Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of the Code.
- 12 All events subsequent to the date of the financial statements and for which the Code requires adjustment or disclosure have been adjusted or disclosed.
- 13 We have considered the disclosures changes schedules included in your Audit Findings Report. The financial statements have been amended for these disclosure changes and are free of material misstatements, including omissions.
- 14 We believe that the Fund'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 needs. We believe that no further disclosures relating to the Fund's ability to continue as a going concern need to be made in the financial statements.
- 15 We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

### **Information Provided**

- 16 We have provided you with:
- a) 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 matters;
  - b) additional information that you have requested from us for the purpose of your audit; and
  - c) Unrestricted access to persons from whom you determined it necessary to obtain audit evidence.

We have communicated to you all deficiencies in internal control of which management is aware.

- 17 We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 18 All transactions have been recorded in the accounting records and are reflected in the financial statements.
- 19 We have disclosed to you all our knowledge of fraud or suspected fraud affecting the Fund involving:
  - a) management;
  - b) employees who have significant roles in internal control; or
  - c) others where the fraud could have a material effect on the financial statements.
- 20 We have disclosed to you all our knowledge of any allegations of fraud, or suspected fraud, affecting the Fund's financial statements communicated by employees, former employees, analysts, regulators or others.
- 21 We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- 22 There have been no communications with The Pensions Regulator or other regulatory bodies during the year or subsequently concerning matters of non-compliance with any legal duty.
- 23 We are not aware of any reports having been made to The Pensions Regulator by any of our advisors.
- 24 We have disclosed to you the identity of all the Fund's related parties and all the related party relationships and transactions of which we are aware.
- 25 We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

**Approval**

The approval of this letter of representation was minuted by Tameside Council's Overview (Audit) Panel at its meeting on 12 September 2016.

Yours faithfully,

.....  
 Ian Duncan (Assistant Director of Resources and Section 151 Officer)

Dated.....

.....  
 Cllr Vincent Ricci (Chair of Tameside Overview (Audit) Panel)

Dated.....

Signed on behalf of Tameside Council as administering body of the Greater Manchester Pension Fund

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# Agenda Item 5.

<b>Report To:</b>	<b>OVERVIEW (AUDIT) PANEL</b>
<b>Date:</b>	12 September 2016
<b>Executive Member/ Reporting Officer:</b>	Cllr Jim Fitzpatrick - First Deputy (Performance & Finance) Ian Duncan – Assistant Executive Director (Finance)
<b>Subject:</b>	<b>CAPITAL MONITORING REPORT – OUTTURN</b>
<b>Report Summary</b>	<p>This report summarises the capital monitoring position at 31 March 2016.</p> <p>The report shows total capital investment of £40.067m in 2015/16.</p> <p>Some schemes have been delivered earlier and some schemes will be delivered later than planned, and this is set out in the report.</p>
<b>Recommendations:</b>	<ul style="list-style-type: none"><li>(i) That the 2015/16 capital outturn position is noted.</li><li>(ii) That the capital financing statement for 2015/16 is approved.</li><li>(iii) That the revised capital programme (including changes and reprofiling) is approved.</li><li>(iv) That the current position in regards to Compulsory Purchase Orders (CPOs) and Indemnities is noted.</li><li>(v) That the capital receipts position is noted.</li></ul>
<b>Links to Community Strategy:</b>	The Capital Programme ensures investment in the Council's infrastructure is in line with the Community Strategy.
<b>Policy Implications:</b>	In line with Council Policies.
<b>Financial Implication: (Authorised by the Section 151 Officer)</b>	<p>These are the subject of the report.</p> <p>Leading project managers must ensure that the management of each scheme is able to deliver projects on plan and within the allocated budget.</p>
<b>Legal Implication: (Authorised by the Borough Solicitor)</b>	It is a statutory requirement for the Council to set a balanced budget. It is important that the capital expenditure position is regularly monitored to ensure we are maintaining a balanced budget and to ensure that the priorities of the Council are being delivered.
<b>Risk Management:</b>	Failure to properly manage and monitor the Council's budget will lead to service failure and a loss of public confidence.
<b>Access to Information:</b>	<p>The background papers relating to his report can be inspected by contacting Ian Duncan, Assistant Executive Director, Finance by:</p> <p> phone: 0161 342 3864</p> <p> e-mail: <a href="mailto:ian.duncan@tameside.gov.uk">ian.duncan@tameside.gov.uk</a></p>

## 1. INTRODUCTION

- 1.1 This is the final capital monitoring report for 2015/16, summarising the position as at 31 March. All Capital Monitoring reports are submitted to the Board, Strategic Planning and Capital Monitoring Panel, Executive Cabinet and Overview (Audit) Panel.
- 1.2 The report incorporates an update on major capital schemes and an update on Compulsory Purchase Orders (CPOs), indemnities, and potential liabilities.

## 2. KEY POINTS

- 2.1 The Council spent a total of £40.067m on capital investment in 2015/16, representing £7.472m less than the total programmed spend for the year (£47.539m). This is detailed in Section 3.
- 2.2 Section 3 also details schemes with an in-year variation in excess of £0.100m and seeks approval to re-profile the capital expenditure of the project to be reprofiled into 2016/17. An explanation for the need to re-profile the capital expenditure is also provided.
- 2.3 Table 1 below provides a high level summary of capital expenditure by service area.

**Table 1: Overall capital outturn statement – 2015/16**

<b>CAPITAL OUTTURN STATEMENT - 2015/16</b>			
	<b>Annual Budget £000</b>	<b>Actual £000</b>	<b>Outturn Variation £000</b>
<b><u>PEOPLE</u></b>			
Children's	16,550	14,662	(1,888)
Community Services	251	160	(91)
Public Health	1,034	965	(69)
<b><u>PLACES</u></b>			
AIPM	9,107	8,044	(1,063)
Development & Investment	7,039	6,076	(963)
Digital Tameside	2,150	1,252	(898)
Engineering Services	8,924	7,477	(1,447)
Environmental Health	72	74	2
Operations	404	151	(253)
Transport	1,206	1,205	(1)
Unallocated Resources	802	0	(802)
<b>Total</b>	<b>47,539</b>	<b>40,067</b>	<b>(7,472)</b>

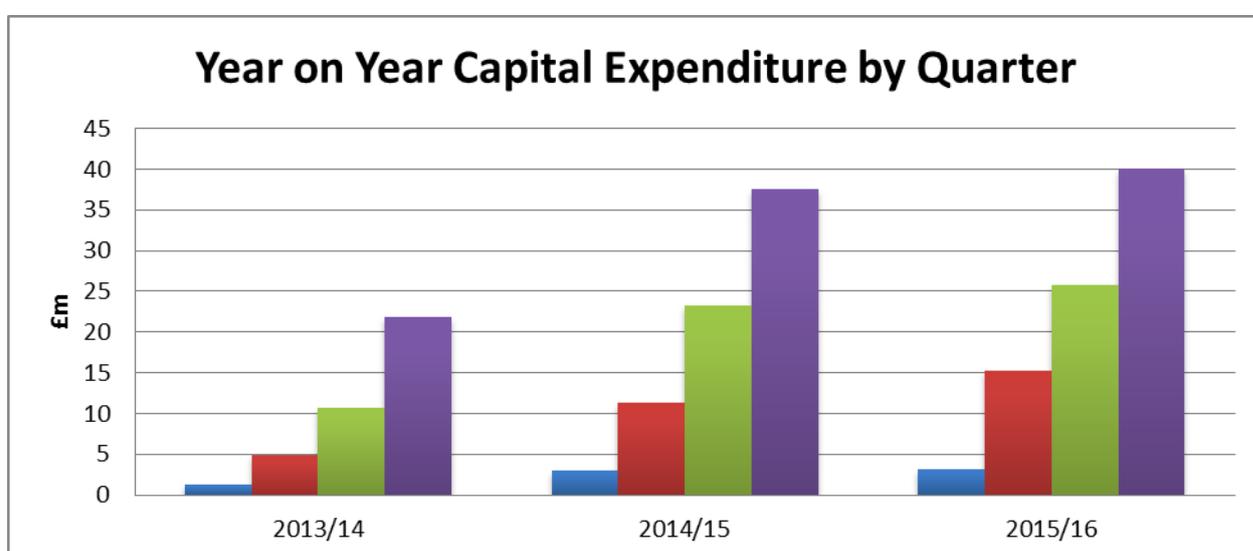
- 2.4 It is proposed that the capital investment programme is re-profiled to reflect current information. Proposed reprofiling of £6.534m into the next financial year will reduce this variation to £0.938m. This is identified within the individual service area tables below.
- 2.5 Table 2 below shows the resources used to finance 2015/16 Capital spend.

**Table 2: Funding statement 2015/16**

<b>RESOURCES</b>	<b>£000</b>
Capital Grants	22,282
Unsupported Capital Expenditure (Borrowing)	7,742
Capital Receipts	7,718
Corporate Resources	1,030
Revenue Contributions	780
Capital Contributions	515
<b>Total</b>	<b>40,067</b>

2.6 The chart below shows a year on year comparison of Capital expenditure on quarterly basis.

**Table 3: Comparison of quarterly capital spend levels, 2013/14 – 2015/16**



### 3. CAPITAL EXPENDITURE OUTTURN 2015/16

3.1 This section of the report provides an update of capital expenditure along with details of reprofiling to be approved and the overall projected outturn position of the various projects.

#### Education

3.2 The table below outlines the projected investment for Education Services. An explanation has also been provided where significant reprofiling is requested.

**Table 4: Detail of Education Capital Investment Programme**

<b>Education Capital Programme Statement</b>				
<b>Capital Scheme</b>	<b>Revised 2015/16 Budget</b>	<b>Outturn</b>	<b>Outturn Variation</b>	<b>Reprofiling to be approved</b>
Hyde targeted basic need new school	5,829	6,463	634	(634)
Ashton targeted basic need new school	2,173	2,155	(18)	18
Samuel Laycock targeted basic need extension	937	950	13	(5)
building schools for the future reserve - funding stream	683	0	(683)	683
devolved schools capital	487	487	0	0
yew tree - extension	469	471	2	0
ICT high schools - replacement ICT servers	440	419	(21)	0
specific capital reserve - funding stream	403	0	(403)	403
Aldwyn primary additional accommodation	400	122	(278)	278
Greswell primary roof heating & asbestos removal	363	329	(34)	34
Milton st john - lighting, power, and alarm replacement	315	315	(0)	0
replacement of Boyds walk	312	254	(58)	58
two year old entitlement grant - funding stream	281	17	(264)	264
primary capital programme - Russell Scott	276	20	(256)	256
Bradley green - roof repairs	230	220	(10)	0
gorse hall power and fire alarm	224	223	(1)	0
Wildbank lighting and power	212	212	0	0
other minor schemes	2,516	2,005	(511)	489
	<b>16,550</b>	<b>14,662</b>	<b>(1,888)</b>	<b>1,844</b>

**Table 4b: Education Capital Investment Programme – reprofiling**

<b>Explanation of Reprofiling</b>			
<b>Service Area</b>	<b>Capital Project</b>	<b>Explanation for Reprofiling</b>	<b>Amount (£000)</b>
Education	Hyde Targeted Basic Need New School	There has been a change to the payment profile of the scheme following the addition of the off-site highway works to the contract. This has led to additional payments being made in this financial year. The scheme budget will re-aligned to the revised payment profile in the new financial year. Overall project costs are currently expected to be in excess of the project budget but this will be monitored and reported during the next financial year and, if required, additional funding will be identified from within the current unallocated resources in the Education capital programme.	(634)

Education	Aldwyn Primary Additional Accommodation	The underspend is due to programme reprofiling with two main reasons. Firstly, the scale of the project required a more comprehensive procurement process through the LEP to mitigate the risks of cost overruns during the construction phase. Secondly, the main scheme cannot be started until confirmation of S77 consent from DfE. A Stage 2 report is expected imminently from the LEP and after VfM review and Council governance will enable building work to commence in the Autumn Term with anticipated completion in Summer 2017.	278
Education	Primary Capital Programme – Russell Scott	Additional budget was allocated to this scheme to deal with remaining issues with the school. As the final list of defects is progressed over the next year we will determine whether this needs to remain as allocated or returned to the Education capital programme.	256

### Community Services

- 3.3 The table below outlines the projected investment for Community Services. Only minor reprofiling is required.

**Table 5: Detail of Community Services Capital Investment Programme**

<b>Community Services Capital Programme Statement</b>				
<b>Capital Scheme</b>	<b>Revised 2015/16 Budget</b>	<b>Outturn</b>	<b>Outturn Variation</b>	<b>Reprofiling to be approved</b>
safe and secure project (alleygating and burglary reduction)	136	98	(38)	38
supporting customer experience and contact	58	0	(58)	58
implementing the new library offer	49	63	14	(14)
street art in the community	8	0	(8)	8
<b>Total</b>	<b>251</b>	<b>161</b>	<b>(90)</b>	<b>90</b>

### Public Health

- 3.4 The table below outlines the projected investment for Public Health.

**Table 6: Detail of Public Health Capital Investment Programme**

<b>Public Health Capital Programme Statement</b>				
<b>capital scheme</b>	<b>Revised 2015/16 Budget</b>	<b>Outturn</b>	<b>Outturn Variation</b>	<b>Reprofiling to be approved</b>
active playzone	711	711	0	0
Copley leisure centre boiler replacement	150	105	(45)	45
Hyde united fc	125	125	0	0

Droylsden youth centre	48	24	(24)	24
<b>total</b>	<b>1,034</b>	<b>965</b>	<b>(69)</b>	<b>69</b>

### Asset Investment Partnership Management (AIPM)

3.5 The table below outlines the projected investment for AIPM. Explanations are also provided for reprofiling.

**Table 7: Detail of Asset Investment Partnership Management (AIPM) capital programme**

<b>AIPM Capital Programme Statement</b>				
<b>Capital Scheme</b>	<b>Revised 2015/16 Budget</b>	<b>Actual</b>	<b>Outturn Variation</b>	<b>Reprofiling to be approved</b>
vision tameside	6,029	5,902	(127)	127
CCTV Dukinfield town hall	850	736	(114)	114
building fabric works	800	661	(139)	139
opportunity purchase fund (individual approval required)	573	326	(247)	0
Mottram showground (opf)	165	4	(161)	161
wellington works	131	215	84	0
prep of outline planning applications / review of playing field provision	130	14	(116)	116
energy consumption pilot scheme Dukinfield town hall	110	64	(46)	46
structural, asbestos, mechanical and electrical surveys to inform decant and condition works	107	112	5	(5)
other minor works	212	8	(202)	202
<b>Total</b>	<b>9,107</b>	<b>8,044</b>	<b>(1,063)</b>	<b>900</b>

**Table 7b: AIPM Investment Programme – reprofiling**

<b>Explanation of Reprofiling</b>			<b>Amount (£000)</b>
<b>Service Area</b>	<b>Capital Project</b>	<b>Explanation for Reprofiling</b>	
AIPM	Vision Tameside	Project expenditure needs to be re-profiled due to the ongoing contract negotiations with the contractor.	127
AIPM	CCTV – Dukinfield Town Hall	The variation of £114k at outturn has arisen as a result of monies being held back due to works not yet completed. It is anticipated that this will be paid within the next financial year.	114
AIPM	Building Fabric Works	The outturn variance of £139k is due to overrunning and incomplete final works on a number of schemes.	139
AIPM	Mottram Showground	The progress on this scheme has been delayed. A provision needs to be maintained for future developments.	161

AIPM	Prep of Outline Planning Applications	This is ongoing work which is expected to complete by the end of summer 2016 following submission and agreement of planning permission.	116
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### Development and Investment

- 3.6 The table below outlines the projected investment for Development and Investment. Explanations are also provided for the requested reprofiling.

**Table 8: Detail of Development and Investment Capital Programme**

<b>Development and Investment Capital Programme Statement</b>				
<b>Capital Scheme</b>	<b>Revised 2015/16 Budget</b>	<b>Outturn</b>	<b>Outturn Variation</b>	<b>Reprofiling to be approved</b>
Ashton old baths	2,702	2,657	(45)	45
Ashton town centre and civic square	2,477	2,025	(452)	452
disabled facilities grants	1,410	1,352	(58)	58
grant funding yet to be allocated	259	0	(259)	259
st Petersfield	75	(29)	(104)	104
gm broadband	54	56	2	0
Longlands mill	32	8	(24)	24
Hyde town centre	27	4	(23)	23
Ashton market hall incubator units	3	0	(3)	3
Godley hill development and access road	0	2	2	(2)
<b>Total</b>	<b>7,039</b>	<b>6,076</b>	<b>(963)</b>	<b>965</b>

**Table 8b: Development and Investment Capital Investment Programme – reprofiling**

<b>Explanation of Reprofiling</b>			
<b>Service Area</b>	<b>Capital Project</b>	<b>Explanation for Reprofiling</b>	<b>Amount (£000)</b>
Development and Investment	Ashton Town Centre and Civic Square	Anticipated spend on the new market stalls and paving materials has not yet been realised. This delay in spend is due to the AMS Project team re-sequencing the Programme to ensure the Market continues to function effectively during the works. Spend on the market stalls and paving materials is anticipated to be defrayed in the first quarter of the new financial year.	452
Development and Investment	St Petersfield	Underspend in year due to a VAT credit received in 2015/16 relating to 2014/15 expenditure.	104

### Digital Tameside

- 3.7 The table below outlines the projected investment for Digital Tameside. An explanation for requested reprofiling is also provided.

**Table 9: Detail of Digital Tameside Capital Investment Programme**

<b>Digital Tameside Capital Programme Statement</b>				
<b>Capital Scheme</b>	<b>Revised 2015/16 Budget</b>	<b>Outturn</b>	<b>Outturn Variation</b>	<b>Reprofiling to be approved</b>
ICT - enablement project	1,455	730	(725)	725
working differently - it hardware & software	550	408	(142)	142
my home finance	100	100	0	0
disaster recovery site	45	0	(45)	45
town centre wifi	0	14	14	(14)
<b>Total</b>	<b>2,150</b>	<b>1,252</b>	<b>(898)</b>	<b>898</b>

**Table 9b: Digital Tameside Capital Investment Programme – reprofiling**

<b>Explanation of Reprofiling</b>			
<b>Service Area</b>	<b>Capital Project</b>	<b>Explanation for Reprofiling</b>	<b>Amount (£000)</b>
Digital Tameside	ICT Enablement Project	The variation of £725k at outturn has arisen as a result of project works which have commenced in 2015/16 but will run in line with the overall Vision Tameside project until 2018/19. Due to the nature of the project implementation is often phased over a number of months and as a result the costs incurred will cross multiple financial years, resulting in the rephasing of the budget. The works scheduled to be undertaken will continue to support the Vision Tameside project.	725
Digital Tameside	Working Differently	The variation of £142k at outturn has arisen as a result of the information@work and related document management rationalisation projects that are now scheduled for 2016/17. As a result the budget has been rephased to allow for spending in 2016/17.	142

### Engineering Services

- 3.8 The table below outlines the projected investment for Engineering Services. Explanations are also included where reprofiling has been requested.

**Table 10a: Detail of Engineering Services Capital Investment Programme**

<b>Engineers Capital Programme Statement</b>				
<b>Capital Scheme</b>	<b>Revised 2015/16 Budget</b>	<b>Outturn</b>	<b>Outturn Variation</b>	<b>Reprofiling to be approved</b>
asda roundabout	1,118	1,035	(83)	0
Denton link road	750	616	(134)	134
challenge funding	750	301	(449)	449
led street lighting investment	530	392	(138)	138
cycle city ambition grant	511	519	8	0
bt roundabout	424	507	83	0
principal/nonprincipal roads - Ashton	410	354	(56)	56
principal/nonprincipal roads - Droylsden	241	216	(25)	25
Mossley road retaining wall continuation scheme	240	381	141	(141)
Richmond street bridge	219	219	0	0
principal/nonprincipal roads - Hyde	213	265	52	(52)
Shepley bridge	200	105	(95)	95
Wilson brook culvert	200	5	(195)	195
footway works	200	194	(6)	0
other minor schemes	2,918	2,368	(550)	615
<b>Total</b>	<b>8,924</b>	<b>7,477</b>	<b>(1,447)</b>	<b>1,514</b>

**Table 10b: Detail of Engineering Services Capital Programme – reprofiling**

<b>Explanation of Reprofiling</b>			
<b>Service Area</b>	<b>Capital Project</b>	<b>Explanation for Reprofiling</b>	<b>Amount (£000)</b>
Engineering	Denton Link road	Some utility diversion costs were not incurred by year end and will be continued into the next financial year.	134
Engineering	Challenge Funding	New procurement procedures delayed the return of tenders. Land ownership issues and negotiations have also contributed to the delays in spend. Schemes have had to be phased across financial years to avoid complications with the traffic management of other projects.	449

Engineering	LED Street Lighting Investment	Once the procurement process was finalised and the award made, it became apparent that the manufacture of the first batch of lanterns would take longer than first envisaged. The delivery of these lanterns delayed the installation programme and hence the underspend in year. The overall scheme is still on schedule to be completed by 2017/18 as originally planned.	138
Engineering	Mossley Road Retaining Wall Continuation	Tender price was higher than the estimated budget and actual works required further spend after investigation. The increased costs will be accommodated from within the overall structures budget.	(141)
Engineering	Wilson Brook Culvert	Scheme abandoned following subsequent confined space inspections revealing fair structural condition. Monies are being transferred to King Edward Rd Retaining Wall capital scheme.	195

### Environmental Services

3.9 The table below outlines the projected investment for Environmental Services.

**Table 11: Detail of Environmental Services Capital Investment Programme**

<b>Environmental Services Capital Programme Statement</b>				
<b>Capital Scheme</b>	<b>Revised 2015/16 Budget</b>	<b>Outturn</b>	<b>Outturn Variation</b>	<b>Reprofiling to be approved in this Quarter</b>
allotment railings and infrastructure improvement	82	6	(76)	76
Rocher vale & Hulmes and hardy wood	80	51	(29)	29
childrens play	57	37	(20)	20
Dukinfield park improvements	42	2	(40)	40
guide lane former landfill site	40	44	4	(4)
retrofit (basic measures)	32	30	(2)	2
Sunnybank park - landscaping	27	8	(19)	19
Stamford park infrastructure	23	3	(20)	20
silver springs walking scheme	20	23	3	0
other minor schemes	73	22	(51)	50
<b>Total</b>	<b>476</b>	<b>225</b>	<b>(251)</b>	<b>253</b>

## Transport

3.10 The table below outlines the projected investment for Transport.

**Table 12: Detail of Transport Capital Investment Programme**

<b>Transport Capital Programme Statement</b>				
<b>Capital Scheme</b>	<b>Revised 2015/16 Budget</b>	<b>Outturn</b>	<b>Outturn Variation</b>	<b>Reprofiling to be approved</b>
FLEET REPLACEMENT PROGRAMME	1,140	1,139	(1)	
PROCUREMENT OF 58 FLEET VEHICLES	66	67	1	
<b>Total</b>	<b>1,206</b>	<b>1,206</b>	<b>0</b>	<b>0</b>

## 4. COMPULSORY PURCHASE ORDERS, INDEMNITIES AND POTENTIAL LIABILITIES

### Redmond Close

4.1 The Council have purchased and demolished property numbers 2 – 18 (evens). The original plan was for Property number 22 to remain in situ with a remedial solution to be installed, as the occupants refused to move. Property number 20 is adjoining number 22 and is to be demolished. The Council went through 2 unsuccessful tendering processes for the remedial works in an attempt to deliver the engineering solution inside an acceptable financial envelope. This has not been possible and a further report will be required to enable consideration of this matter by elected members.

### Wellington Works

4.2 This is a complex compulsory purchase compensation matter, which involved lengthy litigation between the Council and the claimant. Consequently, costs of the most recent proceedings are outstanding as an amount has yet to be agreed.

### Denton Link Road

4.3 The Council entered into a CPO Indemnity and Development Agreement with the owners of the site in 2008 (subsequently amended in 2011). Through the agreement, the Council is indemnified by the developer against the CPO costs and the costs of the related consents needed to facilitate and complete the development.

4.4 Following the confirmation of the CPO by the Secretary of State and non-receipt of blight notices to date, and changes to the overall project, the developer has requested a variation to the Development and a CPO Indemnity agreement to better reflect the current situation and enable the Council to assume responsibility for the delivery of the link road.

4.5 A General Vesting Declaration (GVD) has been executed for land required within the CPO. The Council is currently in the process of registering its legal title to the land with HM Land Registry

4.6 The Council has recently completed a variation to the CPO Indemnity and Development Agreement to enable the delivery of the link road. Land Transfer Agreements with the developer and other third parties are also being progressed.

### Hattersley CPO

4.7 The Council is supporting the proposal for the development of the final phase of the new district centre for Hattersley. Outline planning consent was secured in February 2015 for a major retail development on land at the junction of Stockport Road and Ashworth Lane. The 75,000 square feet development will include new retail, food store and leisure units to

enhance retail choice and amenities for local residents and thereby improving the long-term vitality and viability of Hattersley as a place to live.

- 4.8 The Council approved the making of a compulsory purchase order in respect of one outstanding property in June 2015 and is currently working with its partners, Peak Valley Housing Association and the Homes and Communities Agency, to secure the appointment of a developer partner. Peak Valley Housing Association will fully indemnify the Council's CPO costs through a CPO Indemnity Agreement.

## **5. CHANGES TO THE APPROVED 3 YEAR CAPITAL PROGRAMME**

- 5.1 Since it was approved in February 2016, there has been an increase in the programme totalling £3.620m over the period 2015/16 – 2017/18. Full details are listed in **Appendix 1**.

## **6. CAPITAL RECEIPTS**

- 6.1 With the exception of capital receipts earmarked as specific scheme funding, all other capital receipts are retained in the Capital Receipts Reserve and utilised as funding for the Council's corporately funded capital expenditure, together with any other available resources identified in the medium term financial strategy.
- 6.2 £11.3m of BSF Capital Receipts are to be repaid corporately, to repay temporary corporate funding of the Schools Capital Programme.
- 6.3 Receipts of £7.913m were generated from the disposal of Council assets in 2015/16

## **7. REVISED CAPITAL PROGRAMME**

- 7.1 The revised capital programme is shown at **Appendix 3**, and includes requirements for reprofiling and other required changes.

# APPENDIX 1

## Changes to the Capital Programme

SERVICE	SCHEME	SOURCE OF FUNDING	BUDGET CHANGES 2015/16 £000	BUDGET CHANGES 2016/17 £000	BUDGET CHANGES 2017/18 £000	TOTAL £000
<b>Amended Capital Programme 2015/16 Q3</b>			<b>57,099</b>	<b>53,318</b>	<b>51,412</b>	<b>161,829</b>
<b>A) Increases to the Programme</b>						
Transport	Refuse Collection Fleet	Corporate		3,060		<b>3,060</b>
AIPM	Vision Tameside	Corporate	250			<b>250</b>
Engineering	Richmond Street Bridge	Grant	159			<b>159</b>
Cultural Services	Hyde United Fc	Receipts/Corporate	75	60		<b>135</b>
AIPM	Building Fabric Works	Corporate	135			<b>135</b>
Engineering	Principal/Non-principal Roads - Droylsden	Grant	131			<b>131</b>
Engineering	Principal/Non-principal Roads - Denton	Grant	103			<b>103</b>
Education	Ashton Targeted Basic Need New School	Grant	74			<b>74</b>
Education	Flowery Field FF&E For New School Project	RCCO	59			<b>59</b>
Education	Astley BSF Remodelling Works	Grant	40			<b>40</b>
Education	Wild bank Lighting And Power	Grant	32			<b>32</b>
Education	Milton Saint John Primary - Emergency Works	Grant	23			<b>23</b>
Education	Fairfield Car Park	Grant	19			<b>19</b>
Operations	Pocket Parks	Grant/RCCO	18			<b>18</b>
Education	BSF ICT Capital	Grant	16			<b>16</b>
Education	Gorse Hall Power And Fire Alarm	Grant	14			<b>14</b>
Education	Broadbottom Drainage Works	Grant	14			<b>14</b>
Education	Broadbottom Kitchen Extension (UIFSM 2)	Grant	11			<b>11</b>
Education	Gorse Hall Windows	Grant	10			<b>10</b>
Education	Universal Infant Free School Meals	Grant	7			<b>7</b>
Education	Broadoak Parking Improvements	RCCO	6			<b>6</b>
Education	St Anne's Denton Kitchen Extension (UIFSM 2)	Grant	6			<b>6</b>
Education	Samuel Laycock It Infrastructure	RCCO	1			<b>1</b>
			<b>1,203</b>	<b>3,120</b>	<b>0</b>	<b>4,322</b>

<b>B) Reductions in Programme</b>					
AIPM	Document Scanning	Corporate	(250)		<b>(250)</b>
Engineering	Principal/Non-principal Roads - Audenshaw	Grant	(203)		<b>(203)</b>
Engineering	Highways Maintenance Funding	Grant		(159)	<b>(159)</b>
Education	Milton St John - Lighting, Power, Alarm	Grant	(35)		<b>(35)</b>
Engineering	Principal/Non-principal Roads - Dukinfield	Grant	(33)		<b>(33)</b>
Education	St James Ashton Replacement Heating	Grant	(15)		<b>(15)</b>
Education	West End Primary Ashton Asbestos Removal	Grant	(7)		<b>(7)</b>
			<b>(543)</b>	<b>(159)</b>	<b>0</b>
					<b>(702)</b>
<b>C) Funding Transfers in Programme</b>					
AIPM	Vision Tameside	Corporate	(4,003)	4,003	<b>0</b>
Transport	Procurement Of 58 Fleet Vehicles	Corporate	(2,442)	2,442	<b>0</b>
Digital Tameside	ICT - Enablement Project	Corporate	(642)	642	<b>0</b>
Education	Replacement Of Boyds Walk	Corporate	(600)	600	<b>0</b>
Education	Hyde Targeted Basic Need New School	Grant	(507)	507	<b>0</b>
Digital Tameside	Working Differently - It Hardware & Software	Corporate	(269)	269	<b>0</b>
Adult Services	Mental Health Project - Improving Service Access	Grant	(260)	260	<b>0</b>
Adult Services	IT Infrastructure	Grant	(237)	237	<b>0</b>
Adult Services	Transforming Adult Social Care	Grant	(169)	169	<b>0</b>
Sustainable Growth	St Petersfield	Corporate	(125)	125	<b>0</b>
Communities	Supporting Customer Experience And Contact	Corporate	(121)	121	<b>0</b>
Education	Hollingworth Kitchen & Dining Refurbishment	Grant	(118)	118	<b>0</b>
Engineering	Huddersfield Road Retaining Wall	Grant	(113)	113	<b>0</b>
Sustainable Growth	Godley Hill Development And Access Road	Corporate	(112)	112	<b>0</b>
Education	Stamford Demolition	Receipts	(92)	92	<b>0</b>
Education	Ashton Targeted Basic Need New School	Grant	(76)	76	<b>0</b>
	Seed Challenge: St James' Ce - Remodel Main		(73)	73	<b>0</b>
Education	Entrance, Toilets And Admin	Grant			
	Seed Challenge: St Anne's Denton - New		(49)	49	<b>0</b>
Education	Entrance Foyer, Reception And Secure Lobby	Grant			
Education	Littlemoss Demolition	Receipts	(41)	41	<b>0</b>



## APPENDIX 2

### Capital Financing Statement

	Annual Budget £000	Actual Expenditure £000	Borrowing £000	Grants & Other Contributions £000	Capital Receipts £000	RCCO & Reserves £000	Total £000
<b><u>PEOPLE</u></b>							
Adults	0	0	0	0	0	0	0
Children's	16,550	14,662	25	14,161	1	246	14,662
Community Services	251	160	160	0	0	0	160
Public Health	1,034	965	840	0	125	0	965
<b><u>PLACES</u></b>							
AIPM	9,107	8,044	1,658	0	6,387	0	8,044
Development & Investment	7,039	6,076	3,082	2,937	54	2	6,076
Digital Tameside	2,150	1,252	100	0	1,152	0	1,252
Engineering Services	8,924	7,477	1,084	5,575	0	819	7,477
Environmental Health	72	74	44	30	0	0	74
Operations	404	151	32	93	0	26	151
Transport	1,206	1,205	489	0	0	716	1,205
<b>Subtotal</b>	<b>46,737</b>	<b>40,067</b>	<b>7,742</b>	<b>22,797</b>	<b>7,719</b>	<b>1,809</b>	<b>40,067</b>

## APPENDIX 3

### Capital Programme (after reprofing)

	ESTIMATE 2015/16 £000	ESTIMATE 2016/17 £000	ESTIMATE 2017/18 £000	TOTAL £000
<b>CAPITAL PROGRAMME 2015/16 - 2017/18</b>				
<b>Adult And Health Services</b>				
Mental Health Project - Improving Service Access	0	260	0	260
It Infrastructure	0	237	0	237
Transforming Adult Social Care	0	169	0	169
Autism Innovation	0	19	0	19
BCF Adults Capital Grant	0	650	0	650
<b>Adult And Health Services Total</b>	<b>0</b>	<b>1,335</b>	<b>0</b>	<b>1,335</b>
<b>AIPM</b>				
Dukinfield Crematoria Clock Tower	0	98	0	98
Energy Consumption Pilot Scheme Dukinfield Town Hall	64	46	0	110
Knowle Avenue Depot / JW Lees Social Club Site	0	5	0	5
Mottram Showground (OPF)	4	161	0	165
Opportunity Purchase Fund (Individual Approval Required)	573	500	500	1,573
Stalybridge Civic Hall Roof Repairs	9	1	0	10
TAC CCTV Upgrade	0	25	0	25
Tac Fire Alarm Upgrade	0	20	0	20
Wellington Works	131	0	0	131
Vision Tameside	4,364	20,773	17,293	42,430
Decant Costs	1,350	0	0	1,350
Hyde Town Hall Lift	0	4	0	4
Development Of Former Stamford High School Site	0	50	0	50
Building Fabric Works	661	139	0	800
Prep Of Outline Planning Applications / Review Of Playing Field Provision	14	116	0	130
Public Realm	0	0	2,631	2,631
Document Scanning	92	158	0	250
Structural, Asbestos, Mechanical And Electrical Surveys To Inform Of Decant	112	0	0	112

And Condition Works

CCTV Dukinfield Town Hall	736	114	0	850
VT - Programme Management Costs	96	0	0	96
Tame Street Emergency Generators	0	93	0	93
<b>AIPM Total</b>	<b>8,206</b>	<b>22,303</b>	<b>20,424</b>	<b>50,933</b>

**Community Services**

Implementing The New Library Offer	63	166	0	229
Safe And Secure Project (Alleygating And Burglary Reduction)	98	38	0	136
Street Art In The Community	0	8	0	8
Supporting Customer Experience And Contact	0	179	0	179
Libraries In The 21St Century	0	573	0	573
<b>Community Services Total</b>	<b>161</b>	<b>964</b>	<b>0</b>	<b>1,125</b>

**Education**

Basic Need - Funding Stream	0	3,895	6,543	10,438
Bradley Green - Roof Repairs	230	0	0	230
Bradley Green Primary - Funding Stream	0	30	0	30
BSF Droylsden Academy	0	33	0	33
Building Schools For The Future Reserve - Funding Stream	0	683	0	683
Devolved Schools Capital	487	0	0	487
Lyndhurst Primary School	1	3	0	4
Primary Capital Programme - Russell Scott	20	256	0	276
Ravensfield Primary School	0	11	0	11
Seed Challenge: St Anne's	0	49	0	49
Seed Challenge: St James' CE	4	73	0	77
Short Breaks Capital Grant - Funding Stream	0	88	0	88
Specific Capital Reserve	0	403	0	403
Two Year Old Entitlement Grant - Funding Stream	17	264	0	281
Work At Two Trees Due To Occupation By Russell Scott	61	0	0	61
Flowery Field FF&E For New School Project	97	0	0	97
Wildbank Electrical Works	22	0	0	22
Bradley Green Chimney Repairs	0	7	0	7

Heys Retaining Wall	0	7	0	7
Holden Clough FF&E For New School Project	126	15	0	141
Alder Buy Out Fitness Centre	0	1,000	0	1,000
Littlemoss Demolition	0	41	0	41
Astley BSF Remodelling Works	40	0	0	40
Samuel Laycock Targeted Basic Need Extension	942	0	0	942
Ashton Targeted Basic Need New School	2,155	94	0	2,249
Hyde Targeted Basic Need New School	6,463	481	0	6,944
Sen Review	0	26	0	26
BSF ICT Capital	16	0	0	16
Stamford Demolition	0	92	0	92
Funding Stream - Education Improvements	0	50	0	50
Funding Stream - EM800130 - RCCO Reserve	0	7	0	7
Universal Infant Free School Meals	143	0	0	143
Greswell Primary Roof Heating & Asbestos Removal	329	34	0	363
Flowery Field Primary Seed Challenge	25	0	0	25
Stalyhill Junior Seed Challenge	15	0	0	15
Holden Clough Seed Challenge	0	13	0	13
Manor Green Primary Seed Challenge	15	0	0	15
Milton St John Primary Seed Challenge	0	13	0	13
St Paul's Primary Hyde Seed Challenge	13	11	0	24
St Peter's Primary S/B Seed Challenge	7	0	0	7
St Thomas More Secondary Seed Challenge	0	25	0	25
Greswell Primary Drainage	0	17	0	17
Micklehurst Fire Alarm Survey & Works	0	40	0	40
Poplar Street Primary Seed Challenge	7	0	0	7
Russell Scott Primary Seed Challenge	0	25	0	25
Dane Bank Primary Seed Challenge	0	13	0	13
St Marys Droylsden Primary Seed Challenge	25	0	0	25
Aldwyn Primary Additional Accommodation	122	1,755	0	1,877
Broadoak Primary Seed Challenge	0	25	0	25
Ryecroft Hall Early Years - KS2 Remodelling	65	0	0	65

Discovery Academy - Remodelling/Furniture	0	115	0	115
Broadoak Remodelling Of ICT Room	40	0	0	40
Hollingworth Kitchen & Dining Refurbishment (UIFSM 2)	0	118	0	118
St Anne's Denton Kitchen Extension (UIFSM 2)	156	0	0	156
Broadbottom Kitchen Extension (UIFSM 2)	52	0	0	52
Broadoak Parking Improvements	86	0	0	86
ICT High Schools - Replacement ICT Servers	440	0	0	440
Yew Tree - Extension	469	0	0	469
Bradley Green, Corrie, Holden Clough - Access Improvement Works	15	0	0	15
Holden Clough - Remodelling	0	12	0	12
Audenshaw Primary - Emergency Work	170	0	0	170
Longdendale - Boiler House Chimney Removal	50	0	0	50
Holden Clough Additional Path	0	9	0	9
Milton St John Creation Of Bulge Class	0	40	0	40
Livingstone Remodelling/Extension	25	330	0	355
Samuel Laycock It Infrastructure Contribution	25	0	0	25
The Heys Floor Replacement	40	10	0	50
Gorse Hall Power And Fire Alarm	224	0	0	224
Wildbank Lighting And Power	212	0	0	212
Corrie Primary Heating	90	0	0	90
St James Ashton Replacement Heating	137	0	0	137
Milton St John Lighting, Power And Alarm Replacement	315	0	0	315
Fairfield Car Park Repairs	0	37	0	37
Gorse Hall Windows	26	0	0	26
BSF High School Telephone Lines	14	0	0	14
Flowery Field Additional Furniture For New Building	16	0	0	16
Linden Road Children's Centre - Refurbishment And Electrical	0	17	0	17
Milton St John Primary - Temporary Emergency Works	23	16	0	39
Inspire Academy - Pre-Opening Costs	71	44	0	115
Broadoak Primary School - FF&E For New Building	76	31	0	107
Mottram Primary - Production Kitchen (UIFSM2)	90	0	0	90
St James' Hattersley - Production Kitchen (Uifsm2)	103	3	0	106

St James' Hattersley - Additional Classroom	0	220	0	220
Disabled Access Works At Hurst Knoll, Stalyhill Infants & Bradley Green	32	8	0	40
St Damian's Classroom Alterations	0	250	0	250
Replacement Of Boyd's Walk	254	658	0	912
Broadbottom Drainage Works 2015	8	6	0	14
<b>Education Total</b>	<b>14,705</b>	<b>11,503</b>	<b>6,543</b>	<b>32,751</b>
<b>Engineering Services</b>				
A635 Manchester Rd / B6390 Audenshaw Rd	21	0	0	21
A670 Mossley Road(West) – Retaining Wall, Mossley	56	0	0	56
Alphagate Drive, Denton – Footway Lighting	10	0	0	10
Asda Roundabout	1,118	0	0	1,118
Ashton Northern Bypass - Stage 2	29	279	0	308
Asset Management Plan	100	0	0	100
Borough Wide Minor Works	14	0	0	14
Bridgeguard 3 Mitigation Measures	15	0	0	15
BT Roundabout	424	0	0	424
Bus Lane Enforcement	9	0	0	9
Carriageway Structural Maintenance	30	18	0	48
Congestion Performance Fund (Tranche 4)	24	3	0	27
Cycling	33	0	0	33
Lees Road / Queens Road, Ashton (Hurst Cross Junction)	14	0	0	14
Living Streets	3	8	0	11
Lord Sheldon Way, Ashton (Ikea Roundabout)	24	0	0	24
Peak Forest Canal Access Improvements	163	0	0	163
Pedestrian Crossing Improvements	10	0	0	10
Principal / General Bridge Inspections	50	0	0	50
Road Marking & Warning Sign Improvement Programme	17	0	0	17
Stockport Rd, Ashton – Puffin Crossing & 20Mph Zone Amendments	79	0	0	79
Strategic Highway Drainage Works	40	0	0	40
Strategic Route TROs	3	0	0	3
Strategic Surface Improvements	50	0	0	50
Street Lighting Scheme Continuation	185	0	0	185

Cycle City Ambition Grant	511	0	0	511
Whiteacre Road /Curzon Road Junction Improvements	149	0	0	149
Pinch Point Schemes	24	150	0	174
Shepley Bridge	200	0	0	200
Mossley Road Retaining Wall Continuation Scheme	240	0	0	240
Manchester Road Canal Bridge	130	0	0	130
Strategic HRA	50	0	0	50
Lower Bennett Street	0	16	0	16
Junction Improvements On/Off At J23 M60	20	359	0	379
Ashton Town Centre Access Improvements	15	181	0	196
Muse Developments	0	15	0	15
Led Street Lighting Investment	392	4,608	0	5,000
Highways Maintenance Funding	0	2,346	2,064	4,410
Hattersley Station Road	41	106	0	147
Clarendon Road Car Park, Hyde	1	62	0	63
The Longdendale Integrated Transport Strategy	0	480	0	480
The Longdendale Integrated Transport Strategy (Notional Element)	0	0	7,809	7,809
Pothole Funding	0	1,000	0	1,000
Public Rights Of Way	40	0	0	40
Principal/Non-principal Roads - Ashton	384	0	0	384
Principal/Non-principal Roads - Denton	142	0	0	142
Principal/Non-principal Roads - Dukinfield	110	0	0	110
Principal/Non-principal Roads - Audenshaw	39	0	0	39
Principal/Non-principal Roads - Droylsden	241	0	0	241
Principal/Non-principal Roads - Hyde	213	0	0	213
Principal/Non-principal Roads - Longdendale	12	0	0	12
Principal/Non-principal Roads - Mossley	38	0	0	38
Principal/Non-principal Roads - Stalybridge	99	0	0	99
Ashton-Stalybridge Cycle Route	60	400	0	460
Denton Link Road	616	1,293	0	1,909
CCAG School Partnership	157	31	0	188
Richmond Street Bridge	219	0	0	219

Huddersfield Road Retaining Wall	10	113	0	123
Walkerfold Culvert	75	0	0	75
Wilson Brook Culvert	200	0	0	200
Town Centre E70/Block Paving	30	0	0	30
Network Performance/Resilience	130	0	0	130
Challenge Funding	301	2,199	500	3,000
<b>Engineering Services Total</b>	<b>7,410</b>	<b>13,667</b>	<b>10,373</b>	<b>31,450</b>
<b>Environmental Services</b>				
Allotment Railings And Infrastructure Improvement	6	76	0	82
Carbon Reduction - Invest To Save Schemes Approval Required	0	311	0	311
Children's Play	37	20	0	57
Dukinfield Park Improvements	2	40	0	42
Green Space Improvements - Dukinfield	0	11	0	11
Green Space Improvements - Hyde	0	16	0	16
Guide Lane Former Landfill Site	44	465	0	509
Oak Park Improvements, Stalybridge	2	0	0	2
Retrofit (Basic Measures)	30	329	0	359
Stamford Park Infrastructure	3	20	0	23
Memorial Gardens Audenshaw	7	2	0	9
Scott Road Memorial Gardens, Droylsden	0	2	0	2
Sunnybank Park - Landscaping	8	19	0	27
Silver Springs Walking Scheme	20	0	0	20
Highway Replacement Tree Planting Access Works	6	9	0	15
Pocket Parks	7	11	0	18
Rocher Vale & Hulmes And Hardy Wood	51	29	0	80
<b>Environmental Services Total</b>	<b>223</b>	<b>1,360</b>	<b>0</b>	<b>1,583</b>
<b>Transport</b>				
Fleet Replacement Programme	1,140	0	0	1,140
Procurement Of 58 Fleet Vehicles	66	2,442	0	2,508
Refuse Collection Fleet	0	3,060	0	3,060
<b>Transport Total</b>	<b>1,206</b>	<b>5,502</b>	<b>0</b>	<b>6,708</b>

**Digital Tameside**

Working Differently - ICT Hardware & Software	408	411	0	819
My Home Finance	100	0	0	100
ICT - Enablement Project	730	1,367	0	2,097
Disaster Recovery Site	0	45	0	45
Digital By Design	0	124	17	142
Town Centre Wi-Fi	14	121	0	135
<b>Digital Tameside Total</b>	<b>1,252</b>	<b>2,068</b>	<b>17</b>	<b>3,338</b>

**Resources**

Estimated Future Borrowing Approvals / Receipts	0	3,433	4,262	7,695
Repayment Of Prud Borrowing	804	607	721	2,132
<b>Resources Total</b>	<b>804</b>	<b>4,040</b>	<b>4,983</b>	<b>9,827</b>

**Development And Investment**

Ashton Market Hall Incubator Units	0	3	0	3
Ashton Town Centre And Civic Square	2,025	3,052	0	5,077
Disabled Facilities Grants	1,352	1,216	0	2,568
Godley Hill Development And Access Road	2	110	0	112
Grant Funding Yet To Be Allocated	0	259	0	259
Hyde Town Centre	4	23	0	27
St Petersfield	0	229	0	229
Gm Broadband	25	0	0	25
Ashton Old Baths	2,657	45	0	2,702
Longlands Mill	8	24	0	32
<b>Development And Investment Total</b>	<b>6,073</b>	<b>4,961</b>	<b>0</b>	<b>11,034</b>

**Public Health**

Copley Leisure Centre Boiler Replacement	105	45	0	150
Droylsden Youth Centre	24	24	0	48
Active Playzone	711	0	0	711
Active Tameside Wellness Centre & Wider Investment	0	4,848	9,072	13,920
Hyde United FC	125	415	0	540
<b>Public Health Total</b>	<b>965</b>	<b>5,332</b>	<b>9,072</b>	<b>15,369</b>

**Total**

**41,004**

**73,034**

**51,412**

**165,450**

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<b>Report To:</b>	<b>OVERVIEW (AUDIT) PANEL</b>
<b>Date:</b>	12 September 2016
<b>Executive Member/ Reporting Officer:</b>	Cllr J M Fitzpatrick - First Deputy (Performance and Finance) Ian Duncan – Assistant Executive Director (Finance)
<b>Subject:</b>	<b>REVENUE MONITORING – OUTTURN 2015/16</b>
<b>Report Summary:</b>	<p>This report shows that the overall net outturn revenue position for 2015/16 was £204.663 million. This includes additional dividend from Manchester Airport Group of £2.25 million and the agreed in-year change to the Council's debt repayment policy which resulted in a reduction of £3.7 million in the charge to revenue. After allowing for these variations the overall spend is within budget by £0.713 million. This is after movements to reserves to assist with future years' financial challenges, in particular the forecasted financial deficit in the health and social care economy in Tameside and Glossop which will see the creation of a ground-breaking Integrated Care Organisation to help address the situation.</p> <p>These financial results should be seen as just one, albeit important, step in the transformation journey to deliver financial sustainability by the end of the current Comprehensive Spending Review (CSR) period i.e. by 2020.</p>
<b>Recommendations:</b>	<ol style="list-style-type: none"><li>1) That the revenue outturn position is noted.</li><li>2) That the detail for each service area is noted.</li><li>3) That movements to reserves are approved as outlined in <b>Appendix 3</b>.</li><li>4) That the treatment of year end balances as outlined in <b>Appendix 3</b> is approved.</li><li>5) That the changes to revenue budgets as set out at <b>Appendix 1</b> are approved.</li><li>6) That the capital outturn position is noted.</li><li>7) That a transfer of £2.300m from reserves, and consequent payment to Tameside Hospital Foundation Trust, is approved as outlined in <b>Section 7</b> to support Care Together.</li></ol>
<b>Links to Community Strategy:</b>	Budget is allocated in accordance with the Community Strategy.
<b>Policy Implications:</b>	Budget is allocated in accordance with Council Policy.
<b>Financial Implications: (Authorised by the Section 151 Officer)</b>	<p>The Council has managed its financial resources within the overall budget provision approved by the Council in February 2015. It is important that the Council continues to maintain a strong control of its financial resources in future years so it can confidently plan its way through the remaining years of austerity.</p> <p>The report includes recommended transfers to reserves, the most significant of which are to support the acceleration of the creation of the Integrated Care Organisation (ICO), supporting social care in the short term and providing some non-recurrent assistance in Care Together. The investment in Care Together is already</p>

producing tangible results with Tameside and Glossop being named as one of the most improved locations in the country for urgent care.

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

There is a statutory duty to ensure the Council sets a balanced budget and that it is monitored to ensure statutory commitments are met.

**Risk Management:**

Failure to properly manage and monitor the Council's budgets will lead to service failure and a loss of public confidence.

**Access to Information**

The background papers relating to this report can be inspected by contacting the report writer, Ian Duncan, Assistant Executive Director (Finance) by:

 Telephone: 0161 342 3864

 e-mail: [ian.duncan@tameside.gov.uk](mailto:ian.duncan@tameside.gov.uk)

## **1 INTRODUCTION**

- 1.1 This is the final revenue monitoring report of the 2015/16 financial year. The report provides a financial update and summarises the revenue outturn position of the Council as at the 31 March 2016.
- 1.2 Details of the various sections and Appendices within the report are shown below:
- **Section 2:** a summary of the budget and revenue financial position of the Council.
  - **Section 3:** updated performance position against the agreed savings is presented as an additional report
  - **Section 4:** treatment of balances to be carried forward
  - **Section 5:** Business Rates and Council Tax collection performance.
  - **Section 6:** Capital Outturn summary.
  - **Section 7:** Support to the Acute Trust
  - **Section 8:** the recommendations of this report.
  - **Appendix 1:** a summary of the budget position and changes since quarter 3, presented for approval at this meeting.
  - **Appendix 2:** details for each Directorate showing the revenue outturn position, and:
    - an explanation of significant variations to budget;
    - analysis of expenditure and income.
  - **Appendix 3:** summary of balances to be carried forward.
  - **Appendix 4:** analysis of the Council Tax and Business Rates collection performance from April 2015 to December 2015.
  - **Appendix 5:** summary of the Capital outturn position.
- 1.3 This report details the Council's final revenue outturn position for 2015/16 against budgets for the year and shows the net of income and expenditure as a variation to budget.
- 1.4 Separate tables, which break down the budgets into elements of expenditure and income, are included in **Appendix 2**, to show how Directorates are utilising their allocated funding.
- 1.5 The report also shows the final capital outturn position. A detailed capital report will be presented to the next Strategic Planning and Capital Monitoring Panel.

## **2 SUMMARY FINANCIAL POSITION, BUDGET AND KEY ISSUES**

- 2.1 This report shows that at Quarter 4 the Council's overall net revenue service expenditure for the 2015/16 financial year is to be £6.663m less than the updated budget.

2.2 The summary of the annual budget, outturn and variation to budget for each Directorate provides an analysis of the £6.663m variation and is set out below.

**Table 1 – Summary Financial Position**

	<b>2015/16 Budget £000</b>	<b>Outturn £000</b>	<b>Variation to Budget £000</b>
<b><u>DIRECTOR OF PEOPLE</u></b>			
<b>Childrens</b>			
Childrens Social Care	19,477	24,408	4,931
Strategy and Early Intervention	2,237	1,746	(491)
Education	3,393	2,983	(410)
	<b>25,107</b>	<b>29,137</b>	<b>4,030</b>
<b>Adult and Early Intervention Services</b>			
Adult Social Care	49,750	55,317	5,567
Adults and Early Intervention	1,356	1,196	(160)
	<b>51,106</b>	<b>56,513</b>	<b>5,407</b>
<b>Stronger Communities</b>	<b>7,141</b>	<b>8,388</b>	<b>1,247</b>
<b>TOTAL DIRECTOR OF PEOPLE</b>	<b>83,354</b>	<b>94,038</b>	<b>10,684</b>
<b><u>DIRECTOR OF PUBLIC HEALTH</u></b>	<b>16,329</b>	<b>16,329</b>	<b>0</b>
<b><u>DIRECTOR OF PLACE</u></b>			
Asset and Investment Partnership Management	3,641	3,815	174
Environmental Services	45,854	45,125	(729)
Development Growth and Investment	3,183	3,021	(162)
Digital Tameside	1,875	1,814	(61)
<b>TOTAL DIRECTOR OF PLACE</b>	<b>54,553</b>	<b>53,775</b>	<b>(778)</b>
<b><u>RESOURCES</u></b>			
<b>Director of Governance and Resources*</b>	12,384	10,081	(2,303)
<b>Corporate Costs</b>	8,420	5,417	(3,003)
<b>TOTAL RESOURCES</b>	<b>20,804</b>	<b>15,498</b>	<b>(5,306)</b>
<b>Capital and Financing</b>	20,296	11,398	(8,898)
<b>Other Cost Pressures and Funding*</b>	15,990	13,625	(2,365)
<b>TOTAL</b>	<b>211,326</b>	<b>204,663</b>	<b>(6,663)</b>

\*After transfer to reserves

2.3 For each Directorate, explanations of the variations to budget over £1m are included in Table 2 below. The Council is actively developing ways to deliver services differently, but is also continuing to provide necessary services.

**Table 2 – outturn revenue position for 2015/16**

Directorate	Service	2015/16 Budget £000	Outturn £000	Variation to Budget £000	Explanation
People	Childrens Social Care	19,477	24,408	4,931	Additional recurrent funding of £5.1m was allocated to the service following a budget review during 2015/16. However, whilst savings have been delivered during the year within the service, they were not to the levels originally proposed. In addition a combination of unexpected and more complex placements during the year have also contributed to the variation to the available budget.
People	Strategy and Early Intervention	2,237	1,746	(491)	
People	Education	3,393	2,983	(410)	
People	Adult and Early Intervention Services	51,106	56,513	5,407	A combination of external cost pressures in demand led services such as homecare and care home placements together with savings to be identified have resulted in a budget deficit for 2015-16.
People	Stronger Communities	7,141	8,388	1,247	Work undergone throughout year on delivering savings which began to materialise following robust governance processes. Savings now allocated against services and full year effects to follow in 16/17 to create a balanced budget.
	<b>Total Director of People</b>	<b>83,354</b>	<b>94,038</b>	<b>10,684</b>	
Place	Asset and Investment Partnership Management	3,641	3,815	174	
Place	Environmental Services	45,854	45,125	(729)	Savings as a result of vacant posts not being filled and efficiencies

					across the service.
Place	Development Growth and Investment	3,183	3,021	(162)	Savings realised as a result of vacant posts and service re-design
Place	Digital Tameside	1,875	1,814	(61)	
	<b>Total Director of Place</b>	<b>54,553</b>	<b>53,775</b>	<b>(778)</b>	
Public Health	Director of Public Health	16,329	16,329	0	
Governance and Resources	Director of Governance and Resources	12,384	10,081	(2,303)	Ongoing restrictions in expenditure, vacant posts and savings as a result of severance, increased income and previous balances brought forward. £2m has been transferred to the budget strategy reserve to provide necessary resource to pump prime further service redesign and efficiencies.
Other	Corporate Costs and Capital and Financing	28,716	16,815	(11,901)	Additional income from airport dividend. Savings from reduced borrowing assumptions and a change in policy for the minimum revenue provision as agreed by Council during the year.
Other	Other Cost Pressures and Funding	15,990	13,625	(2,365)	Risk Provision was made to ensure in entirety the overall position of the council was managed. The outturn includes £12.8m transferred to reserves. £12m of which is to provide some protection to care services in 2016/17 whilst the Council moves to its ground-breaking Integrated Care Organisation (ICO) with Health Services in Tameside & Glossop.
	<b>Total</b>	<b>211,326</b>	<b>204,663</b>	<b>(6,663)</b>	

2.4 The overall net position is expenditure less than budget and is a combination of variances, both over and under budget, for service areas as summarised above.

2.5 Children's services will need to be managed in 2016/17 through a combination of efficiency improvements and on-going monitoring following a review of the base budget.

- 2.6 The ongoing position for Adults services will also require ongoing monitoring to be taken by the service in 2016/17.
- 2.7 The revenue position reported needs to be considered in the context of the Council's Medium Term Financial Strategy (MTFS). Below is a summary taken from the current MTFS which sets out £24 million savings planned for 2015/16 now being reported on, plus the requirement of a further £65 million through to 2019/20.
- 2.8 The targets for 2016/17 and future years are the current estimated position before any mitigating actions are put into place. They take account of known funding reductions and anticipated demand and cost increases. These assumptions are constantly under review.

**Table 3 - Summary Current Approved Medium Term Financial Strategy**

	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Total Spending Plans	174,024	176,997	182,317	193,911
Total Resources	(174,024)	(162,368)	(151,591)	(147,084)
	0	14,628	30,726	46,827
Savings Already Allocated	14,100			
Savings Not Yet Allocated (Annual)	0	(14,628)	(16,098)	(16,101)
Savings Not Yet Allocated (Cumulative)	0	(14,628)	(30,726)	(46,827)

### **3 SAVINGS**

- 3.1 Savings targets were allocated in line with consideration of the Council's core purpose, policy priorities, and assessed risks. The Council agreed a savings target of £24 million for 2015/16 as part of a two year budget plan. Detailed savings proposals were drawn up for 2015/16 and agreed by Full Council in February 2015.
- 3.2 A specific report providing progress against these targets has been reported on a monthly ongoing basis to the Senior Management Team and Executive Board.

### **4 BALANCES TO BE CARRIED FORWARD**

- 4.1 The treatment of service budgets that have outturned either more than or less than the allocated budgets needs to be considered. As services are required to manage their budget within a budget envelope, overs and unders have traditionally been carried forward into the following year unless there has been specific circumstances not to. Within the current financial climate and following detailed review of budgets it is appropriate to agree the treatment of carry forwards.
- 4.2 The considered treatment is as follows:
- 4.2.1 Where services have an outturn position in excess of budget, these balances will not be carried forward to 2016/17. This may be considered not to be offering the right incentive for services to manage within their approved budget. However it is only being recommended because we wish to keep the focus of Directors on achieving ongoing recurrent savings without a supplementary non-recurrent savings plan to

recover the previous year's adverse budget position. It is only because of the Council overall strong financial management that this is possible.

4.2.2 Where service areas wish to carry forward surplus balances into 2016/17, justification must be provided. **Appendix 3** shows a summary where services are requesting that balances be carried forward into 2016/17.

## **5 COUNCIL TAX AND BUSINESS RATES**

5.1 The Business Rates Retention Scheme means that variations in the level of Business Rates income collected has a direct impact on Council resources. The level of Council Tax income collected remains an important area for the Council as any shortfall in the level of Council Tax income also has a direct impact on Council resources.

5.2 At quarter 4 both the level of Business Rates and Council Tax income are slightly under targeted collection rates due to the current economic climate. Both areas will be closely monitored during the financial year and continue to target income collection. **Appendix 4** includes two tables that show how the Council is performing against target collection rates in both Business Rates and Council Tax. Any arrears at 31 March 2016 will continue to be pursued vigorously in 2016/17.

## **6 CAPITAL OUTTURN**

6.1 The Capital outturn position is detailed in **Appendix 5**. It shows expenditure less than the budget of £6.411 million this is after identified slippage was taken into account at quarter 3. The detail of the variances will be included within the Capital outturn report which will be presented at the next Strategic Planning and Capital Monitoring Panel.

## **7 CARE TOGETHER**

7.1 In order to help address the significant pressures in our urgent care system and to alleviate potential regulatory intervention, the Council has agreed to consider offering one off support to Tameside Hospital Foundation Trust (THFT). It has been made clear through the recent contract negotiations, that any offer of support would be contingent on THFT delivering a plan by the end of June 2016 that would outline how the urgent care system will transform from the current working arrangements to the new urgent care village being developed through the model of care work stream by April 2017.

7.2 The delivery of this new system should not be underestimated and Tameside Hospital Foundation Trust has submitted an initial plan totalling £2.3 million for the full year effect of achieving this. Initially, the Council is requested to consider support of £0.750m immediately and the balance after receipt of a robust transition plan. The Single Commissioning Board will monitor the use of this investment and the outcomes derived from it.

7.3 These investments are already producing tangible results with Tameside and Glossop being named as one of the most improved locations in the country for urgent care.

## **8 RECOMMENDATIONS**

8.1 The recommendations at the front of the report are approved.

# APPENDIX 1

## Budget changes Quarter 4 – for approval

	Director of People £000	Director of Place £000	Public Health £000	Governance and Resources £000	Corporate Budgets, Capital Financing and Corporate Pressures £000
<b>Feb 2015 Budget Report:</b>	78,105	51,248	17,155	11,363	50,769
					<b>208,640</b>
<b>Budget Changes Approved:</b>					
Quarter 1	146	4,344	0	671	(1,839)
Quarter 2	2,981	(176)	(943)	0	(2,805)
Quarter 3	1,762	984	72	285	(2,778)
					<b>211,343</b>
<b>Quarter 4 Changes - To Be Approved</b>					
Levy charge increase		2			(2)
Severance - Jan/Feb 16	127	19	45	65	(256)
Catering - Additional budget for legal fees		59			(59)
ESG Correct allocation					(18)
Decant costs		49			(49)
CCTV Transfer to Adults	233	(233)			
Capital Disposal Costs		185			(185)
Accounting Adjustments in respect of PFI		(1,928)			1,928
<b>Revised Budget - March 2016</b>	<b>83,354</b>	<b>54,553</b>	<b>16,329</b>	<b>12,384</b>	<b>44,706</b>
					<b>211,326</b>

## DIRECTOR OF PEOPLE

### 1. CHILDREN SERVICES

	2015/16 Budget £000	Outturn £000	Variation to Budget £000
Children's Social Care	19,477	24,408	4,931
Strategy and Early Intervention	2,237	1,746	(491)
Education	3,393	2,983	(410)
<b>TOTAL</b>	<b>25,107</b>	<b>29,137</b>	<b>4,030</b>

#### a. **Overview**

Children's services has exceeded its overall budget by £4.030m in 2015/16. Although plans are in place to deliver the specific savings proposals in future years, remaining within the annual budget has proved more difficult due to a combination of additional demand for the service and greater complexity of placements. Also, whilst the service delivered savings during 2015/16 they were not to the level originally projected. The corporate review of the budget position was completed during the year which resulted in £5.1m additional budget support being provided. The service is committed to reducing placement costs, for example through renegotiating prices and via a revised fostering payment scheme.

Reasons for the significant variations to budget:

	<b>£000</b>
<b><u>Children's</u></b>	
Savings not achieved	4,446
Staffing - Net Variation due to Severance scheme and Vacant posts being held within the service	(80)
Net External Residential/External Fostering/16 + placements	209
External Residential/External Fostering/16 + placements - relating to 14/15	100
Remand Costs Increase	18
Fostering/Adoption professional Services increase	43
Cash Grants (Section 17 Payments) - Allowances, Fees, Set Up	82
Safeguarding LAC	22
Transport Related Expenditure	8
Minor variation across Childrens Social Care service	82
<b>Children's Total</b>	<b><u>4,930</u></b>

**£000**

#### **Strategy and Early Intervention**

Expenditure is below budget on employee costs due to the Head of Service being seconded to the Public Services Reform Team for 3 years from June 2015 (£0.057m) and a substantive post (£0.045m) being funded by the Early Help Investment. The funding from the Early Help Investment is due to cease in September 2016 and therefore will not be an ongoing saving. (102)

Expenditure is below budget on employee costs due to a number of part year (192)

vacancies within the Early Help Teams and Children's Centre Service. This is a one off In year saving.

Further employee savings have been identified due to severance. (38)

Expenditure is below budget on other expenditure due to the cessation of the Action for Children Contract from December 2015 (£0.032m), contracts with Stockport NHS (£0.030m) now being funded by Public Health and Community and Voluntary Action Tameside (£0.050m) being funded by the Early Help Investment. The funding from the Early Help Investment is due to cease in September 2016 and therefore will not be an ongoing saving. (112)

The contract for Step Up, Step Out Funding with Community and Voluntary Action Tameside was ceased at the end of quarter 2. (96)

Other Minor Variations 76

Grants and Contributions – Minor Variations 28

Sales, Fees & Charges – Minor Variations (6)

Other Income – Minor Variations (3)

Use of One Off Monies (46)

**Strategy and Early Intervention Total (491)**

### **Education**

Expenditure is below budget on employee costs due to in year vacancies and staff leaving as part of the severance initiative. (305)

Special Education transport: Minor variations under £0.05m 21

Other Expenditure is below budget due to: spend being less than anticipated within both the Schools Causing Concern Budget (£0.84m) and the Contingency for Schools budget (£0.46m), and Governors Services spend being less than expected in relation to Governor Courses due to the use of internal staff rather than external consultants (£0.67m). (197)

Grants & Contributions: Minor Variations under £0.05m (9)

Non-Academy Schools Income: Minor Variations under £0.05m (47)

Income is greater than the budget for Academy Schools due to an increase in the buy in from Academies for traded services. (73)

Sales, Fees & Charges: Minor variations under £0.05m (6)

Other Income: Minor Variations under £0.05m (5)

Use of one-off monies is below budget due to : spend being less than anticipated within the Schools Causing Concern Budget (£0.89m) and some other minor variations 117

**Education Total (410)**

**b. Budget Analysis**

An analysis of expenditure and income for each service within Children's is detailed below:

Children's Social Care

	<b>2015/16 Budget £000</b>	<b>Outturn £000</b>	<b>Variation to Budget £000</b>
<b>Childrens Social Care 2015/2016 - Quarter 4</b>			
Employee Expenses	8,735	8,451	(284)
External Agency Placements - Residential/Fostering	7,522	7,609	87
Internal Carer Payments	5,769	5,778	9
Direct Payments	470	520	50
Placements 16+	1,025	1,562	537
Transport Related Expenses	92	106	14
Transport Related - Car Mileage	177	107	(70)
Other Expenditure	2,301	2,450	149
Savings to be achieved	(4,451)	0	4,451
<b>EXPENDITURE</b>	<b>21,640</b>	<b>26,583</b>	<b>4,943</b>
Grants and Contributions	(203)	(194)	9
Sales, Fees and Charges	(546)	(536)	10
Other Income	(405)	(417)	(12)
External Placements Residential	(248)	(280)	(32)
Government Grant Income	(761)	(748)	13
<b>INCOME</b>	<b>(2,163)</b>	<b>(2,175)</b>	<b>(12)</b>
<b>TOTAL</b>	<b>19,477</b>	<b>24,408</b>	<b>4,931</b>

Strategy and Early Intervention

	<b>2015/16 Budget £000</b>	<b>Outturn £000</b>	<b>Variation to Budget £000</b>
Employee Expenses	2,979	2,647	(332)
Other Expenditure	1,764	1,632	(132)
<b>EXPENDITURE</b>	<b>4,743</b>	<b>4,279</b>	<b>(464)</b>
Grants and Contributions	(793)	(765)	28
Sales, Fees and Charges	(1)	(7)	(6)
Other Income	(706)	(709)	(3)
<b>INCOME</b>	<b>(1,500)</b>	<b>(1,481)</b>	<b>19</b>
Use of one-off monies	(1,006)	(1,052)	(46)
Savings being planned	0	0	0
<b>TOTAL</b>	<b>2,237</b>	<b>1,746</b>	<b>(491)</b>

## Education – Core Services

	2015/16 Budget £000	Outturn £000	Variation to Budget £000
Employee Costs	3,274	2,969	(305)
Special Education Transport	1,254	1,275	21
Other Expenditure	4,898	4,700	(197)
<b>EXPENDITURE</b>	<b>9,425</b>	<b>8,944</b>	<b>(481)</b>
Grants and Contributions	(423)	(432)	(9)
Dedicated Schools Grant (DSG)	(2,201)	(2,201)	0
Non-Academy Schools Income	(2,429)	(2,382)	47
Academy Schools Income	(250)	(323)	(73)
Sales, Fees & Charges	(321)	(327)	(6)
Other Income	(170)	(175)	(5)
<b>INCOME</b>	<b>(5,795)</b>	<b>(5,841)</b>	<b>(46)</b>
B/fwd from 2014/15	4	4	0
Use of one-off monies	(270)	(153)	117
<b>TOTAL</b>	<b>3,364</b>	<b>2,954</b>	<b>(410)</b>

## Education - DSG Specific Services

	2015/16 Budget £000	Outturn £000	Variation to Budget £000
Employee Costs	1,718	1,648	(70)
Special Education Transport	0	0	0
Other Expenditure	10,171	11,234	1,063
<b>EXPENDITURE</b>	<b>11,889</b>	<b>12,881</b>	<b>992</b>
Grants and Contributions	(139)	(269)	(131)
Dedicated Schools Grant (DSG)	(11,300)	(11,689)	(390)
Non-Academy Schools Income	(144)	(156)	(12)
Academy Schools Income	(150)	(143)	7
Other Income	0	(340)	(340)
<b>INCOME</b>	<b>(11,733)</b>	<b>(12,598)</b>	<b>(865)</b>
Use of one-off monies	(128)	(255)	(127)
<b>TOTAL</b>	<b>29</b>	<b>29</b>	<b>0</b>
<b>OVERALL EDUCATION TOTAL</b>	<b>3,393</b>	<b>2,983</b>	<b>(410)</b>

## 2. ADULT AND EARLY INTERVENTION SERVICES

	2015/16 Budget £000	Outturn £000	Variation to Budget £000
Adult Social Care	49,750	55,317	5,567
Adults and Early Intervention	1,356	1,196	(160)
<b>TOTAL</b>	<b>51,106</b>	<b>56,513</b>	<b>5,407</b>

**a. Overview**

**£000**

**Adult Social Care**

A combination of external cost pressures in demand led services such as homecare and care home placements and also savings to be identified have resulted in a budget deficit for 2015-16. This has been factored into the wider work being carried out with NHS colleagues and work is ongoing to address the collective health and social care economy funding gap. 5,567

**Adult Social Care Total 5,567**

**Adults and Early Intervention**

Expenditure is below budget on employee costs due to staff leaving and severance. (69)

Other Expenditure: below budget due to the spend on carers grants being less than anticipated. (70)

Grants and Contributions: Minor variation under £0.05m (19)

Sales, Fees and Charges: Minor variation under £0.05m 6

Other Income: Minor variation under £0.05m (8)

**Adults and Early Intervention Total (160)**

**b. Budget Analysis**

An analysis of expenditure and income for each service within Adult and Early Intervention Services is detailed below:

Adult Social Care

	<b>2015/16 Budget £000</b>	<b>Outturn £000</b>	<b>Variation to Budget £000</b>
Employee Expenses	19,877	19,222	(655)
Residential and Nursing Care	23,178	23,498	320
Residential and Nursing Care - FNC	1,327	1,374	47
Direct Payments	3,242	2,660	(582)
Homecare	6,200	6,136	(64)
Transport Related Expenditure	1,088	911	(177)
Other Expenditure	22,819	24,880	2,061
Savings to be identified	(5,749)	0	5,749
<b>EXPENDITURE</b>	<b>71,982</b>	<b>78,679</b>	<b>6,699</b>
Grants and Contributions	(3,280)	(3,400)	(120)
Sales, Fees and Charges	(8,472)	(8,952)	(480)
Residential and Nursing Care inc Property Income & CHC	(9,066)	(9,570)	(504)
Residential and Nursing Care - FNC	(1,300)	(1,327)	(27)
Other Income	(114)	(115)	(1)
<b>INCOME</b>	<b>(22,232)</b>	<b>(23,364)</b>	<b>(1,132)</b>
<b>TOTAL</b>	<b>49,750</b>	<b>55,315</b>	<b>5,567</b>

## Adults and Early Intervention

	2015/16 Budget £000	Outturn £000	Variation to Budget £000
Employee Expenses	607	538	(69)
Other Expenditure	873	803	(70)
<b>EXPENDITURE</b>	<b>1,480</b>	<b>1,341</b>	<b>(139)</b>
Grants and Contributions	(87)	(106)	(19)
Sales, Fees and Charges	(37)	(31)	6
Other Income	0	(8)	(8)
<b>INCOME</b>	<b>(124)</b>	<b>(145)</b>	<b>(21)</b>
<b>TOTAL</b>	<b>1,356</b>	<b>1,196</b>	<b>(160)</b>

### 3. STRONGER COMMUNITIES

	2015/16 Budget £000	Outturn £000	Variation to Budget £000
Stronger Communities	7,141	8,388	1,247
<b>TOTAL</b>	<b>7,141</b>	<b>8,388</b>	<b>1,247</b>

#### a. Overview

Stronger Communities has exceeded its budget by £1.247m. The reasons for the service being over budget are:

As a result of expenditure in excess of budget in 2014/15 the budget was reduced by £80k. Work has continued throughout the year on delivering ongoing savings, however this reduction in budget has not been able to be recovered.

£000  
80

Savings Identified - work undergone throughout year on delivering savings which have begun to materialise following robust governance processes. Savings now allocated against services and full year effects to follow in 16/17 to create a balanced budget.

1,167

**Stronger Communities Total**

**1,247**

#### b. Budget Analysis

	2015/16 Budget £000	Projected Outturn £000	Variation to Budget £000
Employee Expenses	5,538	4,907	(631)
Other Expenditure	5,705	4,967	(738)
<b>EXPENDITURE</b>	<b>11,243</b>	<b>9,874</b>	<b>(1,369)</b>
Grants and Contributions	(373)	(411)	(38)
Sales, Fees and Charges	(894)	(1,075)	(181)
<b>INCOME</b>	<b>(1,267)</b>	<b>(1,486)</b>	<b>(219)</b>
B/fwd from 2013/14	(80)	0	80
Savings Planned and Savings to be Identified	(2,755)	0	2,755
<b>TOTAL</b>	<b>7,141</b>	<b>8,388</b>	<b>1,247</b>

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**DIRECTOR OF PUBLIC HEALTH**

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**4. DIRECTOR OF PUBLIC HEALTH**

	<b>2015/16 Budget £000</b>	<b>Outturn £000</b>	<b>Variation to Budget £000</b>
Director of Public Health	16,329	16,329	0
<b>TOTAL</b>	<b>16,329</b>	<b>16,329</b>	<b>0</b>

**a. Overview**

Public Health has delivered a balanced budget after managing the 7% (£942,000) in-year reduction to the Public Health grant.

**£000**

Due to the in year nature of the reduction, £308,000 that had been allocated to re-negotiating current contracts will not fully materialise until 2016/17. 308

Early Years additional reduction in programme spend (144)

In year efficiencies from voluntary severance (76)

Additional in year efficiencies (88)

**Public Health Total** **0**

**b. Budget Analysis**

	<b>2015/16 Budget £000</b>	<b>Outturn £000</b>	<b>Variation to Budget £000</b>
Employee Expenses	1,480	1,358	(122)
Other Expenditure	15,377	15,568	191
<b>EXPENDITURE</b>	<b>16857</b>	<b>16,926</b>	<b>69</b>
Sales, Fees and Charges	(528)	(597)	(69)
<b>INCOME</b>	<b>(528)</b>	<b>(597)</b>	<b>(69)</b>
<b>TOTAL</b>	<b>16,329</b>	<b>16,329</b>	<b>0</b>

**DIRECTOR OF PLACE**

**5. ASSET AND INVESTMENT PARTNERSHIP MANAGEMENT**

	<b>2015/16 Budget £000</b>	<b>Outturn £000</b>	<b>Variation to Budget £000</b>
Asset and Investment Partnership Management	3,641	3,815	174
<b>TOTAL</b>	<b>3,641</b>	<b>3,815</b>	<b>174</b>

**a. Overview**

**£000**

**Corporate Landlord**

Employee Expenses - Vacant posts within the service as a result of staff leaving and as a result of a restructure to the Estates function. (180)

Other Expenditure - Costs in excess of budget as a result of necessary works arising as a result of the TAC decant, and general building maintenance expenditure 661

Sales, Fees and Charges Minor variation 40

Other Income - Income in excess of budget generated as a result of additional works undertaken on behalf of service areas for estates. (219)

Capital Items & Movements to/from Earmarked Reserves - Minor variation (2)

**Corporate Landlord Total 300**

**Catering**

Efficiencies made within the catering service (126)

**Catering Total (126)**

**b. Budget Analysis**

	<b>2015/16 Budget £000</b>	<b>Projected Outturn £000</b>	<b>Variation to Budget £000</b>
Employee Expenses	3,231	2,705	(526)
PFI & FM Contract costs	20,333	20,245	(88)
Other Expenditure	11,038	12,260	1,222
<b>EXPENDITURE</b>	<b>34,602</b>	<b>35,210</b>	<b>608</b>
Grants and Contributions	(14,383)	(14,383)	0
Sales, Fees and Charges	(3,217)	(3,081)	136
Other Income	(13,065)	(13,984)	(919)
<b>INCOME</b>	<b>(30,665)</b>	<b>(31,448)</b>	<b>(783)</b>
Movements to/from Earmarked Reserves	(296)	53	349
Savings to be identified	0	0	0
<b>NET</b>	<b>3,641</b>	<b>3,815</b>	<b>174</b>

## 6. ENVIRONMENTAL SERVICES

	2015/16 Budget £000	Outturn £000	Variation to Budget £000
Environmental Services	45,854	45,125	(729)
<b>TOTAL</b>	<b>45,854</b>	<b>45,125</b>	<b>(729)</b>

### a. Overview

£000

Savings relating to employee costs across the service arising as a result of vacant posts not being filled. In addition there has been less expenditure than anticipated on employee costs for the Bin Swap scheme; this is as a result of the utilisation of existing employees and secondments.

(729)

**Environmental Services Total**

**(729)**

### b. Budget Analysis

	2015/16 Budget £000	Outturn £000	Variation to Budget £000
Employee Expenses	14,784	14,054	(730)
Passenger Transport Levy	15,854	15,854	0
Land Drainage Levy	106	106	0
GMC Waste Disposal Levy	16,519	16,519	0
Other Expenditure	19,757	19,857	100
Recharge Expenditure	2,178	2,263	85
<b>EXPENDITURE</b>	<b>69,198</b>	<b>68,653</b>	<b>(545)</b>
Grants and Contributions	0	(145)	(145)
Sales, Fees and Charges	(15,320)	(16,203)	(883)
Other Income	(4,535)	(3,631)	904
Recharge Income	(2,645)	(4,531)	(1,886)
<b>INCOME</b>	<b>(22,500)</b>	<b>(24,510)</b>	<b>(2,010)</b>
B/fwd from 2014/15	0	0	0
Movements to/from Reserves	(1,111)	982	2,093
Savings being planned	267	0	(267)
<b>TOTAL</b>	<b>45,854</b>	<b>45,125</b>	<b>(729)</b>

## 7. DEVELOPMENT GROWTH AND INVESTMENT

	2015/16 Budget £000	Outturn £000	Variation to Budget £000
Development Growth and Investment	3,183	3,021	(162)
<b>TOTAL</b>	<b>3,183</b>	<b>3,021</b>	<b>(162)</b>

### a. Overview

Development growth and investment has an outturn variation to budget of (£0.162m).

	<b>£000</b>
Expenditure below budget for Employee costs as a result of vacant posts across the service and service re-design not yet fully complete in all areas.	(210)
Professional Consultancy - external assistance for Building Control due to inability to fill vacant posts	32
Shortfall in Building Control Income as a result of vacant posts	149
Shortfall Ground Rental Income	39
Previously anticipated contribution from New Economy towards YES Pledge, now expected during 2016/17	45
Additional contribution for work being completed by Employment and Skills team funded via DWP	(63)
Other minor variations across Development, Growth and Investment	(154)
<b>Development Growth and Investment Total</b>	<b>(162)</b>

### b. Budget Analysis

	2015/16 Budget £000	Outturn £000	Variation to Budget £000
Employee Expenses	3,132	2,922	(210)
British Waterways Levy	79	79	0
Other Expenditure	2,307	2,456	149
<b>EXPENDITURE</b>	<b>5,518</b>	<b>5,457</b>	<b>(61)</b>
Grants and Contributions	(1,032)	(901)	131
Sales, Fees and Charges	(1,293)	(1,288)	5
Other Income	(100)	(247)	(147)
<b>INCOME</b>	<b>(2,425)</b>	<b>(2,436)</b>	<b>(11)</b>
B/fwd from 2014/15	83	0	(83)
Movements to/from Reserves	0	0	0
Savings being planned	7	0	(7)
<b>TOTAL</b>	<b>3,183</b>	<b>3,021</b>	<b>(162)</b>

## 8. DIGITAL TAMESIDE

	2015/16 Budget £000	Outturn £000	Variation to Budget £000
Digital Tameside	1,875	1,814	(61)
<b>TOTAL</b>	<b>1,875</b>	<b>1,814</b>	<b>(61)</b>

### a. Overview

Digital Tameside has spent less than budget by £0.061m. The reasons for this variation are:

**£000**

Employee Expenses – Minor Variation	37
Supplies & Services Expenses	(86)
Sales, Fees and Charges Minor variation	(46)
Recharge Income - Minor variation	34
<b>Digital Tameside Total</b>	<b><u>(61)</u></b>

### b. Budget Analysis

	2015/16 Budget £000	Outturn £000	Variation to Budget £000
Employee Expenses	1,377	1,414	37
Supplies & Services Expenses	1,165	1,078	(87)
<b>EXPENDITURE</b>	<b>2,542</b>	<b>2,492</b>	<b>(50)</b>
Sales, Fees and Charges	(162)	(208)	(46)
Recharge Income	(504)	(470)	34
<b>INCOME</b>	<b>1,875</b>	<b>1,814</b>	<b>(61)</b>

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**DIRECTOR OF GOVERNANCE AND RESOURCES**

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**9. DIRECTOR OF GOVERNANCE AND RESOURCES**

	<b>2015/16 Budget £000</b>	<b>Outturn £000</b>	<b>Variation to Budget £000</b>
Director of Governance and Resources	12,384	10,081	(2,303)
<b>TOTAL</b>	<b>12,384</b>	<b>10,081</b>	<b>(2,303)</b>

**a. Overview**

**£000**

Vacant posts and savings as a result of severance have resulted in expenditure less than budget	(2,198)
Ongoing restrictions in expenditure	(1,305)
Amount earmarked for use in 2016/17 and future years for investment in service redesign and efficiencies	2,000
Cost of Collection surplus for Business Rates	(433)
Increased income received across the service area	(87)
Previous years balances brought forward	(280)
<b>Director of Governance and Resources Total</b>	<b><u>(2,303)</u></b>

**b. Budget Analysis**

	<b>2015/16 Budget £000</b>	<b>Outturn £000</b>	<b>Variation to Budget £000</b>
Employee Expenses	12,477	10,279	(2,198)
Housing Benefit Payments	89,236	89,236	0
Other Expenditure	4,131	2,826	(1,305)
<b>EXPENDITURE</b>	<b>105,844</b>	<b>102,341</b>	<b>(3,503)</b>
Grants and Contributions	(869)	(980)	(111)
Sales, Fees and Charges	(3,612)	(4,050)	(438)
Housing Benefit Subsidy	(88,929)	(88,929)	0
Other Income	(330)	(301)	29
<b>INCOME</b>	<b>(93,740)</b>	<b>(94,260)</b>	<b>(520)</b>
B/fwd from 2014/15	280		(280)
Transfer to Reserve	0	2,000	2,000
<b>TOTAL</b>	<b>12,384</b>	<b>10,081</b>	<b>(2,303)</b>

## 10. CORPORATE COSTS

	2015/16 Budget £000	Outturn £000	Variation to Budget £000
Corporate Costs	8,420	5,417	(3,003)
<b>TOTAL</b>	<b>8,420</b>	<b>5,417</b>	<b>(3,003)</b>

### a. Overview

Corporate Costs include a range of central functions including Insurance, AGMA and Coroners costs and the cost of Democracy. The achievement of efficiencies and the receipt of additional income have resulted in an outturn position of spending below budget of £3.003m, as detailed below:

**£000**

Other Services - efficiencies achieved as a result of the insurance review.	(364)
Efficiencies in the cost of Democracy	(224)
Additional Manchester Airport Dividends	(2,245)
Additional Income Received	(170)
<b>Corporate Costs Total</b>	<b><u>(3,003)</u></b>

### b. Budget Analysis

	2015/16 Budget £000	Outturn £000	Variation to Budget £000
Employee Expenses (incl. employee insurance)	6,647	6,543	(104)
Other Expenditure	4,656	4,171	(485)
<b>EXPENDITURE</b>	<b>11,303</b>	<b>10,714</b>	<b>(589)</b>
Grants and Contributions	(17)	(32)	(15)
Sales, Fees and Charges	(1,856)	(2,017)	(161)
Other Income	(1,010)	(3,249)	(2,239)
<b>INCOME</b>	<b>(2,883)</b>	<b>(5,298)</b>	<b>(2,415)</b>
B/fwd from 2014/15	0		0
<b>TOTAL</b>	<b>8,420</b>	<b>5,417</b>	<b>(3,003)</b>

## 11. CAPITAL AND FINANCING

	<b>2015/16 Budget £000</b>	<b>Outturn £000</b>	<b>Variation to Budget £000</b>
Capital and Financing	20,296	11,398	(8,898)
<b>TOTAL</b>	<b>20,296</b>	<b>11,398</b>	<b>(8,898)</b>

## 12. OTHER COST PRESSURES AND FUNDING

	<b>2015/16 Budget £000</b>	<b>Outturn £000</b>	<b>Variation to Budget £000</b>
Other Cost Pressures and Funding	15,990	825	(15,165)
Transfer to reserves	0	12,800	12,800
<b>TOTAL</b>	<b>15,990</b>	<b>13,625</b>	<b>(2,365)</b>

### a. **Overview**

This is budget provision for risk and cost pressures that have been identified and reported in service areas. It is proposed that £12.8m will be transferred to reserves, £12m of which is to provide some protection to care services in 2016/17 whilst the Council moves to its ground-breaking Integrated Care Organisation (ICO) with Health Services in Tameside & Glossop.

## APPENDIX 3

Directorate	Service	2015/16 Budget £000	Outturn Variation £000	Proposed reserve movement £000	C/Fwd £000
People	Childrens Social Care	19,477	4,931		No
People	Strategy and Early Intervention	2,237	(491)		No
People	Education	3,393	(410)		Yes <sup>1</sup>
People	Adults Social Care	49,750	5,567		No
People	Adults Early Intervention	1,356	(160)		No
People	Stronger Communities	7,141	1,247		No
	<b>Total People</b>	<b>83,354</b>	<b>10,684</b>		
Public Health	<b>Director of Public Health</b>	<b>16,329</b>	<b>0</b>		
Place	Asset and Investment Partnership Management	3,641	174		No
Place	Environmental Services	45,854	(729)		Yes <sup>2</sup>
Place	Development, Growth & Investment	3,183	(162)		Yes <sup>3</sup>
Place	Digital Tameside	1,875	(61)		Yes <sup>4</sup>
	<b>Total Place</b>	<b>54,553</b>	<b>(778)</b>		
Governance	Director of Governance and Resources	12,384	(4,303)	2,000	Part <sup>5</sup>
Other	Corporate Costs	8,420	(3,003)		No
Other	Capital Financing	20,296	(8,898)		No
Other	Other Cost Pressures and Funding <sup>6</sup>	15,990	(15,165)	12,800	No
		<b>57,090</b>	<b>(31,369)</b>	<b>14,800<sup>6</sup></b>	
	<b>Total</b>	<b>211,326</b>	<b>(21,463)</b>		

### Notes:

1. £135k to support Denominational School bus passes, £40k for asbestos surveys in council maintained schools and £115k to support the shortfall in funding, primarily as a result of increases in the cost of mandatory National Insurance and Pension contributions.
2. It is anticipated that this will be utilised in 2016/17 to support the Leaders' pledges.
3. It is anticipated that this will be utilised in 2016/17 to support the Leaders' pledges and other highway and infrastructure related unbudgeted works required to support the economic growth of the borough.
4. This is a commitment to be used against the Tameside Digital investment.
5. It will be utilised to offset the ongoing reduction in Housing Benefit admin grant, and invest to save initiatives e.g. system improvements. This will allow the service to continue to manage their budgets within increasingly financial restraints.
6. Proposed transfers to reserve requiring approval

## APPENDIX 4

The tables below detail how the Council is performing against target collection rates in both Business Rates and Council Tax. Arrears are pursued and recovery of current year arrears will continue in future years.

<b>Council Tax In-year Collection Performance 2015/16</b>				
	<b>Cash Collected £m</b>	<b>Cash Collected %</b>	<b>Cash Target %</b>	<b>Variation %</b>
April 2015	9.208	10.60	10.40	+0.20
May 2015	16.695	19.17	19.50	-0.33
June 2015	24.608	28.24	28.40	-0.16
July 2015	32.619	37.42	37.60	-0.18
August 2015	40.160	46.00	46.20	-0.20
September 2015	48.247	55.10	55.50	-0.40
October 2015	56.012	64.13	64.50	-0.37
November 2015	63.867	73.14	73.20	-0.06
December 2015	71.263	81.59	81.80	-0.21
January 2016	78.634	89.96	90.10	-0.14
February 2016	80.664	92.26	92.90	-0.64
March 2016	82.324	94.17	94.20	-0.03

<b>Business Rates In-year Collection Performance 2015/16</b>				
	<b>Cash Collected £m</b>	<b>Cash Collected %</b>	<b>Cash Target %</b>	<b>Variation %</b>
April 2015	6.679	10.88	9.90	+0.98
May 2015	11.629	18.98	20.90	-1.92
June 2015	17.543	28.96	30.40	-1.44
July 2015	23.289	38.44	39.40	-0.96
August 2015	28.353	46.85	47.20	-0.20
September 2015	33.553	55.20	55.80	-0.40
October 2015	38.746	63.69	65.00	-1.31
November 2015	44.016	72.24	73.70	-1.46
December 2015	48.456	79.60	81.90	-2.30
January 2016	53.886	88.39	89.60	-1.21
February 2016	56.330	92.82	93.30	-0.48
March 2016	58.284	96.10	96.30	-0.20

## APPENDIX 5

<b>CAPITAL MONITORING STATEMENT - 2015/16 OUTTURN</b>			
	<b>Annual Budget</b>	<b>Actual</b>	<b>Outturn Variation</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b><u>PEOPLE</u></b>			
Children	16,550	14,662	(1,888)
Community Services	251	160	(91)
Public Health	1,034	965	(69)
<b><u>PLACES</u></b>			
AIPM	9,107	8,044	(1,063)
Development & Investment	6,780	6,076	(704)
Digital Tameside	2,150	1,252	(898)
Engineering Services	8,924	7,477	(1,447)
Environmental Health	72	74	2
Operations	404	151	(253)
Transport	1,206	1,205	(1)
<b>Subtotal</b>	<b>46,478</b>	<b>40,067</b>	<b>(6,411)</b>
<b>Unallocated (see below)</b>	<b>1,061</b>		
<b>Total</b>	<b>47,539</b>		

<b>CAPITAL FUNDING STREAMS - UNALLOCATED TO PROJECTS</b>	
	<b>Annual Budget</b>
<b>Development &amp; Investment Resources</b>	259
	802
<b>Total Funding Streams</b>	1,061

<b>RESOURCES</b>	<b>£000</b>
Capital Grants	22,282
Unsupported Borrowing	7,742
Revenue Contributions	780
Capital Receipts	7,719
Capital Contributions	516
Corporate Resources	1,030
<b>Total</b>	<b>40,067</b>

# Agenda Item 7.

<b>Report To:</b>	<b>OVERVIEW (AUDIT) PANEL</b>
<b>Date:</b>	12 September 2016
<b>Executive Member/Reporting Officer:</b>	Cllr Jim Fitzpatrick – First Deputy (Finance and Performance)  Ian Duncan – Assistant Executive Director, Finance (Section 151 Officer)
<b>Subject:</b>	<b>TREASURY MANAGEMENT ACTIVITIES</b>
<b>Report Summary:</b>	The report sets out the Treasury Management activities for the financial year 2015/16. It also provides initial commentary on the impact of the recent Referendum for treasury management activities. 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 external interest saving of £5.981m. Investment returns were £0.009m higher than estimated.
<b>Recommendations:</b>	<ol style="list-style-type: none"><li>1. That the treasury management activities undertaken on behalf of both Tameside MBC and the Greater Manchester Metropolitan Debt Administration Fund (GMMDAF) are noted.</li><li>2. The outturn position for the prudential indicators in <b>Appendix A</b> are approved.</li><li>3. The early and emerging implications for treasury management of the recent Referendum are noted.</li></ol>
<b>Links to Community Strategy:</b>	The Treasury Management function of the Council underpins the ability to finance the Council's priorities.
<b>Policy Implications:</b>	In line with Council Policies.
<b>Financial Implications: (Authorised by the Section 151 Officer)</b>	By not taking up the borrowing requirement since 2009/10, a saving on external interest payments of £5.986m was achieved against the 2015/16 original estimate. The investment returns for 2015/16 were £0.009m higher than the original estimate.  The outcome of the treasury management actions shown above, resulted in net external interest during 2015/16 of £4.984m, being a saving of £5.981m compared to the original estimate.
<b>Legal Implications: (Authorised by the Borough Solicitor)</b>	The report complies with the Council's financial regulation 17.3. The Council is required by statute to set and maintain a balanced budget, careful management of the finances allows the Council to achieve this and this report provides a means for Members to monitor the situation.
<b>Risk Management:</b>	Failure to properly manage and monitor the Council's loans and investments could lead to service failure and loss of public confidence.
<b>Access to Information:</b>	The background papers relating to this report can be inspected

by contacting Tom Austin, Resource Manager, by:

 phone: 0161 342 3857

 e-mail: [Thomas.austin@tameside.gov.uk](mailto:Thomas.austin@tameside.gov.uk)

## **1. INTRODUCTION**

- 1.1 This is the Annual Report on Treasury Management for the financial year 2015/16. The report is required to be submitted to the Overview (Audit) Panel prior to 30 September 2016, 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 2016; 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. DEBT**

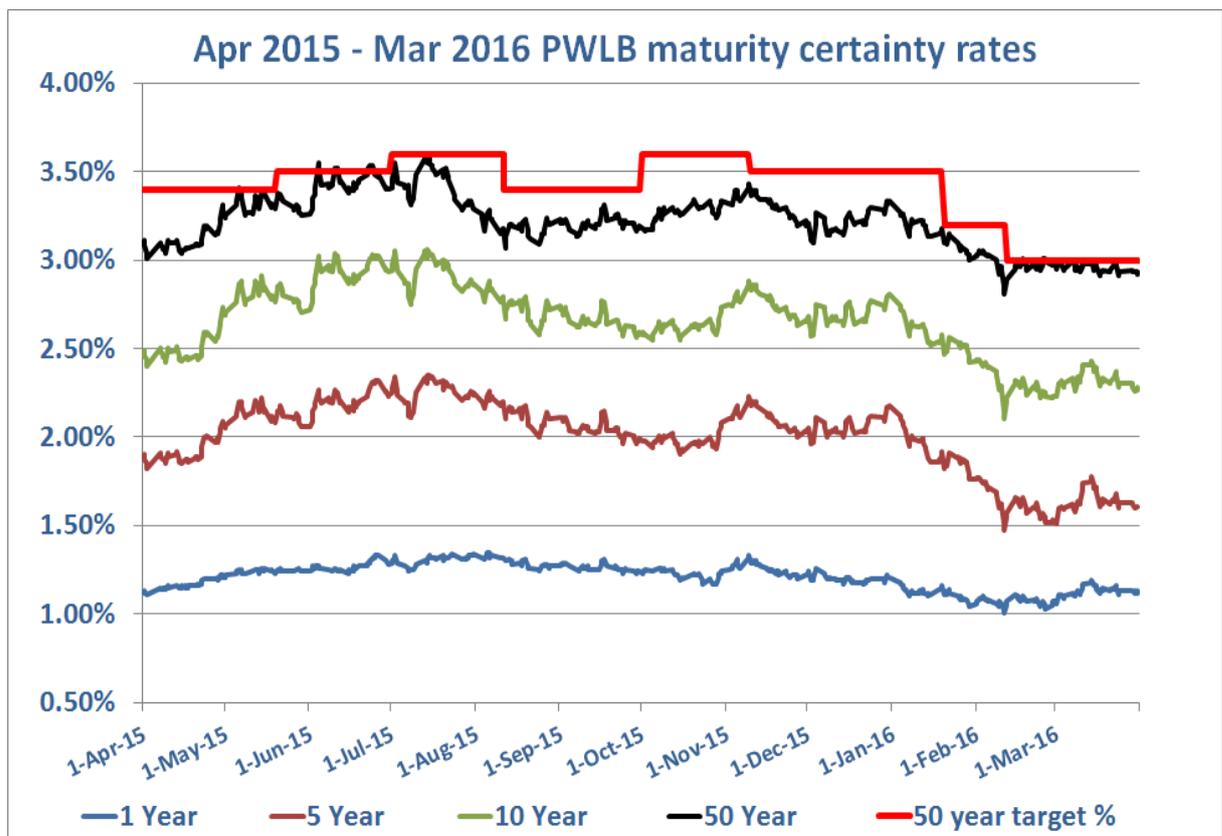
- 3.1 The long-term debt of the Council reflects capital expenditure financed by loans, which are yet to be repaid.
- 3.2 The amount of long-term debt that the Council may have is governed by the Prudential Limits set by the Council at the start of the financial year. This is based on the amount of borrowing 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 In 2015/16 the Council's MRP policy was revised from the previous practice (4% of the capital finance requirement on a reducing balance basis) to a straight line method of 2% of the 2015/16 capital financing requirement over a period of 50 years.
- 3.5 Any new prudential borrowing taken up will be provided for within the MRP calculation based upon the expected useful life of the asset or by an alternative approach deemed appropriate to the expenditure in question.
- 3.6 For any finance leases and any on-balance sheet public finance initiative (PFI) schemes, the MRP charge will be equal to the principal repayment during the year, calculated in accordance with proper practices.
- 3.7 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 5 year period. Any repossession losses for this type of scheme would be charged to a LAMS reserve.
- 3.8 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 recently confirmed that they are planning to waive their right to change the rate on their LOBO. This will essentially convert that loan into a standard fixed rate loan with no risk of any increase in rate.
- 3.9 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.

#### **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 Following the Comprehensive Spending Review 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. However, the PWLB continues to offer a scheme to allow a 0.20% reduction on published borrowing rates known as the “certainty rate”, for Councils that provide indicative borrowing requirements for the next 3 years. The Council has provided this information and has therefore protected its eligibility for the “certainty rate”. This does not however commit the Council to a particular course of action.
- 4.5 Market expectations for the first increase in Bank Rate moved considerably during 2015/16, starting at quarter 3 2015 but soon moving back to quarter 1 2016. However, by the end of the year, market expectations had moved back radically to quarter 2 2018 due to many fears including concerns that China’s economic growth could be heading towards a hard landing; the potential destabilisation of some emerging market countries particularly exposed to the Chinese economic slowdown; and the continuation of the collapse in oil prices during 2015 together with continuing Eurozone growth uncertainties.
- 4.6 These concerns have caused sharp market volatility in equity prices during the year with corresponding impacts on bond prices and bond yields due to safe haven flows. Bank Rate, therefore, remained unchanged at 0.5% for the seventh successive year. Economic growth (GDP) in the UK surged strongly during both 2013/14 and 2014/15 to make the UK the top performing advanced economy in 2014. However, 2015 has been disappointing with growth falling steadily from an annual rate of 2.9% in quarter 1 2015 to 2.1% in quarter 4.
- 4.7 The table shown below (published by Capita) shows the comparative Public Works Loan Board interest rates available during 2015/16, for a range of maturity periods.



## 5. ACTIVITIES 2015/16

### Borrowing

5.1 The Council originally had a potential borrowing requirement for the year of £82.332 million.

5.2 The actual amount of long term borrowing which was required due to Council activity was £68.931 million as outlined below: -

	<b>£ millions</b>
Loan financed capital expenditure:	
outstanding for 2015/16	7.742
outstanding for 2014/15	1.429
outstanding for 2013/14	11.845
outstanding for 2012/13	0.908
outstanding for 2011/12	(2.038)
outstanding for 2010/11	12.734
outstanding for 2009/10	29.650
outstanding for 2008/09	0.331
Plus debt maturing in year	10.034
	<b>72.635</b>
Less MRP repayments (excluding PFI)	<b>(3.704)</b>
<b>Net under borrowed position</b>	<b>68.931</b>

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 £68.931million 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 £68.931million 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, Capita.

### 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 As mentioned above, 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 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 2015, the net movement for the year, and the final position at 31 March 2016.

	<u>Debt O/S</u>	<u>Debt</u>	<u>Loans /</u>	<u>Debt O/S</u>
	<u>01/04/15</u>	<u>Repaid</u>	<u>Investments</u>	<u>31/03/16</u>
<u>Principal Amounts</u>	<u>£000's</u>	<u>£000's</u>	<u>In year</u>	<u>£000's</u>
			<u>£000's</u>	
PWLB - fixed interest	87,500	(10,305)		77,195
PWLB - variable interest	0			0
Market Loans	40,000			40,000
* Manchester Airport	3,103	(713)		2,390
Temp Loans / (Investments)	(146,899)		(16,860)	(163,759)
Trust Funds, Contractor Deposits etc	121	11		132
<b>Net loans outstanding</b>	<b>(16,175)</b>	<b>(11,007)</b>	<b>(16,860)</b>	<b>(44,042)</b>

- 5.11 The amount of gross external loans outstanding (£119.6m) represents 21% of the Council's total long term assets (£566.7m) as at the 31 March 2016.
- 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. 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 with a repayment of the debt by 2055.*

### 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.
- 5.14 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.
- 5.15 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 2015/16 stated that at least 75% of our investments would be "specified".

- 5.16 The high credit ratings chosen by the Council were a minimum of A+ long term and F1 short term ensures the security of the investment is the main priority. In the Council's mid-year Treasury Management Report approval was given to extend the Council's counterparty list to mirror that of the Council's advisors, Capita. This allowed access to an increased range of counterparties and therefore improved levels of diversification and yield. The Capita 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. 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-.
- 5.17 All investments placed in the year agreed with the approved strategy. Within this lower 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.
- 5.18 Tameside achieved an average investment rate of 0.47% on the average weekly investment, against a benchmark LIBID rate of 0.36%. This equated to a gain of £171,138. 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.
- 5.19 The annual turnover for investments was £510m.
- 5.20 No short term loans were required to aid cash-flow during the year, due to investments being placed with a short maturity profile.

**Interest payable and receivable in the year**

- 5.21 As detailed above, the £68.931m 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.
- 5.22 The full year impact of the decision not to take up this borrowing requirement has been to reduce external interest payable by £5.986m. The interest received on investment balances has been £0.009m higher than estimated.
- 5.23 The overall result of the various activities undertaken during the year was that net external interest charge was £5.981m less than the original estimate.
- 5.24 Interest payments associated with the above activities were:-

	<u>Original Estimate</u> <u>£m</u>	<u>Actual</u> <u>£m</u>	<u>Variation</u> <u>£m</u>
<b>External Interest</b>			
Paid on Loans etc	11.906	5.920	(5.986)
Early repayment Discounts	(0.205)	(0.191)	0.014
Less received on Investments	(0.736)	(0.745)	(0.009)
<b>Net external Interest paid</b>	<b><u>10.965</u></b>	<b><u>4.984</u></b>	<b><u>(5.981)</u></b>
Internal Interest Paid	0.117	0.113	(0.004)

<b>Total Interest Paid</b>	<b><u>11.082</u></b>	<b><u>5.097</u></b>	<b><u>(5.985)</u></b>
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5.25 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 2016/17 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 (Capita).

6.2 In 2016/17, in order to achieve greater diversification, the Council will give consideration to the use of those suitable foreign banks that meet the strict credit criteria as set out in the Treasury Management Strategy, should the rates offered be competitive.

6.3 The Council operates a Local Authority Mortgage Scheme to help first time buyers in the area, this involves the Council placing a deposit of £1m with Lloyds Bank for 5 years. This deposit is deemed to be a policy investment, rather than a treasury management investment and as such is separate to the above criteria.

## **7. UPDATE – EU REFERENDUM**

7.1 The most significant event of the current financial year has been the decision on 23 June by the UK to negotiate an exit from the European Union (EU), which is expected to have significant implications for financial assets, economies and currencies.

7.2 At the time of writing this report the markets are taking time to settle in the aftermath of the unexpected referendum result. Sterling deposit levels have eased on the expectation that rates will remain lower for longer than previously expected, as the uncertainty over the future of the UK economy will linger for some considerable time. Meanwhile, negotiations over the EU exit are set to commence later than initially expected, and last a further two years after they start. As things stand, even with a new Prime Minister in place, the expiry of the negotiation period would be October 2018. The interim instability throws up the prospect of the Bank of England having to offer further support to the economy. The Bank has already intervened to put a brake on the Sterling crash on the foreign exchange markets and interest rates have been cut. Negative interest rates are an unlikely outcome, as the Bank would probably opt to increase Quantitative Easing ahead of such action. Cuts to interest rates could have a direct impact on the Council by lowering the rate of return available on its investments.

7.3 Another immediate consequence has been a surge in purchasing of gilts due to their status as "safe haven" assets in a period of uncertainty. This surge of purchasing has lowered gilt yields by as much as 45 basis points. As discussed earlier in this report, the Council has the ability to borrow from the PWLB, which sets its rates based on gilts. The fall in gilt yields has therefore led to a subsequent fall in PWLB rates, meaning that the Council has access to borrowing at lower rates. The Council will continue to closely monitor these rates and take up borrowing if considered beneficial in the long term.

7.4 The ratings agencies have reacted to the referendum by downgrading the UK's sovereign rating and placing it on a negative outlook. The agencies are yet to downgrade any individual banks, although some have been placed on a negative outlook by Moody's. The Capita Creditworthiness List used by the Council takes ratings into account, so any

significant downgrades could have the impact of limiting the range of counterparties available to the Council, which in turn could reduce the yield from our investments.

- 7.5 Capita has reassured the Council that whilst there are negative implications for the UK, its economy and financial institutions as a result of the referendum, financial markets and the operators therein are materially stronger in terms of capital and liquidity than they were ahead of the financial crisis. Furthermore, Mark Carney, Governor of the Bank of England, stated in the immediate aftermath of the vote that "...the capital requirements of our largest banks are now ten times higher than before the crisis. The Bank of England has stress tested them against scenarios more severe than the country currently faces. As a result of these actions, UK banks have raised over £130bn of capital, and now have more than £600bn of high quality liquid assets."
- 7.6 The Council's Treasury Management team will maintain a watching brief of this changing situation and is aided in this with regular advice and updates from Capita, along with brokers and market professionals. Capita's "Passport" system also provides the team with direct access to ratings agency changes along with PWLB and market rates.

## 8. GMMDAF ACTIVITIES

- 8.1 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.
- 8.2 During 2015/16 the debt outstanding reduced by £14.080m. The debt will be fully repaid by 31 March 2022.
- 8.3 The following table sets out the position at 1 April 2015, the net repayments and the final position at 31 March 2016.

<u>Principal Amounts</u>	<u>Debt O/S</u> <u>01/04/15</u> <u>£000's</u>	<u>Debt</u> <u>Maturing</u> <u>£000s</u>	<u>New Loans/</u> <u>Investments</u> <u>£000s</u>	<u>Debt O/S</u> <u>31/03/16</u> <u>£000s</u>
PWLB	121,926	(22,000)	0	99,926
Pre 1974 Transferred Debt	270	(32)	0	238
Temp Loans / (Investments)	923	0	7,022	7,945
Other Balances	1,743	0	930	2,673
	<b>124,862</b>	<b>(22,032)</b>	<b>7,952</b>	<b>110,782</b>

- 8.4 No long term borrowing was required for 2015/16. The timing of any future borrowing will be carried out in consultation with our treasury management advisors, when interest rates are deemed favourable.
- 8.5 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 (Capita), no rescheduling opportunities were identified in 2015/16. 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.

- 8.6 During the year, the fund made overall interest payments of £6.458m. This equated to an average "pool rate" of 5.26%, against the original estimate of 5.33%, and compares with 5.73% in 2015/16.
- 8.7 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.

## **9. PRUDENTIAL LIMITS**

- 9.1 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.

## **10. RECOMMENDATIONS**

- 10.1 As stated on the report cover

## APPENDIX A

### Prudential Indicators – Actual outturn 2015/16

<u>Indicator</u>	<u>Limit</u>	<u>Actual Outturn</u>
Ratio of financing costs to net revenue stream	8%	4%
Capital financing requirement	£211.163	£181.511m
Capital expenditure in year	£53.763m	£39.997m
Incremental impact on capital investment decisions	£8	£3
Authorised limit for external debt	£257.319m	£127.085m
Operational boundary for external debt	£237.319m	£127.085m
Upper limit for fixed interest rate exposure	£211.163m	(£11.421m)
Upper limit for variable interest rate exposure	£63.349m	(£17.900m)
Upper limit for total principal sums invested for over 364 days	£30m	£0m

### Maturity structure for fixed rate borrowing

<u>Indicator</u>	<u>Limit</u>	<u>Outturn</u>
Under 12 months	0% to 15%	0.92%
12 months and within 24 months	0% to 15%	5.41%
24 months and within 5 years	0% to 30%	0.84%
5 years and within 10 years	0% to 40%	4.17%
10 years and above	50% to 100%	88.66%

# Agenda Item 8.

<b>Report To:</b>	<b>OVERVIEW (AUDIT) PANEL</b>
<b>Date:</b>	12 September 2016
<b>Reporting Officer:</b>	Ian Duncan – Assistant Executive Director (Finance) Wendy Poole – Head of Risk Management and Audit Services
<b>Subject:</b>	<b>ANNUAL GOVERNANCE STATEMENT 2015/16</b>
<b>Report Summary:</b>	To present the Annual Governance Statement for 2015/16 to Members for approval ( <b>Appendix 1</b> ).
<b>Recommendations:</b>	To approve the Annual Governance Statement for 2015/16, ahead of it being signed by the Executive Leader and Chief Executive.
<b>Links to Community Strategy:</b>	Demonstrates proper Corporate Governance.
<b>Policy Implications:</b>	The Governance Statement demonstrates proper compliance with the Accounts and Audit Regulations 2015.
<b>Financial Implications:</b> (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.
<b>Legal Implications:</b> (Authorised by the Borough Solicitor)	The production of the statement meets the requirements of the Accounts and Audit Regulations 2015.
<b>Risk Management:</b>	The statement provides assurance that the Council has a sound system of corporate governance in place. It is considered to be an important public expression of how the Council directs and controls its functions and relates to its community.
<b>Access to Information:</b>	The background papers can be obtained from the author of the report, Wendy Poole, Head of Risk Management and Audit Services by:  Telephone: 0161 342 3846  e-mail: <a href="mailto:wendy.poole@tameside.gov.uk">wendy.poole@tameside.gov.uk</a>

## 1. INTRODUCTION

- 1.1 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:-
- Executive Team Assurance Self-Assessments and signed Assurance Statements;
  - Head of Audit’s Annual Report;
  - Executive Team Budget and Assurance Statements;
  - Review of System of Internal Audit;
  - Annual Audit Letter;
  - Review of the Role of the Chief Financial Officer;
  - Review of the Role of the Head of Internal Audit;
  - Corporate Plan; and
  - Statutory Inspections.
- 2.3 The Annual Governance Statement covers both Tameside MBC and the Greater Manchester Pension Fund.
- 2.4 The Draft Annual Governance Statement was presented to the Senior Management Team for challenge and comments on 3 May 2016 and then presented to the Audit Panel on 31 May 2016. Consultation with Executive Members was undertaken during June 2016. All comments received were incorporated into the document.
- 2.5 The Draft Annual Governance Statement was then certified by the Assistant Executive Director (Finance), before it was submitted to External Audit for review. Comments received from External Audit have been incorporated and the final version is attached at **Appendix 1** for approval.

- 2.6 Once approved by the Panel it will be signed by the Executive Leader and Chief Executive on the same day as the Statement of Accounts are signed off.
- 2.7 The Annual Governance Statement covers the governance framework in place for 2015/16 and up to the date the accounts are signed off by External Audit.

**3. RECOMMENDATION**

- 3.1 Members are requested to approve the Annual Governance Statement for 2015/16 ahead of it being signed by the Executive Leader and Chief Executive.

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# **Annual Governance Statement 2015/2016**

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 governance statement explains how we have followed the code and the requirements of the Accounts and Audit (England) Regulations 2015.

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

The Council delegates its 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 Pensions Board

The Management Panel is chaired by the Executive Leader of the Council and all panels and working groups have elected members from the other nine GM 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 ended 31 March 2016, and up to the date of approval of the annual accounts.

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

#### ***Identifying and communicating the Council's vision of its purpose and intended outcomes for citizens and service users***

The Council needs to set out a clear vision that members, employees and the public can identify with and help deliver as public services are changing rapidly due to new legislation and funding cuts. The vision detailed below is set out in the Corporate Plan 2016–21.

The Council as a representative body exists to maximise the wellbeing and health of the people within the borough:

- Supporting economic growth and opportunity;
- Increasing self-sufficiency and resilience of individuals and families; and
- Protect the most vulnerable.

Everything the Council does will aim to make this vision a reality by focusing resources on what matters. Its core purpose and values put people at the forefront of services to ensure that every decision made supports economic growth and self sufficiency. The aim is to work with residents to this by asking them to take on greater responsibility in their families, communities and area, supporting them when they need help.

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.

The landscape the Council operates in has changed significantly over the last 5 years and this has impacted significant on how the Council delivers against its objectives. The Spending Review in 2010 and 2015, the Local Government Finance Settlement and key legislation like the Localism Act and the Care Act have all had 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 2014 and 2015;
- Big Conversation – service specific consultations to inform service redesign;
- Public Service Reform;
- Greater Manchester Devolution Agreement;
- Greater Manchester Health & Social Care Devolution;
- Care Together / Integrated Care Organisation (health and social care integration);
- Medium Term Financial Strategy; and
- Vision Tameside.

The Tameside pledges are a commitment to deliver work on a number of priority areas that have been identified as being of importance to Tameside Residents. Each of the pledges is delivered through a bespoke programme of activity centring around areas that local residents tell us are important to them, such as supporting local businesses, cleaning up local grot spots and the improvement of recycling facilities. The pledges for 2016 are:

- Honour Our Fallen;
- Pothole Buster;
- Generation Savers;
- Every Child a Coder;

- Lots More Lighting;
- Big clean Up;
- Get Tameside Growing;
- Woodland for Wildlife;
- Keeping it Green;
- Refresh Tameside Works first;
- Get Connected;
- Silver Surfers;
- Healthy Lives;
- Mind Your Health;
- Dementia Friendly Tameside;
- Do more Together.

### ***Reviewing the Council's vision and its implications for the Council's governance arrangements***

Because we understand our community, the Council's goals have remained relatively constant for the last ten years that is to maximise the wellbeing and health of the people of the Borough. However giving the changing landscape reference above how the Council delivers against its priorities has evolved. There is a constant thread running from the vision in the Corporate Plan and the key service priorities. Sound corporate governance arrangements underpin the delivery of the vision. The Corporate Plan priorities are as follows:

People – Tameside residents to have the best possible opportunities to live healthy and fulfilling lives.

Place – Tameside is a great place to live and work and the Council will strive to make it even better.

Growth and Reform – Undertaking significant reforms taking demand out of the system, cutting costs while improving outcomes. Projects in this area will stimulate the economy, connect people, businesses and services, improve outcomes and provide our young people with the best opportunities in life.

Resources – The Council will use its resources such as money and people to get maximum benefit for communities in Tameside.

Grant Thornton our External Auditors in their Audit Findings (ISA260) Report for 2014/15 commented that. "The Council continues to have adequate governance arrangements in place. Through the business planning and budget setting process, the Council's financial environment and financial performance is understood by senior management and members are actively engaged in the process".

The Peer Challenge of 2014 recognised that the Council's key governance structures, including the Executive and arrangements like the Health and Wellbeing Board, are clear and appear to work well. The Peer Team heard consistently positive feedback from staff within the Council and external partner agencies on how leaders in the organisation communicate the change and aim to get staff involved.

### ***Translating the vision into objectives for the Council and its partnerships***

The Tameside Corporate Plan 2016 - 21 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 service plans, team plans, and individual development plans.

The Care Together Programme and the creation of an Integrated Care Organisation brings together Tameside and Glossop Clinical Commissioning Group ('the CCG'), Tameside Metropolitan Borough Council ('TMBC') and Tameside Hospital Foundation Trust ('THFT') to reform health and social care services to improve the health outcomes of our residents and reduce health inequalities.

Vision Tameside, Ashton Old Baths and Bin Swap are examples of the major projects that the Council has and is continuing to deliver with partners that demonstrate that it has translated its vision into objectives.

The A+ Trust is a new model of school improvement. Educational attainment levels in Tameside go from strength to strength. 56% of pupils achieved 5 or more GCSEs at grades A\*-C (including English and Maths) in the 2015 results. Tameside was the most improved local authority in the North West and the eleventh most improved in England. GCSE achievement in Tameside is now above the national average and the third best in the North West.

***Measuring the quality of services for users, for ensuring they are delivered in accordance with the Authority's objectives and for ensuring 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 Tameside Challenge Framework has five main elements. They are:-

- Peer Assessment and Challenge;
- Performance Management – People and Places Scorecard;
- Big Conversation and Service Redesign;
- Scrutiny; and
- Risk Management.

In the absence of external inspection the Council commissioned a Corporate Peer Challenge via the Local Government Association and the final report was issued in June 2014. It reviewed:-

- Leadership and governance;
- Financial Viability;
- Organisational capacity;
- Economic growth; and
- Public service reform.

In the Executive Summary the review team concluded that:

“The council has a number of achievements on which it can continue to build. It has strong and stable political and managerial leadership. It has had a sound approach to financial management for a number of years which has stood it in good stead and enabled it to take early decisions to redesign services and manage the national public sector budget reductions. Frontline staff are proud, enthusiastic, energetic and a great asset to the council.”

Continual improvement has always been at the heart of the organisation and the results can be seen through our sustained record of achievement. In the External Auditor's Audit Letter dated October 2015, the Council received an unqualified value for money conclusion, which means that the Council has proper arrangements in place to secure economy, efficiency and effectiveness in the use of its resources and to ensure proper stewardship and governance. The External Auditor noted that:

“The Council has been proactive in taking difficult decisions in relation to its cost base and continues to show strong financial resilience and good financial planning and management arrangements”.

The Value for Money conclusion assessed by External Audit is based on two criteria:-

- ***The Council has proper arrangements in place for securing financial resilience*** - the Council has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that

- enables it to continue to operate for the foreseeable future.
- ***The Council has proper arrangements for challenging how it secures economy, efficiency and effectiveness*** - the Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

The auditors use a red/amber/green rating to make their assessments and the definitions are as follows:

- Green – Adequate Arrangements
- Amber - Adequate arrangements with areas for development
- Red - Inadequate arrangements

All areas were assessed to be Green for 2014/15 which means that the External Auditor was satisfied that in all significant respects the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2015.

Being recognised as the Local Government Chronicle Council of the Year for 2016 further demonstrates that the Council's ambition to improve the lives of Tameside residents is being achieved. Projects which particularly impressed the judges were; English Fine Cottons, Care Together, Vision Tameside, Ashton Old Baths, Tameside Investment Partnership, A+ Trust and education attainment and the Greater Manchester Pension Fund being named as Pension Fund of the Decade.

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...'

Greater Manchester Pension Fund is leading the way in investment and pooling innovation, particularly in the areas of housing and infrastructure development. Airport City is a joint venture between GMPF, Manchester Airport Group, Carillion and Beijing Construction Engineering Group. The partners are developing over 5 million square feet of hotels, offices, manufacturing, logistics and retail space directly adjacent to Manchester Airport, an ideal gateway to carry out business throughout the UK, Europe and the world. One St. Peter's is a £40 million investment in the heart of Manchester city centre.

***Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and 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 Executive Team and senior managers of the Council, including the Director of Pensions. It includes the post and responsibilities of the Statutory and Proper Officers.

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 Newspaper, Scrutiny, Budget Consultation and 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 via the Chief Executives 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.

***Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff.***

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.

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, Terms of Reference, Protocols for Gifts and Hospitality and Standards of Conduct and Ethics. The constitution is supplemented by the Whistleblowing Policy, Information Governance Framework and guidance on procedures relevant to individual services. Such guidance is accompanied by training and communications. The work of the Monitoring Officer, Standards Committee and the Standards Panel are fundamental in defining and achieving high standards.

***Reviewing the effectiveness of the Council's decision-making framework, including delegation arrangements, decision making in partnerships 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 was introduced during 2014/15 and a training programme was delivered for managers to ensure 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 Senior Management Team and Members, via the People and Places Scorecard. A Corporate Performance Group chaired by the First Deputy (Performance and Finance) meets regularly and is responsible for; performance management and improvement including the oversight of the People and Places Scorecard, the corporate plan, service planning and service redesign and review.

***Reviewing the effectiveness of the framework for identifying and managing risks 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. Therefore, risk management is strong throughout 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, panels, board 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 continued to be a key priority for the Council during 2015/16, ensuring that the guidance contained in the supporting documents was fully disseminated and embedded across all service areas. The Information Governance Group which was chaired by the Executive Director (Governance and Resources) ensured that the framework remained up to date and in line with the requirements of

the Information Commissioners Office, the regulatory body for enforcing the requirements of the Data Protection Act. Information Governance, Risk Management and Data Protection training is delivered via a range of media, including briefing notes, the Chief Executive's Briefing, the Wire, workshops, DVD's and E-Tutorials. Priority during 2015/16 was to ensure that all staff in appropriate roles undertook the Data Protection and Responsible for Information E-Tutorials.

***Ensuring effective counter-fraud and anti-corruption arrangements are developed and maintained.***

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 monthly 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 and during a recent visit from the Cabinet Office, the work undertaken by the Council to investigate the matches identified was highly commended.

A whistleblowing policy is maintained and available on the Council's website.

***Ensuring effective management of change and transformation.***

Change and transformation are essential if cost effective and efficient services are to be delivered and savings targets achieved. A tried and tested service redesign process is in place to deliver a flexible workforce responsive to customer need.

The transformation agenda in health and social care as the Council moves towards an Integrated Care Organisation with the Tameside and Glossop Clinical Commissioning Group ('the CCG') and Tameside Hospital Foundation Trust ('THFT') has gathered pace during 2015/16 and we now have co-located teams working towards shared aims and objectives.

Tameside is the lead and chair of i-Network a self-sustaining local public sector improvement partnership with cross-sector membership from the North West, Yorkshire and the West Midlands. Membership has grown by 30% since 2010 with over 80 members sitting on Network Leadership Groups. In 2015 i-Network delivered 45 'What Works' events attended by nearly 2,000 delegates.

***Ensuring the Council's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010) 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 Assistant Executive Director (Finance) the Council's Section 151 Officer up to 31 March 2016.

***Ensuring the Council's assurance arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit 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 reported directly to the Assistant Executive Director (Finance), the Section 151 Officer and reported on a quarterly basis to the Audit Panel and the Greater Manchester Pension Fund Local board.

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

The Executive Director (Governance and Resources) 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.

***Ensure 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.

***Undertaking the core functions of an audit committee, as identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities.***

The Audit Panel does comply with the guidance issued by CIPFA and is regularly attended by our External Auditor. Training is assessed for members of the panel based on their existing skills and knowledge.

***Ensuring compliance with relevant laws 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 (Governance and Resources), the Monitoring Officer and the Assistant Executive Director (Finance), the Section 151 Officer. Internal Audit assesses compliance with internal policies on an ongoing basis and annually all members of the Executive Team (including the Director of Pensions) complete an assurance self-assessment, 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.

The Medium Term Financial Strategy, 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.

***Whistle-blowing and for receiving and investigating complaints from the public.***

The Council has a published Whistleblowing Policy on its public website and awareness and updates are provided in the Wire. Allegations received are investigated by either Internal Audit or the Monitoring Officer. Complaints are received and monitored via the Customer Relationship Management (CRM) system, which includes an automatic escalation process if response targets are breached.

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

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 its 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.

***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. Working together through a shared vision for the future of the borough, to create a prosperous economy where people learn and achieve, feel safe and healthy and take active responsibility for their environment.

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.

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 extremely challenging cuts faced by Tameside. Resident opinion surveys are also conducted to provide feedback from service users and residents.

Building on the success of the 2014 budget consultation process, the 2015 budget consultation was launched by the Executive Leader at the Full Council Meeting on 29 September 2015 and ran for 12 weeks closing on 22 December and feedback was presented to the Executive Cabinet/Overview (Audit) Panel on 10 February 2016 and built into the budget report that was presented to Full Council on 23 February 2016.

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 and the People and Places Scorecard.

***Enhancing the accountability for service delivery and effectiveness of other public service providers.***

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 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.

***Incorporating good governance arrangements in respect of partnerships and other group working as identified by best practice and reflecting these in the authority's overall governance arrangements.***

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 this is recognised as 'The Tameside Way'. 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.

#### **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 executive managers 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 also 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, regular monitoring of Service Delivery Plans and the People and Places Scorecard.
- 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 Executive Team.
- 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 Strategy 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. Budget Assurance Statements were signed by all Executive Directors in February 2016 providing assurance that financial processes were in place within each directorate and that a robust set of savings plans are in place and a clear delivery plan has been drawn up.

- The Executive 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. 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 Executive Director (Governance and Resources), 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 Assistant Executive Director (Finance), 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 Executive Director (Governance and Resources), the Monitoring Officer.
- The role held by the Assistant Executive Director (Finance) from 1 April 2015 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 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 to them an Annual Report and Opinion, and the External Auditor submits an Annual Audit Letter along with other reports during the year.
- 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 a self-assessment completed for 2015/16 shows that the service is fully compliant with all the standards, and the assessment was reported to the Audit Panel in May 2016.
- 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 further development areas identified in Section 5 are regularly reported to the Audit Panel throughout the year by the Head of Risk Management and Audit Services.

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit Panel, and an action plan to address further developments and ensure continuous improvement of the system is in place.

## **5. Significant Governance Issues**

No significant governance issues have been highlighted as a result of this review; however, areas for improvement arising from Internal/External Audit Reports and inspection reports have already been built into service area action plans and are monitored as part of the performance management framework.

Areas identified for further development include:-

- The ongoing level of change across the organisation, reduced resources and staff capacity to deliver the challenges faced by the Council is managed by ensuring that proper

governance procedures and risk management are in place to safeguard that the overall control environment is not adversely affected.

- As we move towards an Integrated Care Organisation it is critical that strong governance arrangements are in place to ensure that positive outcomes are achieved through robust systems and procedures, that are open and transparent and monitored accordingly.
- Vision Tameside, which is a multi-million pound project in partnership with Tameside College, is delivered in accordance with agreed milestones and 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. 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.
- Greater Manchester Pension Fund is working with other large metropolitan LGPS funds to create a £35 billion asset pool. Pooling of assets will provide greater scope to allow the funds to invest in major regional and national infrastructure projects such as airport expansion, major new road and rail schemes, housing developments and energy production growth, all driving economic growth and prosperity. Strong governance arrangements will need to be in place, underpinned by robust and resilient systems and procedures to ensure the desired outcomes are realised.

We propose over the coming year to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the improvements that were identified in our review of effectiveness and will monitor their implementation and operations as part of our next annual review.

Signed:

Signed:

.....  
Councillor Kieran Quinn  
Executive Leader of Tameside MBC

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

Dated: 12 September 2016

Dated: 12 September 2016

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# Agenda Item 9.

<b>Report To:</b>	<b>OVERVIEW (AUDIT) PANEL</b>
<b>Date:</b>	12 September 2016
<b>Reporting Officer:</b>	Councillor J M Fitzpatrick – First Deputy Performance and Finance Ian Duncan – Assistant Executive Director, Resources (Section 151 Officer)
<b>Subject:</b>	<b>AUDITED STATEMENT OF ACCOUNTS 2015/16</b>
<b>Report Summary:</b>	This report represents the audited Tameside MBC and Greater Manchester Pension Fund (GMPF) Statement of Accounts for 2015/16.
<b>Recommendations:</b>	That the Panel approve the audited Statement of Accounts for 2015/16 ( <b>Appendix 1</b> ), including the core statements and the notes to the accounts.
<b>Financial Implications:</b> (Authorised by the Section 151 officer)	The Statement of Accounts sets out full details of the Council's financial position as at 31 March 2016 consistent with International Financial Reporting Standards (IFRS). The Council is required to have the audited accounts accepted by a committee of the Council before 30 September each year.
<b>Legal Implications:</b> (Authorised by the Borough Solicitor)	There is a statutory duty imposed on the Council to be able to provide adequate evidence for all its financial activities set out in the Local Government and Housing Act 1989. The preparation of the annual accounts and the audit of those accounts is the main mechanism by which the adequacy of those records is tested.
<b>Links to Community Strategy:</b>	The Community Strategy has helped determine priorities for Council spending, which is summarised in the 2013/14 accounts.
<b>Policy Implications:</b>	There are no policy implications flowing from the Statement of Accounts.
<b>Risk Management:</b>	The audit provides external verification of the Council's financial statements.
<b>Access to Information:</b>	Background papers can be obtained from the author of the report, Beverley Stephens, Head of Resource Management  0161 342 3887  e-mail: <a href="mailto:beverley.stephens@tameside.gov.uk">beverley.stephens@tameside.gov.uk</a>

## **1. BACKGROUND**

- 1.1 It is necessary to consider the Audit Findings report of the Council's external auditor (Grant Thornton) regarding the Statement of Accounts before agreeing the audited accounts. The Audit Findings report for the Council and the Greater Manchester Pension Fund (GMPF) have been considered earlier on this agenda and the adjustments highlighted have been included.

## **2. INTRODUCTION**

- 2.1 The current legislation enables the pre-audit Statement of Accounts to be certified by the Assistant Executive Director of Finance, in his capacity as the S151 Chief Finance Officer this was completed on the 14 June 2016.
- 2.2 Following this, the audit has progressed and an audit outcome has been received. The audit outcome was presented previously on the agenda. No changes have been required which would fundamentally alter any assessment of the Council's overall financial stability, and no issues have been found which cast fundamental doubt on the overall adequacy of the financial records and the accounts maintained by the Council. Rather, the adjustments recommended have helped to improve the overall quality of the accounts.
- 2.3 The Tameside MBC Statement of Accounts (**Appendix 1**) has been amended in line with the Audit Findings report (ISA260). These are now the audited accounts for Tameside MBC and Greater Manchester Pension Fund for 2015/16.
- 2.4 The Audit Findings report (ISA260) has been submitted by Grant Thornton and has been discussed previously at this meeting. The GMPF audit findings and Statement of Accounts were considered at the GMPF urgent matters panel on 1 September 2016.

## **3. ISSUES**

- 3.1 The attached Statement of Accounts includes the audited accounts for both the Council and GMPF. The Statement of Accounts 2015/16 have been adjusted for those items which the auditors have recommended and Officers have agreed.
- 3.2 The purpose of this report is to recommend that the Panel approves the Statement of Accounts for 2015/16 including the adjustments recommended by the external auditors, which improve the overall accuracy, clarity, and consistency of the document
- 3.3 The Panel is also asked to approve the core statements and the supplementary notes; that is, the overall income and expenditure position, the balance sheet position including the movement in the levels of reserves (general and earmarked) and the cash flow analysis. It should be noted that the accounts are prepared in a nationally adopted format and provide evidence of the overall financial position of the Council. They do not however cover the future financial challenges faced by the Council, which are set out in the Medium Term Financial Strategy.
- 3.4 The Panel should also note that the preparation of the accounts this year has again been a demanding process and would not have been possible without the hard work and professionalism of Council officers, together with a positive working relationship with colleagues from Grant Thornton.

## **4. RECOMMENDATION**

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

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# Tameside MBC

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## Statement of Accounts

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2015/16

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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 Assistant Executive Director, Finance (Section 151 Officer) on the Council's financial performance during the accounting period.

**Narrative Report and Financial Summary**

The following pages present the Council's accounts for the financial year ended 31 March 2016. By producing this report, the Council aims to give all interested parties – 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:

- 1) Corporate Leadership and Strategy;
- 2) The Profile of the Borough;
- 3) The year in review: Financial Performance in 2015/16;
- 4) Outlook: 2016/17 and future years;
- 5) The basis of the accounts;
- 6) The Financial Statements; purpose and summary; and
- 7) Financial strategy and the outlook for the future;

It should be noted that although the Statement of Accounts is produced annually, the Members and Senior Officers of the Council receive quarterly financial reports throughout the year on overall performance against budget for both revenue and capital budgets, which are also published on the website. The Medium Term Financial Strategy (MTFS), which sets out the financial plan for the current year and the next four years, is also updated during the year and reported formally to both Members and Officers before being placed on the Council's website. The figures presented in the accounts are consistent with all other reports that have been published across the year.

It is good financial management to require a detailed periodic review of all accounts. 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 two weeks in advance of previous years in preparation of the statutory deadlines being brought forward to 31 May and 31 July respectively in 2017/18.

**1) Corporate Leadership and Strategy**

The Corporate Plan 2016-21 is the Council's key strategic document for identifying its vision, ambitions and priorities. These are all influenced by local priorities, input from public consultation and consultation with local businesses, Government policies, performance information and external inspections. In the light of future financial constraints it has become even more important that the Council continues to align limited revenue and capital resources with key policy priorities. This involves the Council focussing more clearly on core services and priorities, whilst making difficult decisions to reduce or cease activity in other areas.

As an organisation the Council uses its resources such as money and people to get maximum benefit for communities in Tameside. The Corporate Plan 2016-21 sets out how we will have to change the way we work to achieve our vision and priorities. The Council is committed to only doing what matters, by understanding what people need, designing services to meet this need and reducing any costs and duplications that may exist.

The Council's political leadership is responsible for delivering the priorities and the Executive Cabinet determines which areas receive additional investment and which receive less 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.

More information on the activities, leadership structure and governance of the Council (including meeting agendas and minutes) can be found on the Council's website, located at [www.tameside.gov.uk](http://www.tameside.gov.uk).

## **2) 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 of the nature of the Borough.

### **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 2014 show that Tameside had a total estimated population of 220,800. Within Tameside's population:

- 43,400 were aged 0-15 years (19.6% of Tameside's population);
- 139,600 were aged 16-64 (63.2% of Tameside's population); and
- 37,800 were aged 65 or over (17.1% of Tameside's population).

Tameside has a slightly higher proportion of residents aged under 16 (19.6% compared to 19% England overall) and fewer people aged 65 or over (17.1% compared to 17.6% England overall). Tameside's population is projected to increase to around 229,100 by 2024. Much of this growth is due to projected increases in the number of people aged 65 and over; a projected 18.1% change 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 worst 5% nationally and a further 16 fall within the worst 10% nationally;
- In total, 13% of Tameside residents live in income-deprived households;<sup>[1]</sup>
- Of those children aged 0-15, 14% live in income-deprived households (Income Deprivation Affecting Children Index); and

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<sup>[1]</sup> Based on the number of residents that fall within the worst 5% and 10% nationally for a particular indicator.

- Of those residents aged 65 and over, 5% live in income-deprived households (Income Deprivation Affecting Older People Index).

## **Education**

- Around 19% of school pupils in Tameside are eligible for free school meals<sup>[2]</sup>; and
- In Tameside, 65.1% of school children achieved five or more GCSE grades A\*-C and 57.3% achieved five or more GCSE grades A\*-C including English and Maths in 2015 (national average 64.9% and 53.8% respectively).

## **Economy**

- The median annual income for a full time worker in Tameside in 2015 was £23,485. This is lower than both the North West median of £25,721 and England of £27,869<sup>[3]</sup>;
- The unemployment rate has fallen in Tameside between 2015 and 2016. The proportion of the working age population claiming Job Seekers Allowance (JSA) in Tameside in April 2016 was 1.3% (1.6% in April 2015). The rate in Tameside is slightly lower than the national average of 1.4%. Both female and male unemployment decreased during this period (female unemployment decreased from 1.1% to 1.0% and male unemployment decreased from 2.0% to 1.7%);
- 4.0% of young people aged 16 to 18 in Tameside were not in education, training or employment (NEET) in April 2016 with the highest ward rate in Ashton Waterloo (6.9%). The lowest ward rate was in Audenshaw (1.0%); and
- The Borough hosts over 7,300 business addresses, with a combined rateable valuation of over £151m.

## **Housing**

- There are 101,157 homes on the valuation list in Tameside.
- 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 others; and
- 9.8% of Tameside households are in fuel poverty<sup>[4]</sup>.

## **Health**

Health and wellbeing in Tameside is generally worse than England with cardiovascular disease, respiratory disease, cancer and liver disease being significant issues. Healthy life expectancy at birth is currently 58.8 years for both males and females in Tameside. This has improved somewhat over the last few years but is still significantly lower than the England averages. Life expectancy locally is 6.9 years lower for females and 8.9 years lower for males in the most deprived areas of Tameside compared to the least deprived areas. Driving out the causes of poor health and wellbeing, ensuring that all residents have the same opportunities to live and work well, while reducing the gap in life expectancy that exists between different parts of the Borough is a key priority for Tameside. Promoting positive health and wellbeing and tackling the causes of poor health and wellbeing is crucial in ensuring that everyone has the opportunity to live and work well in the Borough.

### **3) Financial Strategy and the Outlook for the Future**

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<sup>[2]</sup> Spring School Census 2015

<sup>[3]</sup> Annual survey of hours and earnings - resident analysis (2014). The earnings information collected relates to gross pay before tax, national insurance or other deductions, and excludes payments in kind. Full-time workers are defined as those who work more than 30 paid hours per week or those in teaching professions working 25 paid hours or more per week.

<sup>[4]</sup> 2013 sub-regional fuel poverty data

Financial performance is reported to Councillors quarterly and up to date financial information is available to Officers throughout the year. Additionally, the MTFS is regularly updated and reported to Councillors and Officers. Reports are available to the public via the Council's website.

The MTFS supports the Council's medium term policy and financial planning processes. Fundamentally the strategy is designed to help provide a stable financial base to support savings planning. The strategy also fits within a wider system of corporate planning.

Robust medium term financial planning is a key requirement in the current financial environment and it is actively securing the ongoing viability of service budgets.

The Council's MTFS has now been expanded to cover period up to and including 2019/20. To provide prudent resource estimates for these additional years is challenging but it is also an important part of thinking ahead, and not assuming that things will get easier. Forecasting future years' anticipated resources allows the Council to plan ahead and anticipate the level of savings required, allowing savings plans to be drawn up in advance of need.

The most recent MTFS is summarised below. It takes a prudent view of future income and expenditure and includes appropriate assumptions about likely levels of demand and cost increases, as well as the likely level of available resources. It shows how the cash resources available to the Council are expected to reduce over the near future.

Taken together, the impact of funding reductions and demand pressures has resulted in savings requirements of £24m in 2015/16, £14.1m in 2016/17 and an additional estimated £51m in the next three years from 2017/18 to 2019/20, so it can be seen that the Council is working with ongoing year-on-year pressures. Below is an extract of the Council's MTFS, which was included in the 2016/17 Budget Report approved by Council on 23 February 2016.

	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Total Spending Plans	174,024	176,997	182,317	193,911
Total Resources	(174,024)	(162,368)	(151,591)	(147,084)
	0	14,629	30,726	46,827
Savings Already Allocated	14,100			
Savings Not Yet Allocated (Annual)	0	(14,629)	(16,098)	(16,101)
Savings Not Yet Allocated (Cumulative)	0	(14,629)	(30,726)	(46,827)

Despite these pressures, the Council has performed strongly. This was highlighted in the report of the Council's independent external auditor, Grant Thornton. In their Annual Audit Letter from October 2015 they commented that

- "the Council continues to have effective arrangements in place to secure economy, efficiency and effectiveness in its use of resources";
- "the Council has good financial planning and review processes in place, and a track record of delivering financial plans and savings".

Grant Thornton also produce a Value for Money Conclusion each year as part of the statutory external audit, which includes a review to determine if the Council has proper arrangements in place for securing financial resilience. This was presented to Overview (Audit) Panel in September

2015, and Grant Thornton commented that “the Council continues to demonstrate good financial performance, despite the financial and demographic pressures facing Local Government.

They also commended that the Council has been proactive in taking difficult decisions in relation to its cost base during the last five years (with over £100m of cost reductions), but this also means that it is becoming more challenging to identify and deliver additional savings. The Council understands the need for continued focus on proposals to deal with expected future funding reductions combined with rising demand for services.

#### 4) The Year in Review: Financial Performance in 2015/16

##### a. Revenue Expenditure

The revenue outturn position for Council services, reported during 2015/16 is shown below. The table shows that the Council's net expenditure was less than budget by £6.663m at the end of March 2016. This was mainly due to prudent management of risk pressures, savings as a result of changes to calculation of debt and an increased airport dividend.

Where services have spent in excess of their budget this will not be charged against the following years budget allocation. Where services have spent less than their allocation justification has been sought of the need to increase the following years budget allocation.

Directorate	Service	Budget £000	Outturn £000	Outturn Variation £000
People	Children's Social Care	19,477	24,408	4,931
People	Strategy and Early Intervention	2,237	1,746	(491)
People	Education	3,393	2,983	(410)
People	Adults' Social Care	49,750	55,316	5,566
People	Adults' Early Intervention	1,356	1,196	(160)
People	Stronger Communities	7,141	8,388	1,247
	<b>Total People</b>	<b>83,354</b>	<b>94,037</b>	<b>10,683</b>
Place	Asset and Investment Partnership Management	3,641	3,815	174
Place	Environmental Services	45,854	45,125	(729)
Place	Development Growth and Investment	3,183	3,021	(162)
Place	Digital Tameside	1,875	1,814	(61)
	<b>Total Place</b>	<b>54,553</b>	<b>53,775</b>	<b>(778)</b>
Public Health	Director of Public Health	16,329	16,329	0
Governance	Director of Governance and Resources	12,384	10,081	(2,303)
Other	Corporate Costs	8,420	5,417	(3,003)
Other	Capital Financing	20,296	11,398	(8,898)
Other	Other Cost Pressures and Funding	15,990	13,625	(2,365)
		<b>73,419</b>	<b>56,850</b>	<b>(16,569)</b>
	<b>Total</b>	<b>211,326</b>	<b>204,662</b>	<b>(6,664)</b>

Both the level of Business Rates and Council Tax income has been closely monitored during the financial year and collection rates have remained strong. At the end of March 2016 the Council Tax collection rate was slightly below target by -0.03%. The Business Rates collection rate was also slightly below target by -0.20%.

**b. Capital Expenditure**

Key capital investments made during the year include a combined £8.62m investment in two new schools in Ashton and Hyde, £2.03m on the redevelopment of Ashton Town Centre, and £2.66m on the rebirth of Ashton Old Baths as a high tech business incubator. There was also £1.35m of investment in domestic adaptations as part of the Disabled Facilities Grant to enable people to live independently for as long as possible.

The Council has also commenced work on the Vision Tameside Project which will involve the demolition of the existing Council Offices on Wellington Road, Ashton-under-Lyne and the construction of a new Joint Service Centre with Tameside College on the existing site. £6.63m of capital expenditure has been incurred to date.

There was some re-profiling within the capital programme which means that some schemes planned to be delivered in 2015/16 will now be delivered in 2016/17. Some funding has also therefore been carried forward.

**c. Financial Reporting**

The Comprehensive Income and Expenditure Statement (CIES) included within these accounts sets out the cost of services that the Council provides in accordance with the requirements of published accounts, which combine capital and revenue expenditure. However, capital and revenue budgets are reported separately by the Council, to Senior Officers, Members and others. These accounts therefore do not align to the way in which financial information is managed within the organisation during the year. Note 1 sets out the 2015/16 financial position in accordance with the Directorate structure under which the Council operates and the final financial monitoring information that has been presented to Senior Officers and Members.

**d. Pensions Liability**

The Council's Pension Fund deficit is estimated to have reduced from £348.3m to £273.9m in 2015/16. This is largely due to changes in market conditions and a reduction in liabilities. The expected long-term salary increase rate has reduced from 3.6% p.a. as at 31 March 2015 to 3.5% p.a. as at 31 March 2016.

The deficit is calculated on an accounting basis, and different valuation methods are used in the three-yearly valuation of the Fund. However, both valuations must consider the whole life of the Fund and consider a horizon of 20-25 years. In that context, minor changes in assumed rates for inflation or interest can have a profound impact on the valuation of the scheme in the long term. It is this sensitivity that leads to the high level of fluctuation from year to year. The table below illustrates how this valuation is sensitive to a small change in key assumptions.

<b>Change in Assumptions at 31 March 2016</b>	<b>Approximate % change to Employer Liability</b>	<b>Approximate Monetary Amount £000</b>
0.5% decrease in Real Discount Rate	10%	105,479
1 year increase in Member Life Expectancy	3%	30,937
0.5% increase in the Salary Increase Rate	3%	27,590
0.5% increase in the Pension Increase Rate	7%	76,712

**e. Council Borrowing**

The authorised limit for external debt for the Council for 2015/16 was £257.32m. The actual level of external debt outstanding at year-end totalled £127.08m. The Balance Sheet shows that at 31 March 2016, the Council had £119.26m of long term borrowing. The majority of this borrowing is from the Public Works Loan Board (PWLB), these loans have fixed rates and varying maturity dates from 1-2 years to more than 15 years. The Council also has debt in the form of Lender Option Borrower Option (LOBO) market loans totalling £41.3m. In addition there was £9.71m of loans repayable within 12 months. The Council paid £6.28m (£17.20m including Private Finance Initiative) of interest and similar charges in the year and received £5.722m of interest and investment income.

**f. Investment in Manchester Airport Group (MAG)**

The Council's shareholding remains at 3.22%. The Council's external valuers have advised of an decrease of £1.2m in the fair value of the Council's shareholding during the accounting period. The Council receives dividend income from the investment. It is a key item of income in the Council's MTFs and as such, the Council is highly unlikely to dispose of its shareholding.

**5) Outlook: 2016/17 and Future Years**

From 1 April 2015 the Executive Director of Governance (Borough Solicitor) assumed responsibility for Resources, with Section 151 responsibilities being assumed by the Assistant Executive Director, Finance.

The updated MTFs (discussed above) sets out the anticipated savings targets for 2016-20. However, a number of key challenges are also expected to influence the environment in which the Council operates. These include:

- Continuing to review the delivery of sustainable services to local people from a much reduced level of resources; delivering the necessary further reduction in the overall size of the Council in the coming years and securing ongoing cost reductions;
- Working with partners who are themselves experiencing rapid funding reductions or increasing demand, for example, working with the NHS locally to secure the best value from health and social care expenditure;
- Public sector reform and supporting the developing community budget process in Greater Manchester (including working with troubled families, social care integration and early years intervention);
- Devolution – supporting the delivery of a wider range of activities and responsibilities by working with partners across Greater Manchester;
- Welfare Reform / Universal Credit – planning a safe transition that supports local people where wider national changes are already apparent;
- Increased demands on services from vulnerable adults and children;
- Effective delivery of capital and infrastructure investment;
- Integrated Care Organisation (ICO)/Better Care Fund (BCF) – supporting the delivery of this pooling arrangement and modelling the financial impact to the Council;
- Business Rates Pooling – Working with Councils across Greater Manchester to increase the amount of Business Rates income retained within the area;
- Business Rate Pilot across Greater Manchester; and
- Responsibility for commissioning services for 0-5 year olds which transferred to the Council from the NHS in October 2015.

Members and Senior Officers must remain focused on these issues and key challenges if the Borough is to remain in a strong financial position at the end of the planning period.

## **6) The Basis of the Accounts**

The accounts that follow have been prepared to be:

- a. 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.
- b. 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; and
  - Has been prudently prepared.
- c. Comparable:** In addition to complying with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 ('the Code'), the Service Reporting Code of Practice establishes proper practice to be followed with regard to consistent financial reporting on matters below the high level shown in the Statement of Accounts and therefore aids comparability with other local authorities.
- d. 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.

Throughout, consideration has been given to the significance ('materiality') of an item - i.e. whether its misstatement or omission might reasonably be expected to influence assessments of the Council's financial management.

### **e. 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 the assumption that the Council will continue in existence for the foreseeable future.

#### Primacy of Legislation Requirements

- In accordance with the Code, where an accounting treatment is prescribed by law then it has been applied, even if it contradicts accounting standards. The following are examples of legislative accounting requirements have been applied when compiling these accounts:
- Capital receipts from the disposal of property, plant and equipment are treated in accordance with the provisions of the Local Government Act 2003.
- The Local Government Act 2003 requires the Council to set aside a minimum revenue provision

## **7) The Financial Statements: 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 15-19, and further detailed information is presented in the accompanying notes.

### **a. 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 2015/16 was £491.5m, but after income is included the Cost of Services was £143.4m. 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 £2.2m.

The £36m reduction in the Cost 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. So, the accounts include significant changes 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 mentioned above. 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.

### **b. 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 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 Assistant Executive Director, 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 2016, the MiRS shows that the Council retained General Fund Balances of £17.247m. 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 £7.096m 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.

Finally, £185.932m 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 £2.868m reserve for Health Equalities created from the unspent element of the Public Health Grant) as well as amounts set aside for future liabilities (such as the Health Integration Reserve of £3.118m, set up to support the transition to more integrated working with NHS Tameside and Glossop CCG), or again funds set aside to limit future fluctuations in expenditure (such as the Waste PFI reserve of £2.221m – waste PFI charges will vary within the year depending on the level of recycling achieved by different boroughs within

Greater Manchester). Other earmarked amounts include funds set aside for future capital investment (for example the Capital Investment Reserve of £36.649m which will be used to finance the Council's ongoing capital programme, including the Vision Tameside project).

A large number of the Earmarked Reserves relate to specific liabilities that individual services have identified (such as Winter Gritting) and residual liabilities arising from the Building Schools for the Future programme. The full detail of these is set out in Note 11.

### **c. Balance Sheet**

The Balance Sheet summarises the financial position of the Council at 31 March 2016 and shows the net worth of the Council's assets and liabilities of £178.6m. 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 £568m, an increase of £1m from 31 March 2015. Approximately 20% of the Council's Land and Buildings were revalued in year.

Current Assets have increased in year. There is a change between Cash and Cash Equivalents and Short Term Investments, which is mainly as a result of the Council holding a higher proportion of investments in Fixed Term Deposits (classed as Short Term Investments) rather than as cash balances in Money Market Funds.

Usable reserves have increased in line with the increase in the level of financial risk being faced by the Council. Reserves provide a way for the Council to ensure that any unforeseen financial impacts can be absorbed without immediately impacting on frontline service delivery.

The notes to the accounts provide detailed explanations of the movements on all items within the Balance Sheet.

### **d. Cash Flow Statement**

This summarises the total movement on Cash and Cash Equivalents during the year for revenue and capital purposes.

### **e. 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 2016 were a £7.63m surplus relating to Council Tax (£4.98m surplus in 2014/15) and a £2.37m deficit on NDR mainly attributable to the requirement to account for estimated Business Rates appeals (£0.87m deficit in 2014/15).

### **f. 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 2016 is £110m, 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.

**g. 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 £17.325bn at 31 March 2016, a reduction of £0.266bn during the financial year.

**h. 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 **Statement of Assurance** 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.

**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 Assistant Executive Director, 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:



12 September 2016

Ian Duncan  
Assistant Executive Director, Finance (Section 151 Officer)

Tameside Metropolitan Borough Council, PO Box 304, Ashton-under-Lyne, OL6 0GA

# 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 2016

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	2015/16			2014/15		
		Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
Central Services to the Public		8,266	(3,472)	4,794	6,844	(2,625)	4,219
Cultural and Related Services		14,118	(1,420)	12,698	16,523	(2,351)	14,172
Environmental and Regulatory Services		10,646	(1,026)	9,620	8,126	(865)	7,261
Planning Services		7,250	(3,467)	3,783	8,316	(3,700)	4,616
Children's and Education Services - Education Services		207,389	(188,319)	19,070	235,377	(183,153)	52,224
Children's and Education Services - Children's Social Care		31,635	(2,756)	28,879	27,718	(2,021)	25,697
Highways and Transport Services		9,393	(3,636)	5,757	11,083	(4,921)	6,162
Housing Services		95,443	(89,693)	5,750	103,244	(96,277)	6,967
Adult Social Care		85,362	(39,431)	45,931	79,259	(27,286)	51,973
Public Health Services		15,421	(14,477)	944	14,416	(14,604)	(188)
Corporate and Democratic Core		6,215	(404)	5,811	5,773	(282)	5,491
Non Distributed Costs		354	0	354	583	0	583
<b>Cost Of Services</b>	<b>1</b>	<b>491,492</b>	<b>(348,101)</b>	<b>143,391</b>	<b>517,262</b>	<b>(338,085)</b>	<b>179,177</b>
Other Operating Income and Expenditure	2	40,260	(7,903)	32,357	49,718	(4,898)	44,820
Financing and Investment Income and Expenditure	3	38,623	(19,862)	18,761	41,685	(16,470)	25,215
Taxation and Non-Specific Grant Income	4	0	(192,260)	(192,260)	0	(214,431)	(214,431)
<b>(Surplus) or Deficit on Provision of Services</b>		<b>570,375</b>	<b>(568,126)</b>	<b>2,249</b>	<b>608,665</b>	<b>(573,884)</b>	<b>34,781</b>
<u>Other Comprehensive Income and Expenditure</u>							
Revaluation Losses	10			(3,653)			11,438
Remeasurement of Net Defined Benefit Liability	10			(89,040)			81,636
(Surplus)/Deficit on Revaluation of Available for Sale Financial Assets	10			1,200			(4,299)
				<b>(89,244)</b>			<b>123,556</b>

### Movement in Reserves Statement as at 31 March 2016

This statement shows the movement on the different reserves held by the Council.

	General Fund Balances £000	Schools Balances £000	Earmarked Reserves £000	Capital Receipts Unapplied Account £000	Capital Grants and Other Contributions Unapplied Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
<b>Balance at 31 March 2014 *</b>	(18,445)	(11,707)	(138,516)	(917)	(12,661)	(182,246)	(30,626)	(212,872)
(Surplus) or Deficit on the Provision of Services **	34,781					34,781		34,781
Other Comprehensive Income and Expenditure **						0	88,775	88,775
<b>Total Comprehensive Income and Expenditure</b>	<b>34,781</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>34,781</b>	<b>88,775</b>	<b>123,556</b>
Adjustments between accounting basis & funding basis under regulations ***	(59,327)			917	906	(57,504)	57,504	0
<b>Net (increase)/decrease before transfers to Earmarked Reserves</b>	<b>(24,546)</b>	<b>0</b>	<b>0</b>	<b>917</b>	<b>906</b>	<b>(22,723)</b>	<b>146,279</b>	<b>123,556</b>
Transfers to/(from) Earmarked Reserves and Schools Balances ****	25,784	1,541	(27,325)			0		0
<b>(Increase)/decrease in year</b>	<b>1,238</b>	<b>1,541</b>	<b>(27,325)</b>	<b>917</b>	<b>906</b>	<b>(22,723)</b>	<b>146,279</b>	<b>123,556</b>
<b>Balance at 31 March 2015 *</b>	<b>(17,207)</b>	<b>(10,166)</b>	<b>(165,841)</b>	<b>0</b>	<b>(11,755)</b>	<b>(204,969)</b>	<b>115,653</b>	<b>(89,316)</b>
(Surplus) or Deficit on the Provision of Services **	2,249					2,249		2,249
Other Comprehensive Income and Expenditure **						0	(91,493)	(91,493)
<b>Total Comprehensive Income and Expenditure</b>	<b>2,249</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,249</b>	<b>(91,493)</b>	<b>(89,244)</b>
Adjustments between accounting basis & funding basis under regulations ***	(19,311)			0	3,089	(16,222)	16,222	(0)
<b>Net (increase)/decrease before transfers to Earmarked Reserves</b>	<b>(17,062)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,089</b>	<b>(13,973)</b>	<b>(75,271)</b>	<b>(89,244)</b>
Transfers to/(from) Earmarked Reserves and Schools Balances ****	17,022	3,069	(20,091)			0		0
<b>(Increase)/decrease in year</b>	<b>(40)</b>	<b>3,069</b>	<b>(20,091)</b>	<b>0</b>	<b>3,089</b>	<b>(13,973)</b>	<b>(75,271)</b>	<b>(89,244)</b>
<b>Balance at 31 March 2016 *</b>	<b>(17,247)</b>	<b>(7,097)</b>	<b>(185,932)</b>	<b>0</b>	<b>(8,666)</b>	<b>(218,942)</b>	<b>40,382</b>	<b>(178,560)</b>

\* Net worth of the Council at that date. Reconciles to Net Assets/ (Liabilities) and Total Reserves shown in the Balance Sheet.

\*\* Taken directly from the CIES.

\*\*\* Adjustments needed to convert the Surplus or Deficit on the Provision of Services to the movement on General Fund Balances as defined by statutory provisions. See Note 8 for a full breakdown of the adjustments required to comply with proper accounting practice.

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

## Balance Sheet as at 31 March 2016

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 2016 £000	31 March 2015 £000
Property, Plant and Equipment	12	465,966	464,770
Heritage Assets	13	12,471	12,471
Investment Properties	14	29,428	27,410
Intangible Assets	15	325	613
Long Term Debtors	18	17,297	18,092
Long Term Investments	19	42,169	43,369
<b>Non-current Assets</b>		<b>567,656</b>	<b>566,725</b>
Cash and Cash Equivalents	23	55,601	126,147
Short Term Investments	19	101,154	34,070
Inventories	21	347	504
Short Term Debtors	22	37,745	32,939
Assets Held for Sale (<1yr)	12a	960	2,073
<b>Current Assets</b>		<b>195,807</b>	<b>195,733</b>
Cash and Cash Equivalents	23	0	0
Short Term Borrowing	19	(9,854)	(16,967)
Short Term Creditors	24	(38,037)	(38,408)
Short Term Provisions	26	(2,947)	(2,876)
Other Short Term Liabilities	25	(2,438)	(1,982)
Receipts In Advance (Grants and Contributions)		(387)	(3,250)
<b>Current Liabilities</b>		<b>(53,663)</b>	<b>(63,483)</b>
Long Term Borrowing	19	(119,256)	(120,377)
Long Term Provisions	26	(10,903)	(10,593)
Other Long Term Liabilities	25	(401,081)	(478,689)
<b>Non-current Liabilities</b>		<b>(531,240)</b>	<b>(609,659)</b>
<b>Net Assets / (Liabilities)</b>		<b>178,560</b>	<b>89,316</b>
Usable Reserves	9	(218,942)	(204,969)
Unusable Reserves	10	40,382	115,653
<b>Total Reserves</b>		<b>(178,560)</b>	<b>(89,316)</b>

The notes to the financial statements on pages 20-89 form part of this account.

The financial statements on pages 16-19 were approved by Overview (Audit) Panel on 12 September 2016 and signed on its behalf by:

**Ian Duncan**

Dated: 12 September 2016

Assistant Executive Director, Finance (Section 151 Officer)

## Cash Flow Statement as at 31 March 2016

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	31 March 2016 £000	31 March 2015 £000
(Surplus) or Deficit on the Provision of Services		2,249	34,781
Adjustment to Surplus or Deficit on the Provision of Services for Non-cash Movements	31a	(38,687)	(103,095)
Adjust for Items Included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities	31b	27,612	23,330
<b>Net Cash Flows from Operating Activities</b>		<b>(8,826)</b>	<b>(44,984)</b>
Net Cash Flows from Investing Activities	32	79,929	(13,548)
Net Cash Flows from Financing Activities	33	(557)	(2,922)
<b>Net (Increase) or Decrease in Cash and Cash Equivalents</b>		<b>70,546</b>	<b>(61,454)</b>
Cash and Cash Equivalents at the Beginning of the Reporting Period	23	126,147	64,693
<b>Cash and Cash Equivalents at the End of the Reporting Period</b>	23	<b>55,601</b>	<b>126,147</b>

# 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. Amounts Reported for Resource Allocation Decisions**

The analysis of income and expenditure by service on the face of the CIES is that specified by the Service Reporting Code of Practice (SERCOP). However, decisions about resource allocation are taken by Cabinet on the basis of internal Budget Monitoring reports analysed across services. These reports are prepared on a different basis from the accounting policies used in the preparation of the financial statements.

The income and expenditure of the Council's principal services recorded in the Budget Monitoring reports is as follows:

	Childrens Services	Community Services and Adult Social Care	Public Health	Environmental Services	Asset & Investment Partnership Management	Exchequer and Corporate Costs	Capital and Financing	Total
2015/16	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges and other service income	(5,476)	(20,118)	(753)	(24,326)	(17,064)	(7,139)	(1,973)	(76,849)
Government grants and contributions	(16,444)	(4,453)	(38)	(169)	(14,383)	(91,050)	0	(126,537)
<b>Total Income</b>	<b>(21,920)</b>	<b>(24,571)</b>	<b>(791)</b>	<b>(24,495)</b>	<b>(31,447)</b>	<b>(98,189)</b>	<b>(1,973)</b>	<b>(203,386)</b>
Employee expenses	15,897	24,679	1,422	14,054	2,705	10,085	0	68,842
Other service expenses	34,946	64,685	14,548	52,837	32,112	95,720	13,372	308,220
Support service recharges	212	108	1,150	2,729	446	221	0	4,866
<b>Total Expenditure</b>	<b>51,056</b>	<b>89,472</b>	<b>17,120</b>	<b>69,620</b>	<b>35,263</b>	<b>106,025</b>	<b>13,372</b>	<b>381,928</b>
<b>Net Expenditure</b>	<b>29,136</b>	<b>64,901</b>	<b>16,329</b>	<b>45,125</b>	<b>3,816</b>	<b>7,836</b>	<b>11,399</b>	<b>178,542</b>

	Childrens Services	Community Services and Adult Social Care	Public Health	Environmental Services	Asset & Investment Partnership Management	Exchequer and Corporate Costs	Capital and Financing	Total
2014/5	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges and other service income	(4,868)	(20,757)	(1,461)	(24,204)	(17,789)	(8,653)	(1,918)	(79,650)
Government grants and contributions	(20,803)	(5,518)	(981)	(160)	(14,196)	(92,296)	0	(133,954)
<b>Total Income</b>	<b>(25,671)</b>	<b>(26,275)</b>	<b>(2,442)</b>	<b>(24,364)</b>	<b>(31,985)</b>	<b>(100,949)</b>	<b>(1,918)</b>	<b>(213,604)</b>
Employee expenses	19,285	24,453	1,270	13,420	2,703	8,570	0	69,701
Other service expenses	37,264	62,884	14,357	51,308	32,500	100,344	21,859	320,516
Support service recharges	561	51	1,133	1,774	526	159	0	4,204
<b>Total Expenditure</b>	<b>57,110</b>	<b>87,388</b>	<b>16,760</b>	<b>66,502</b>	<b>35,729</b>	<b>109,073</b>	<b>21,859</b>	<b>394,421</b>
<b>Net Expenditure</b>	<b>31,439</b>	<b>61,113</b>	<b>14,318</b>	<b>42,138</b>	<b>3,744</b>	<b>8,124</b>	<b>19,941</b>	<b>180,817</b>

**Reconciliation of Service Income and Expenditure to Cost of Services in the CIES**

This reconciliation shows how the income and expenditure of the Council's principal services recorded in the Budget Monitoring report is adjusted due to being prepared on a different basis from the accounting policies used to prepare the Council's Financial Statements.

	2015/16 £000	2014/15 £000
Net expenditure of the Council's principal services	178,542	180,817
Net expenditure of services not included as a principal service	26,124	11,740
<b>Budget Monitoring report</b>	<b>204,666</b>	<b>192,557</b>
Amounts not included in Budget Monitoring but included in the CIES	(26,315)	(8,272)
Amounts included in Budget Monitoring but not included in the CIES	(7,646)	37,259
Amounts reported below the Cost of Services line within the CIES	(27,309)	(42,367)
<b>Cost of Services in the CIES</b>	<b>143,396</b>	<b>179,177</b>

### Reconciliation to Subjective Analysis

Reconciliation between the income and expenditure recorded in the Budget Monitoring report and a subjective analysis of the Cost of Services and Surplus or Deficit on the Provision of Services included in the CIES. Comparative year information is provided in the second table. This is required due to the Budget Monitoring reports being prepared on a different basis from the accounting policies used to prepare the Council's Financial Statements.

	Directorate Analysis £000	Additional segments not included in the Directorate Analysis £000	Budget Monitoring Report £000	Amounts not included in Budget Monitoring but included in the CIES £000	Amounts included in the Budget Monitoring but not included in the CIES £000	Amounts reported below Cost of Services in CIES £000	Cost of Services £000	Corporate Amounts £000	Total £000
<b>2015/16</b>									
Fees, charges and other service income	(76,849)	(4,684)	(81,533)	(7,018)	14,740	920	(72,892)	(14,141)	(87,033)
Interest and investment income	0	0	0	0	0	5,722	5,722	(5,722)	0
Income from Council Tax and Non-Domestic Rates	0	0	0	0	0	0	0	(124,870)	(124,870)
Government grants and contributions	(126,537)	(1,285)	(127,822)	(165,719)	0	12,610	(280,931)	(67,389)	(348,320)
(Gains)/Losses on Derecognition/Disposal of Non Current Assets	0	0	0	0	0	0	0	(7,903)	(7,903)
<b>Total Income</b>	<b>(203,386)</b>	<b>(5,969)</b>	<b>(209,356)</b>	<b>(172,737)</b>	<b>14,740</b>	<b>19,252</b>	<b>(348,101)</b>	<b>(220,025)</b>	<b>(568,126)</b>
Employee expenses	68,842	11,073	79,915	111,172	0	0	191,087	11,199	202,286
Other services expenses	294,032	20,993	315,025	19,676	(22,386)	3,207	315,522	10,009	325,531
Support service recharges	4,866	26	4,892	15,574	0	0	20,466	0	20,466
Depreciation, amortisation and impairment	14,188	0	14,188	0	0	0	14,188	0	14,188
Interest payable	0	0	0	0	0	(17,414)	(17,414)	17,414	0
Precepts and levies	0	0	0	0	0	(32,589)	(32,589)	32,589	0
(Gains)/Losses on Derecognition/Disposal of Non Current Assets	0	0	0	0	0	232	232	7,672	7,904
<b>Total Expenditure</b>	<b>381,928</b>	<b>32,092</b>	<b>414,020</b>	<b>146,422</b>	<b>(22,386)</b>	<b>(46,564)</b>	<b>491,492</b>	<b>78,883</b>	<b>570,375</b>
<b>(Surplus) or Deficit on Provision of Services</b>	<b>178,542</b>	<b>26,123</b>	<b>204,664</b>	<b>(26,315)</b>	<b>(7,646)</b>	<b>(27,312)</b>	<b>143,391</b>	<b>(141,142)</b>	<b>2,249</b>

	Directorate A analysis £000	Additional segments not included in the Directorate A analysis £000	Budget Monitoring Report £000	Amounts not included in Budget Monitoring but included in the CIES £000	Amounts included in the Budget Monitoring but not included in the CIES £000	Amounts reported below Cost of Services in CIES £000	Cost of Services £000	Corporate Amounts £000	Total £000
<b>2014/15</b>									
Fees, charges and other service income	(79,650)	(4,264)	<b>(83,914)</b>	(5,071)	6,494	1,153	<b>(81,338)</b>	(11,607)	<b>(92,945)</b>
Interest and investment income			0			4,863	<b>4,863</b>	(4,863)	0
Income from Council Tax and Non-Domestic Rates			0				0	(119,060)	<b>(119,060)</b>
Government grants and contributions	(133,954)	(1,395)	<b>(135,349)</b>	(142,934)		16,673	<b>(261,610)</b>	(95,371)	<b>(356,981)</b>
(Gains)/Losses on Derecognition/Disposal of Non Current Assets			0				0	(4,898)	<b>(4,898)</b>
<b>Total Income</b>	<b>(213,604)</b>	<b>(5,659)</b>	<b>(219,263)</b>	<b>(148,005)</b>	<b>6,494</b>	<b>22,689</b>	<b>(338,085)</b>	<b>(235,799)</b>	<b>(573,884)</b>
Employee expenses	69,701	10,801	<b>80,502</b>	108,123			<b>188,625</b>	10,994	<b>199,619</b>
Other services expenses	306,641	6,538	<b>313,179</b>	16,357	30,765	(1,464)	<b>358,837</b>	11,919	<b>370,756</b>
Support service recharges	4,204	60	<b>4,264</b>	15,253			<b>19,517</b>		<b>19,517</b>
Depreciation, amortisation and impairment	13,875		<b>13,875</b>				<b>13,875</b>		<b>13,875</b>
Interest payable			0			(18,772)	<b>(18,772)</b>	18,772	0
Precepts and levies			0			(34,095)	<b>(34,095)</b>	34,095	0
(Gains)/Losses on Derecognition/Disposal of Non Current Assets			0			(10,725)	<b>(10,725)</b>	15,623	<b>4,898</b>
Total Expenditure	<b>394,421</b>	<b>17,399</b>	<b>411,820</b>	<b>139,733</b>	<b>30,765</b>	<b>(65,056)</b>	<b>517,262</b>	<b>91,403</b>	<b>608,665</b>
<b>(Surplus) or Deficit on Provision of Services</b>	<b>180,817</b>	<b>11,740</b>	<b>192,557</b>	<b>(8,272)</b>	<b>37,259</b>	<b>(42,367)</b>	<b>179,177</b>	<b>(144,396)</b>	<b>34,781</b>

## 2. Other Operating Income and Expenditure

	31 March 2016			31 March 2015		
	Gross Exp- enditure £000	Gross Income £000	Net Exp- enditure £000	Gross Exp- enditure £000	Gross Income £000	Net Exp- enditure £000
Parish Council Precepts	31	0	31	27	0	27
Levies	32,558	0	32,558	34,068	0	34,068
Payments to the Government	0	0	0	0	0	0
Housing Capital Receipts Pool (Gains)/losses on derecognition/ disposal of non-current assets	7,671	(7,903)	(232)	15,623	(4,898)	10,725
	<b>40,260</b>	<b>(7,903)</b>	<b>32,357</b>	<b>49,718</b>	<b>(4,898)</b>	<b>44,820</b>

**3. Financing and Investment Income and Expenditure**

	31 March 2016			31 March 2015		
	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	17,413	0	17,413	18,772	0	18,772
Net Interest on the Net Defined Benefit Liability (Asset)	11,200	0	11,200	10,994	0	10,994
Interest receivable and similar income	0	(687)	(687)	0	(959)	(959)
Other investment income	0	(5,035)	(5,035)	0	(3,904)	(3,904)
Trading Services	6,515	(7,435)	(920)	8,233	(9,386)	(1,153)
Income and expenditure in relation to Investment Properties and changes in their fair value	3,495	(6,705)	(3,210)	3,686	(2,221)	1,465
	<b>38,623</b>	<b>(19,862)</b>	<b>18,761</b>	<b>41,685</b>	<b>(16,470)</b>	<b>25,215</b>

**4. Taxation and Non-Specific Grant Income**

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

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

	31 March 2016 £000	31 March 2015 £000
Council Tax Income	(73,041)	(68,420)
Revenue Support Grant	(44,376)	(60,534)
Retained Business Rates	(27,985)	(26,894)
Business Rates Top Up	(23,844)	(23,397)
Non Ringfenced Government Grants	(10,404)	(18,164)
Capital Grants and Contributions	(12,610)	(16,673)
Collection Fund Surplus	0	(349)
	<b>(192,260)</b>	<b>(214,431)</b>

**5. Grants**

*Grants 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 (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 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 and Other Contributions Unapplied Reserve and credited to the Capital Adjustment Account.*

The Council credited the following to the Taxation and Non Specific Grant Income line in the CIES (see Note 4):

	<b>2015/16 £000</b>	<b>2014/15 £000</b>
<b>Non Ringfenced Government Grants</b>		
Revenue Support Grant	(44,376)	(60,534)
Retained Business Rates	(27,985)	(26,894)
Business Rates Top Up	(23,844)	(23,397)
Education Services Grant	(2,855)	(3,647)
New Homes Bonus	(3,678)	(3,182)
Section 31 Business Rates Grants	(2,850)	(2,341)
Local Welfare Provision		(1,075)
Council Tax Freeze Grant		(803)
Other Non Ringfenced Government Grants	(1,021)	(7,116)
	<b>(106,609)</b>	<b>(128,989)</b>
<b>Capital Grants and Contributions</b>		
Target Basic Need	0	(6,285)
Schools Basic Need	(2,932)	(3,086)
Local Transport Plan	(2,322)	(1,868)
Schools Capital Maintenance	(1,665)	(1,858)
Greater Manchester Pinchpoint	(50)	(1,235)
Other Capital Grants and Contributions	(5,641)	(2,341)
	<b>(12,610)</b>	<b>(16,673)</b>

The Council credited the following to Cost of Services in the CIES:

Dedicated Schools Grant	(134,697)	(137,553)
Housing Benefit Subsidy Grant	(87,698)	(89,613)
Housing and Council Tax Benefit Administration Grant	(1,547)	(1,907)
Better Care Fund	(15,784)	0
Private Finance Initiative (PFI) Grant	(14,196)	(14,196)
Public Health Grant	(14,291)	(12,600)
Pupil Premium Grant	(10,707)	(10,990)
NHS Tameside & Glossop CCG	0	(3,417)
Universal Infant Free School Meals	(2,460)	(1,721)
Post 16 - Schools Funding Agency	0	(998)
Troubled Families Grant	(556)	(664)
Other Grants	(10,094)	(9,756)
	<b>(292,031)</b>	<b>(283,415)</b>

## 6. Dedicated Schools Grant (DSG)

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education. 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 (England) Regulations 2014. Detail of the deployment of the DSG received is as follows:

	Central Expen- diture £000	Individual Schools Budget £000	Total £000
Final DSG for 2015/16 before Academy recoupment	12,630	163,177	175,807
Academy figure recouped for 2015/16	0	41,110	41,110
<b>Total DSG after Academy recoupment</b>	<b>12,630</b>	<b>122,067</b>	<b>134,697</b>
Brought forward from 2014/15	3,621	0	3,621
<b>Final budget distribution for 2015/16</b>	<b>16,251</b>	<b>122,067</b>	<b>138,318</b>
Actual central expenditure	13,052	0	13,052
Actual ISB deployed to schools	0	122,067	122,067
<b>Carry forward to 2016/17</b>	<b>3,199</b>	<b>0</b>	<b>3,199</b>

## 7. Trading Services

The Council has established a number of trading services that operate in a commercial environment and balance their budget by generating income from other parts of the Council, other organisations or the public. Details of those trading services are listed below:

	2015/16			2014/15		
	Expenditure £000	Turnover £000	(Surplus)/ Deficit £000	Expenditure £000	Turnover £000	(Surplus)/ Deficit £000
Cemeteries and Crematorium	1,241	(2,096)	(855)	1,219	(2,127)	(908)
Commercial Refuse Collection	233	(753)	(520)	205	(745)	(540)
Vehicle Maintenance	312	(190)	122	408	(93)	315
Civil Engineering	3,792	(4,004)	(212)	5,537	(5,843)	(306)
Community Buildings	686	(264)	422	515	(297)	218
Building Control	251	(128)	123	349	(281)	68
<b>Total</b>	<b>6,515</b>	<b>(7,435)</b>	<b>(920)</b>	<b>8,233</b>	<b>(9,386)</b>	<b>(1,153)</b>

## **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, Council tax income 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 2015/16 the Council has adopted the following policy in relation to calculating the Minimum Revenue Provision*

*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.*

*The following will be required in relation to borrowing taken up on or after 01/04/2015. '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; 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 any finance leases and any on-balance sheet private finance initiative (PFI) schemes, the MRP charge will be equal to the principal 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 an LAMS reserve.*

	Usable Reserves			Movement in Unusable Reserves £000
	General Fund Balances £000	Capital Receipts Unapplied Account £000	Capital Grants and Other Contributions Unapplied Reserve £000	
<b>2015/16</b>				
<b>Adjustments to Capital Adjustment Account:</b>				
<u>Reversal of items debited or credited to the CIES:</u>				
Charges for depreciation of non-current assets	(13,899)	0	0	13,899
Revaluation losses on Property Plant and Equipment (PPE)	(12,813)	0	0	12,813
Revaluation gains on PPE (used to reverse previous revaluation losses)	1,762	0	0	(1,762)
Movements in the market value of Investment Properties	2,659	0	0	(2,659)
Amortisation of Intangible Assets	(289)	0	0	289
Capital grant and contributions received in year	19,709	0	(4,266)	(15,443)
Revenue expenditure funded from Capital under Statute	(12,132)	0	0	12,132
Amounts of non-current assets written off on disposal or sale as part of the gains/loss on disposal to the CIES	(7,671)	0	0	7,671
<u>Insertion of items not debited or credited to the CIES:</u>				
Statutory provision for the financing of capital investment:				
- Minimum Revenue Provision (MRP) for capital financing	5,687	0	0	(5,687)
- GM and Lancashire debt repayment	844	0	0	(844)
Capital expenditure charged against General Fund Balances	2,819	0	0	(2,819)
Capital grant and contributions received in previous years - applied	0	0	7,355	(7,355)
Use of the Capital Receipts Unapplied Account to finance capital expenditure	0	7,721	0	(7,721)
<b>Adjustments to Capital Receipts Unapplied Account:</b>				
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES	7,903	(7,903)	0	
4% disposal cost allowance	(185)	185	0	
Contribution from the Capital Receipts Unapplied Account to finance the payments to the Government Capital Receipts Pool	0	0	0	
<b>Adjustments to Deferred Capital Receipts Reserve:</b>				
Transfer to Capital Receipts Unapplied Account upon receipt of cash	0	(3)	0	3
<b>Adjustments to Financial Instruments Adjustment Account:</b>				
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	(191)	0	0	191
<b>Adjustments to Pensions Reserve:</b>				
Reversal of items relating to retirement benefits debited or credited to the CIES	(33,759)	0	0	33,759
Employer's pensions contributions and direct payments to pensioners payable in the year	19,046	0	0	(19,046)
<b>Adjustments to Collection Fund Adjustment Account:</b>				
Amount by which Council Tax and NDR income credited to the CIES is different from Council Tax and NDR income calculated for the year in accordance with statutory requirements	1,196	0	0	(1,196)
<b>Adjustment to Accumulating Compensated Absences Adjustment Account:</b>				
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	3	0	0	(3)
<b>Total Adjustments</b>	<b>(19,311)</b>	<b>0</b>	<b>3,089</b>	<b>16,222</b>

	Usable Reserves			
	General Fund Balances £000	Capital Receipts Unapplied Account £000	Capital Grants and Other Contributions Unapplied Reserve £000	Movement in Unusable Reserves £000
<b>2014/15</b>				
<b>Adjustments to Capital Adjustment Account:</b>				
<u>Reversal of items debited or credited to the CIES:</u>				
Charges for depreciation of non-current assets	(13,551)			13,551
Revaluation losses on PPE	(50,856)			50,856
Revaluation gains on PPE (used to reverse previous revaluation losses)	157			(157)
Movements in the market value of Investment Properties	(2,291)			2,291
Amortisation of Intangible Assets	(324)			324
Capital grant and contributions received in year	18,433		(7,262)	(11,171)
Revenue expenditure funded from Capital under Statute	(4,526)			4,526
Amounts of non-current assets written off on disposal or sale as part of the gains/loss on disposal to the CIES	(15,623)			15,623
Prior Year Adjustments				
<u>Insertion of items not debited or credited to the CIES:</u>				
Statutory provision for the financing of capital investment:				
- Minimum Revenue Provision (MRP) for capital financing	9,470			(9,470)
- GM and Lancashire debt repayment	926			(926)
Capital expenditure charged against General Fund Balances	3,799			(3,799)
Capital grant and contributions received in previous years - applied			8,168	(8,168)
Use of the Capital Receipts Unapplied Account to finance capital expenditure		5,606		(5,606)
<b>Adjustments to Capital Receipts Unapplied Account:</b>				
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES	4,898	(4,898)		
4% disposal cost allowance	(213)	213		
Contribution from the Capital Receipts Unapplied Account to finance the payments to the Government Capital Receipts Pool	(1)	1		
<b>Adjustments to Deferred Capital Receipts Reserve:</b>				
Transfer to Capital Receipts Unapplied Account upon receipt of cash		(5)		5
<b>Adjustments to Financial Instruments Adjustment Account:</b>				
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	(207)			207
<b>Adjustments to Pensions Reserve:</b>				
Reversal of items relating to retirement benefits debited or credited to the CIES	(29,042)			29,042
Employer's pensions contributions and direct payments to pensioners payable in the year	18,485			(18,485)
<b>Adjustments to Collection Fund Adjustment Account:</b>				
Amount by which Council Tax and NDR income credited to the CIES is different from Council Tax and NDR income calculated for the year in accordance with statutory requirements	1,458			(1,458)
<b>Adjustment to Accumulating Compensated Absences Adjustment Account:</b>				
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(319)			319
<b>Total Adjustments</b>	<b>(59,327)</b>	<b>917</b>	<b>906</b>	<b>57,504</b>

## 9. 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.

	31 March 2016 £000	31 March 2015 £000
General Fund Balances	(17,247)	(17,207)
Schools Balances	(7,097)	(10,166)
Earmarked Reserves	(185,932)	(165,841)
Capital Receipts Unapplied Account	0	0
Capital Grants and Other Contributions Unapplied Reserve	(8,666)	(11,755)
<b>Total</b>	<b>(218,942)</b>	<b>(204,969)</b>

### Capital Receipts Unapplied Account

Capital receipts arising from the sale of non-current assets are credited to the 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.

	2015/16 £000	2014/15 £000
<b>Balance at 1 April</b>	<b>0</b>	<b>(917)</b>
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES	(7,903)	(4,898)
Use of the Capital Receipts Unapplied Account to finance new capital	7,721	5,606
Contribution from the Capital Receipts Unapplied Account to finance the payments to the Government Capital Receipts Pool	0	1
Transfer from the Deferred Capital Receipts Reserve upon receipt of cash	(3)	(5)
4% disposal cost allowance	185	213
<b>Balance at 31 March</b>	<b>(0)</b>	<b>0</b>

### Capital Grants and Other Contributions Unapplied Reserve

	2015/16 £000	2014/15 £000
<b>Balance at 1 April</b>	<b>(11,755)</b>	<b>(12,661)</b>
Grants and contributions received in previous years - applied	7,355	8,168
Grants and contributions received in year - not applied	(4,266)	(7,262)
<b>Balance at 31 March</b>	<b>(8,666)</b>	<b>(11,755)</b>

## 10. Unusable Reserves

*Unusable Reserves are those reserves that the Council is not able to utilise to provide services.*

	<b>31 March 2016 £000</b>	<b>31 March 2015 £000</b>
Revaluation Reserve	(25,801)	(22,903)
Capital Adjustment Account	(171,084)	(172,843)
Pensions Reserve	273,932	348,259
Available For Sale Financial Instruments Reserve	(29,585)	(30,785)
Collection Fund Adjustment Account	(5,369)	(4,173)
Short Term Accumulating Compensated Absences Account	3,577	3,580
Holding in Manchester Airport Plc	(5,702)	(5,702)
Financial Instruments Adjustment Account	426	235
Deferred Capital Receipts	(12)	(15)
<b>Total</b>	<b>40,382</b>	<b>115,653</b>

**Holding in Manchester Airport Plc** – Represents shares transferred to the Council on the winding up of Greater Manchester Council at nil cost as opposed to cash share purchases.

## 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.*

	<b>2015/16 £000</b>	<b>2014/15 £000</b>
<b>Balance at 1 April</b>	<b>(22,903)</b>	<b>(38,797)</b>
Upward revaluation of assets	(7,079)	(310)
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	3,426	11,748
Surplus or deficit on revaluation of non-current assets posted to the Surplus/Deficit on the Provision of Services	<b>(3,653)</b>	<b>11,438</b>
Difference between fair value and historical cost depreciation	483	710
Accumulated gains on assets sold or scrapped	272	3,746
Amount written off to the Capital Adjustment Account	<b>755</b>	<b>4,456</b>
<b>Balance at 31 March</b>	<b>(25,801)</b>	<b>(22,903)</b>

### 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.

	2015/16 £000	2014/15 £000
<b>Balance at 1 April</b>	<b>(172,843)</b>	<b>(216,261)</b>
<i>Reversal of items debited or credited to the CIES:</i>		
Charges for depreciation of non-current assets	13,899	13,551
Revaluation losses on Property, Plant and Equipment	12,813	50,856
Revaluation gains on Property, Plant and Equipment (used to reverse previous revaluation losses)	(1,762)	(157)
Amortisation of Intangible Assets	289	324
Revenue expenditure funded from capital under statute	12,132	4,526
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	7,671	15,623
	<b>45,042</b>	<b>84,723</b>
Adjusting amounts written out of the Revaluation Reserve	(755)	(4,456)
Net written out amount of the cost of non-current assets consumed in the year	<b>44,287</b>	<b>80,267</b>
<i>Capital financing applied in the year:</i>		
Use of the Capital Receipts Unapplied Account to finance new capital expenditure	(7,721)	(5,606)
Capital grants and contributions credited to the CIES that have been applied to capital financing	(15,443)	(11,171)
Application of grants to capital financing from the Capital Grants and Other Contributions Unapplied Account	(7,355)	(8,168)
Statutory provision for the financing of capital investment charged against the General Fund	(6,531)	(10,396)
Capital expenditure charged against the General Fund	(2,819)	(3,799)
	<b>(39,869)</b>	<b>(39,140)</b>
Movements in the market value of Investment Properties debited or credited to the CIES	(2,659)	2,291
<b>Balance at 31 March</b>	<b>(171,084)</b>	<b>(172,843)</b>

**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.

	2015/16 £000	2014/15 £000
<b>Balance at 1 April</b>	<b>348,259</b>	<b>256,066</b>
Actuarial gains or losses on pension assets and liabilities	(89,040)	81,636
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	33,759	29,042
Employer's pensions contributions and direct payments to pensioners payable in the year	(19,046)	(18,485)
<b>Balance at 31 March</b>	<b>273,932</b>	<b>348,259</b>

**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.

	2015/16 £000	2014/15 £000
<b>Balance at 1 April</b>	<b>(30,785)</b>	<b>(26,486)</b>
Revaluation of investment in Manchester Airport Group (MAG)	1,200	(4,299)
<b>Balance at 31 March</b>	<b>(29,585)</b>	<b>(30,785)</b>

**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.

	2015/16 £000	2014/15 £000
<b>Balance at 1 April</b>	<b>(4,173)</b>	<b>(2,715)</b>
Amount by which Council Tax income and NDR income credited to the CIES is different from Council Tax income and NDR income calculated for the year in accordance with statutory requirements	(1,196)	(1,458)
<b>Balance at 31 March</b>	<b>(5,369)</b>	<b>(4,173)</b>

**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.

	2015/16 £000	2014/15 £000
<b>Balance at 1 April</b>	<b>3,580</b>	<b>3,261</b>
Settlement or cancellation of accrual made at the end of the preceding year	(3,580)	(3,261)
Amounts accrued at the end of the current year	3,577	3,580
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	(3)	319
<b>Balance at 31 March</b>	<b>3,577</b>	<b>3,580</b>

**Financial Instruments Adjustment Account**

	2015/16 £000	2014/15 £000
<b>Balance at 1 April</b>	<b>(235)</b>	<b>(28)</b>
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	(191)	(207)
<b>Balance at 31 March</b>	<b>(426)</b>	<b>(235)</b>

**Deferred Capital Receipts Reserve**

	2015/16 £000	2014/15 £000
<b>Balance at 1 April</b>	<b>(15)</b>	<b>(20)</b>
Transfer to the Capital Receipts Unapplied Account on receipt of cash	3	5
<b>Balance at 31 March</b>	<b>(12)</b>	<b>(15)</b>

**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.

**Notes to the Financial Statements**

	Balance at 1 April 2015 £000	Net Movement 2015/16 £000	Balance at 31 March 2016 £000	Balance at 1 April 2015 £000	Net Movement 2014/15 £000	Balance at 31 March 2015 £000	Purpose of the Earmarked Reserve
Building Schools for the Future (BSF) Affordability Reserve	(5,306)	(1,183)	(6,489)	(3,181)	(2,125)	(5,306)	For further information please see Note 28.
Capital Investment Reserve	(37,747)	1,098	(36,649)	(22,034)	(15,713)	(37,747)	To be used in financing the Council's ongoing capital programme including the Vision Tameside Project.
Contingent Liability Reserve	(16,000)	0	(16,000)	(16,000)	0	(16,000)	To fund Contingent Liabilities detailed in Note 37.
Corporate Initiatives Reserve	(6,015)	200	(5,815)	(5,031)	(984)	(6,015)	To fund the implementation of projects that support the Council's cross-cutting corporate initiatives.
Early Exit Costs Reserve	(5,069)	0	(5,069)	(5,000)	(69)	(5,069)	To assist in meeting future years additional pension costs.
Earmarked Reserves with a balance at 31 March 2016 under £0.250m	(1,112)	31	(1,081)	(2,706)	1,594	(1,112)	Various
Emergency Response Reserve	(250)	(1)	(251)	(141)	(109)	(250)	To assist in funding expenditure in the event of any major emergency response situations.
Financial/Corporate Systems Reserve	(533)	108	(425)	(636)	103	(533)	To fund future planned implementation / maintenance of corporate computer systems.
Future Premiums Reserve	(4,972)	(639)	(5,611)	(4,467)	(505)	(4,972)	To finance the cost of premiums in relation to future debt re-scheduling.
Hard Facilities Management Service Contract Reserve	(812)	37	(775)	(849)	37	(812)	To fund the affordability gap within the Facilities Management service.
Hattersley Reserve	(1,812)	0	(1,812)	(1,811)	(1)	(1,812)	To finance highway improvements and regeneration initiatives in Hattersley.
Health Equalities Reserve	(2,968)	100	(2,868)	(1,981)	(987)	(2,968)	Ringfenced Public Health reserve per section 10 of the Department of Health Grant determination.
Health Integration Reserve	(3,380)	262	(3,118)	(3,380)	0	(3,380)	To support the development and implementation of the Care Together Programme.
Health Services Reserve	(437)	76	(361)	(476)	39	(437)	To fund Health Related Services within the borough.
Insurance Reserves	(8,910)	(387)	(9,297)	(8,647)	(263)	(8,910)	An estimate of claims incurred but not reported. Includes element to cover any expenditure for MMI claims.
Medium Term Financial Strategy Reserve	(51,243)	(17,311)	(68,554)	(45,702)	(5,541)	(51,243)	To support the delivery of the Medium Term Financial Strategy.
Pay Equalities Reserve	(2,383)	0	(2,383)	(2,383)	0	(2,383)	To support potential litigation costs.
Pledges Reserve	0	(1,435)	(1,435)	0	0	0	Money set a side to deliver 2015/16 Pledges
Hattersley PFI Affordability Reserve	(2,100)	(890)	(2,990)	(2,548)	448	(2,100)	For further information please see Note 28.
Risk Initiatives Reserve	(235)	(56)	(291)	(197)	(38)	(235)	To provide training in areas of high risk insurance claiming with the aim of reducing future claims.
School Funding Reserve	(4,737)	530	(4,207)	(2,072)	(2,665)	(4,737)	Balance of Education grants to utilised on Education and School related services.
Schools Teachers Early Retirement Reserve	(512)	(18)	(530)	(494)	(18)	(512)	To finance the associated ongoing pension liabilities of teachers who retire before the age of 60.

Tameside Support for Independent Living Reserve	(213)	(175)	(388)	0	(213)	(213)	Balance of a deprivation grant which is to be used to support the Tameside Resettlement Scheme.
Traffic Management Reserve	(619)	(34)	(653)	(72)	(547)	(619)	To support future maintenance of the new development highway infrastructure.
Transport Replacement Fleet Reserve	(954)	(398)	(1,352)	(702)	(252)	(954)	To fund future maintenance of vehicles procured via Prudential Borrowing.
Unspent Revenue Grant and Contribution Reserve	(4,943)	139	(4,804)	(3,722)	(1,221)	(4,943)	Unspent revenue grant, with no conditions attached. IFRS require these grants to be classed as reserves.
Waste PFI Reserve	(1,976)	(245)	(2,221)	(3,819)	1,843	(1,976)	To smooth the impact of future years levy increases and associated managed collection costs.
Winter Gritting Reserve	(603)	100	(503)	(465)	(138)	(603)	To fund additional winter maintenance costs in future years.
<b>Total</b>	<b>(165,841)</b>	<b>(20,091)</b>	<b>(185,932)</b>	<b>(138,516)</b>	<b>(27,325)</b>	<b>(165,841)</b>	

## **BALANCE SHEET NOTES**

### **NON-CURRENT ASSETS (INCLUDING FINANCIAL INSTRUMENTS)**

#### **12. Property, Plant and Equipment**

##### ***Recognition***

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

*Capital expenditure includes:*

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

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

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

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

*A de minimis level of £1,000 has been adopted by the Council in relation to capital expenditure.*

##### ***Measurement***

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

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

- *Other Land and Buildings \**
- *Infrastructure assets*
- *Vehicles, Plant and Equipment*

- Community Assets
- Assets under Construction
- Surplus Assets

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

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

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

\*These asset categories are revalued on a five year rolling cycle. The programme of revaluations is continuing on this cyclical basis although values of those assets falling between scheduled valuation dates are reviewed annually to ensure that any material changes to asset valuations is adjusted in the interim period, as they occur. 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/derecognition.

### **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:

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.*

### **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.*

Details of movements in Property, Plant and Equipment in the year are below:

	Land and Buildings £000	Vehicles, Plant and Equipment £000	Infrastructure £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000	PFI Assets Included in Property, Plant and Equipment £000
<b>Cost or Valuation</b>								
At 1 April 2015	349,119	32,033	117,499	17,907	23,968	8,508	549,034	114,806
Additions	10,985	3,181	7,385	160	61	6,606	28,378	70
Upward revaluation of assets recognised in the Revaluation Reserve	5,477	0	0	0	1,165	0	6,642	0
Upward revaluation of assets reversing prior year loss to Surplus/Deficit on the Provision of Services	362	0	0	0	1,167	0	1,529	0
Revaluation losses recognised in the Revaluation Reserve	(3,937)	0	0	0	(393)	0	(4,330)	0
Revaluation losses recognised in the Surplus/Deficit on the Provision of Services	(10,989)	0	0	0	(2,577)	0	(13,566)	0
Derecognition/disposal of non-current assets	(5,085)	(4,936)	0	0	0	0	(10,021)	0
Assets reclassified in year	(555)	0	0	0	(180)	0	(735)	0
Other movements	0	0	0	0	0	0	0	0
<b>At 31 March 2016</b>	<b>345,377</b>	<b>30,278</b>	<b>124,884</b>	<b>18,067</b>	<b>23,211</b>	<b>15,114</b>	<b>556,931</b>	<b>114,876</b>
<b>Accumulated Depreciation and Impairment</b>								
At 1 April 2015	(26,243)	(19,743)	(19,596)	(3,590)	(15,091)	0	(84,263)	(7,728)
Depreciation charge	(7,618)	(3,275)	(3,006)	0	0	0	(13,899)	(2,291)
Upward revaluation of assets written out to the Revaluation Reserve	409	0	0	0	29	0	438	0
Upward revaluation of assets written out to the Surplus/Deficit on the Provision of Services	233	0	0	0	0	0	233	0
Revaluation losses recognised in the Revaluation Reserve	903	0	0	0	0	0	903	0
Revaluation losses recognised in the Surplus/Deficit on the Provision of Services	726	0	0	0	28	0	754	0
Derecognition/disposal of non-current assets	170	4,699	0	0	0	0	4,869	0
<b>At 31 March 2016</b>	<b>(31,420)</b>	<b>(18,319)</b>	<b>(22,602)</b>	<b>(3,590)</b>	<b>(15,034)</b>	<b>0</b>	<b>(90,965)</b>	<b>(10,019)</b>
<b>Net Book Value</b>								
<b>At 31 March 2016</b>	<b>313,957</b>	<b>11,959</b>	<b>102,282</b>	<b>14,477</b>	<b>8,177</b>	<b>15,114</b>	<b>465,966</b>	<b>104,857</b>
<b>At 31 March 2015</b>	<b>322,876</b>	<b>12,290</b>	<b>97,903</b>	<b>14,317</b>	<b>8,877</b>	<b>8,508</b>	<b>464,771</b>	<b>107,078</b>
<b>Nature of asset owned at 31 March 2016</b>								
Owned	209,098	11,959	102,282	14,477	8,177	15,114	361,107	0
Finance Lease	2	0	0	0	0	0	2	0
PFI	104,857	0	0	0	0	0	104,857	104,857
	<b>313,957</b>	<b>11,959</b>	<b>102,282</b>	<b>14,477</b>	<b>8,177</b>	<b>15,114</b>	<b>465,966</b>	<b>104,857</b>

Details of the restated comparative year movements are below:

	Land and Buildings £000	Vehicles, Plant and Equipment £000	Infrastructure £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000	PFI Assets Included in Property, Plant and Equipment £000
<b>Cost or Valuation</b>								
At 1 April 2014	422,411	31,626	110,168	17,645	49,762	1,768	633,380	115,771
Additions	17,544	630	7,262	263	77	6,682	32,458	85
Upward revaluation of assets recognised in the Revaluation Reserve	0	0	0	0	300	0	300	0
Upward revaluation of assets reversing prior year loss to Surplus/Deficit on the Provision of Services	(81)	0	0	0	0	0	(81)	0
Revaluation losses recognised in the Revaluation Reserve	(25,834)	0	0	0	(1,181)	0	(27,015)	(1,051)
Revaluation losses recognised in the Surplus/Deficit on the Provision of Services	(53,360)	0	0	0	(19,824)	0	(73,184)	0
Derecognition/disposal of non-current assets	(14,546)	0	0	0	(658)	0	(15,204)	0
Assets reclassified in year	2,984	(223)	70	0	(4,508)	59	(1,618)	1
Other movements	0	0	(1)	(1)	0	(1)	(3)	0
<b>At 31 March 2015</b>	<b>349,118</b>	<b>32,033</b>	<b>117,499</b>	<b>17,907</b>	<b>23,968</b>	<b>8,508</b>	<b>549,033</b>	<b>114,806</b>
<b>Accumulated Depreciation and Impairment</b>								
At 1 April 2014	(40,762)	(16,585)	(16,772)	(3,590)	(32,384)	0	(110,093)	(6,289)
Depreciation charge	(7,569)	(3,158)	(2,824)	0	0	0	(13,551)	(2,271)
Upward revaluation of assets written out to the Revaluation Reserve	0	0	0	0	10	0	10	0
Upward revaluation of assets written out to the Surplus/Deficit on the Provision of Services	238	0	0	0	0	0	238	0
Revaluation losses recognised in the Revaluation Reserve	14,714	0	0	0	553	0	15,267	832
Revaluation losses recognised in the Surplus/Deficit on the Provision of Services	5,775	0	0	0	16,553	0	22,328	0
Derecognition/disposal of non-current assets	1,361	0	0	0	177	0	1,538	0
<b>At 31 March 2015</b>	<b>(26,243)</b>	<b>(19,743)</b>	<b>(19,596)</b>	<b>(3,590)</b>	<b>(15,091)</b>	<b>0</b>	<b>(84,263)</b>	<b>(7,728)</b>
<b>Net Book Value</b>								
<b>At 31 March 2015</b>	<b>322,875</b>	<b>12,290</b>	<b>97,903</b>	<b>14,317</b>	<b>8,877</b>	<b>8,508</b>	<b>464,770</b>	<b>107,078</b>
<b>At 31 March 2014</b>	<b>381,649</b>	<b>15,041</b>	<b>93,396</b>	<b>14,055</b>	<b>17,378</b>	<b>1,768</b>	<b>523,287</b>	<b>109,482</b>
<b>Nature of asset owned at 31 March 2015</b>								
Owned	215,795	12,290	97,903	14,317	8,877	8,508	357,690	0
Finance Lease	2	0	0	0	0	0	2	0
PFI	107,078	0	0	0	0	0	107,078	107,078
	<b>322,875</b>	<b>12,290</b>	<b>97,903</b>	<b>14,317</b>	<b>8,877</b>	<b>8,508</b>	<b>464,770</b>	<b>107,078</b>

An analysis of the Council's rolling programme of revaluations:

	Land and Buildings £000	Vehicles, Plant and Equipment	Infrastructure £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total £000
<b>Historical Cost</b>	<b>13,204</b>	<b>30,278</b>	<b>124,884</b>	<b>18,067</b>	<b>62</b>	<b>15,114</b>	<b>201,609</b>
Fair Value at year end:							
31 March 2012	87,534	0	0	0	13,568	0	101,102
31 March 2013	7,791	0	0	0	531	0	8,322
31 March 2014	47,108	0	0	0	958	0	48,066
31 March 2015	42,552	0	0	0	24	0	42,576
31 March 2016	147,187	0	0	0	8,068	0	155,255
<b>Total Cost or Valuation</b>	<b>345,376</b>	<b>30,278</b>	<b>124,884</b>	<b>18,067</b>	<b>23,211</b>	<b>15,114</b>	<b>556,930</b>

#### a. Assets Held for Sale

	2015/16 £000	2014/15 £000
<b>Balance at start of the year</b>	<b>2,073</b>	<b>407</b>
Assets newly classified as held for sale	877	1,666
Revaluation losses or gains	0	0
Assets declassified as held for sale	0	0
Disposals in year	(1,990)	0
<b>Balance at end of the year</b>	<b>960</b>	<b>2,073</b>

### 13. Heritage Assets

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

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

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

- *Art Collection;*
- *Militaria;*
- *Civic Regalia and Silver; and*
- *Statues and Other Monuments.*

	Civic Regalia £000	Art Collection £000	Militaria £000	Statues and Other Monuments £000	Total Heritage Assets £000
<b>Cost or Valuation</b>					
At 1 April 2013	578	9,507	1,475	911	12,471
At 31 March 2014	578	9,507	1,475	911	12,471
At 31 March 2015	578	9,507	1,475	911	12,471
At 31 March 2016	578	9,507	1,475	911	12,471

#### 14. Investment Properties

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

	2015/16 £000	2014/15 £000
Rental income from investment property	(2,051)	(2,221)
Direct operating expenses arising from investment property	1,502	1,395
Gains in fair value of investment property	(4,653)	(1,499)
Losses in the fair value of investment property	1,994	3,790
<b>Net position</b>	<b>(3,208)</b>	<b>1,465</b>

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

	2015/16 £000	2014/15 £000
<b>Balance at start of the year</b>	<b>27,410</b>	<b>31,663</b>
Additions	31	43
Movements in the fair value of investment property	2,659	(2,291)
Derecognition/disposal of non-current assets	(531)	(1,957)
Assets reclassified in year	(141)	(48)
<b>Balance at end of the year</b>	<b>29,428</b>	<b>27,410</b>

#### 15. Intangible Assets

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

*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.*

	2015/16 £000	2014/15 £000
Gross carrying amount	1,963	1,963
Accumulated amortisation	(1,350)	(1,026)
<b>Balance at start of the year</b>	<b>613</b>	<b>937</b>
Additions	0	0
In year amortisation	(288)	(324)
<b>Balance at end of the year</b>	<b>325</b>	<b>613</b>

## 16. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in a decrease in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed.

	2015/16 £000	2014/15 £000
<b>Opening CFR plus PFI added in Year</b>	<b>300,006</b>	<b>300,719</b>
<u>Capital Investment</u>		
Property, Plant and Equipment	28,378	32,458
Investment Properties	31	43
Revenue Expenditure Funded from Capital under Statute	12,132	4,526
Other Long Term Investments	(474)	474
<u>Sources of Finance</u>		
Capital Receipts	(7,721)	(5,606)
Government Grants and Other Contributions	(22,798)	(19,339)
Capital expenditure charged against General Fund Balances	(2,819)	(3,799)
Minimum Revenue Provision	(5,687)	(9,470)
<b>Closing CFR</b>	<b>301,048</b>	<b>300,006</b>

Explanation of movements in year:

	2015/16 £000	2014/15 £000
Change in Underlying Need to Borrow	3,024	1,154
Principal Element of Finance Lease Repayments	(6)	(6)
Principal Element of PFI Lease Repayments	(1,976)	(1,861)
<b>Increase / (decrease) in CFR</b>	<b>1,042</b>	<b>(713)</b>

## 17. Capital Commitments

At the Balance Sheet date, the Council had a number of major commitments for the construction or enhancement of Property, Plant and Equipment in 2016/17 and future years which are shown below.

	31 March 2016 £000
Vision Tameside	36,191
Active Tameside	17,550
Aldwyn Primary School	2,255

### 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.*

	31 March 2016 £000	31 March 2015 £000
Inspiredspaces Tameside (Holdings 1) Ltd	1,869	1,869
Inspiredspaces Tameside (Holdings 2) Ltd	3,348	3,348
Local Authority Mortgage Scheme (LAMS)	1,000	1,000
Manchester Airport	8,677	8,677
Tameside Sports Trust	2,259	3,019
Other Long Term Debtors	144	179
<b>Total</b>	<b>17,297</b>	<b>18,092</b>

**Inspiredspaces Tameside (Holdings 1) Ltd and Inspiredspaces Tameside (Holdings 2) Ltd** – Loan stock held by the Council.

**LAMS** – A £1m advance with Lloyds Banking Group, which reflects the Council's share of financial assistance through the provision of an indemnity. The indemnity will be in place for a five-year period, at which point the advance will be returned to 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.

**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.

### 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 IAS 32, 39 and IFRS 7 cover the concepts of recognition, measurement, presentation and disclosure. 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 arms 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.

#### a. Financial Instrument Balances

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments:

	31 March 2016		31 March 2015	
	Long Term £000	Current £000	Long Term £000	Current £000
Financial Liabilities Principal Amount	118,477	8,608	119,585	15,096
Adjustment for Amortised Cost	779	1,246	792	1,871
Financial Liabilities at amortised cost	119,256	9,854	120,377	16,967
<b>Total Borrowing</b>	<b>119,256</b>	<b>9,854</b>	<b>120,377</b>	<b>16,967</b>
Loans and Receivables Principal Amount	0	156,406	0	150,976
Adjustment for amortised cost	0	167	0	106
Amounts treated as Cash Equivalents	0	(55,419)	0	(117,012)
Loans and Receivables at amortised cost	0	101,154	0	34,070
Other Investments	8	0	8	0
<u>Available for Sale</u>				
Inspiredspaces Tameside (Holdings 1) Ltd	852	0	852	0
Inspiredspaces Tameside (Holdings 2) Ltd	1,509	0	1,509	0
Manchester Airport Group (MAG)	39,800	0	41,000	0
<b>Total Investments</b>	<b>42,169</b>	<b>101,154</b>	<b>43,369</b>	<b>34,070</b>

There are material changes to the Fair Value 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 2016 £'000	31 March 2015 £'000
Available for Sale				
Inspiredspaces Tameside (Holdings 1) Ltd	Level 3	Discounted cash flow (see * below)	852	852
Inspiredspaces Tameside (Holdings 2) Ltd	Level 3	Discounted cash flow (see * below)	1,509	1,509
Manchester Airport Group (MAG)	Level 2	Market Value	39,800	41,000
<b>Total</b>			<b>42,161</b>	<b>43,361</b>

**Inspiredspaces Tameside (Holdings1) Ltd and Inspiredspaces Tameside (Holdings2) Ltd** – The Council's equity holding remained unchanged during the accounting period.

**MAG** – The Council's shareholding remains at 3.22%. The Council's external valuers have advised of a decrease of £1.2m in the fair value of the Council's shareholding during the accounting period. 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.

#### b. 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 2016		31 March 2015	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
PWLB Debt	80,310	126,027	91,838	136,975
Non PWLB Debt	48,654	71,860	45,379	54,333
	<b>128,964</b>	<b>197,887</b>	<b>137,217</b>	<b>191,308</b>

The fair value is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the Balance Sheet date. The difference between the carrying amount and the fair value measures the additional interest that the authority will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates.

However, the Council has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets. A supplementary measure of the additional interest that the Council 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 £80.311m would be valued at £107.15m. But, if the Council 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 £26.85m, principal of £79.6m and accrued interest of £0.711m, totalling £107.161m.

	31 March 2016		31 March 2015	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
<u>Money Market Loans</u>				
Less Than 1 Year	156,573	156,573	147,005	147,005
Long Term Debtors	17,297	17,297	18,092	18,092
<b>Total Loans and Receivables</b>	<b>173,870</b>	<b>173,870</b>	<b>165,097</b>	<b>165,097</b>

### c. Mark to Model Valuation for Financial Instruments

As at 31st March the Council held £156.57m financial assets and £128.96m financial liabilities for which Level 3 valuations will apply. All the financial assets are classed as Loans and Receivables and held with Money Market Funds, Local Authorities and Notice Accounts. 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 Capita Asset Services. This valuation applies the Net Present Value approach, which provides an estimate of the value of payments in the future in today's terms as at the balance sheet date. This is a widely accepted valuation technique commonly used by the private sector. Our accounting policy uses early repayment rates to discount the future cash flows.

## 20. Nature and Extent of Risks Arising from Financial Instruments

### Key Risks

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

- Credit risk – the possibility that other parties might fail to pay amounts due;

- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments;
- Re-financing risk – the possibility that the Council might be required to renew a financial instrument on maturity at disadvantageous interest rates or terms;
- Market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rate movements.

**Overall Procedures for Managing Risk**

The Council's overall risk management procedures focus on the unpredictability of financial markets, and are structured to implement suitable controls to minimise these risks. The procedures for risk management are set out through a legal framework in the *Local Government Act 2003* and the associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and Investment Guidance issued through the Act. Overall these procedures require the Council to manage risk in the following ways:

- By formally adopting the requirements of the Code of Practice;
- By the adoption of a Treasury Policy Statement and treasury management clauses within its constitution;
- By approving annually in advance prudential indicators for the following three years limiting:
  - The Council's overall borrowing;
  - Its maximum and minimum exposures to fixed and variable rates;
  - Its maximum and minimum exposures to the maturity structure of its debt; and
  - Its maximum annual exposures to investments maturing beyond a year.
- By approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance.

These are required to be reported and approved at or before the Council's annual budget setting meeting. These items are reported with the annual Treasury Management Strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported bi-annually to Members.

The 2015/16 Budget Report, which incorporates the prudential indicators, was approved by Council on 24 February 2015 and is available on the Council website. The key indicators were:

<b>Indicator</b>	<b>Limit</b>	<b>Outturn</b>
Ratio of financing costs to net revenue stream	8%	4%
Capital financing requirement	£211,163,000	£181,510,826
Capital expenditure in year	£53,763,000	£39,996,736
Incremental impact on capital investment decisions	£8	£3
Authorised limit for external debt	£257,319,000	£127,084,517
Operational boundary for external debt	£237,319,000	£127,084,517
Upper limit for fixed interest rate exposure	£211,163,000	-£11,421,290
Upper limit for variable interest rate exposure	£63,348,900	-£17,900,185
Upper limit for total principal sums invested for over 364 days	£30,000,000	£0

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 criteria is applied.

The key areas of the Investment Strategy are that the minimum criteria for investment counterparties include:

- Credit ratings of Short Term F1, Long Term A- or greater. 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.
- Domiciled in a country which has a minimum sovereign rating AA;
- UK Institutions provided with support from the UK Government.

The full Investment Strategy for 2015/16 was approved by Full Council on 24 February 2015 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 £60.4m 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 irrecoverability applies to all of the Council's deposits, but there was no evidence at the Balance Sheet date that this was likely to crystallise.

The following analysis summarises the Council's potential maximum exposure to credit risk, based on experience of default, adjusted to reflect current market conditions.

	Amount at 31 March 2016	Historical experience of default	Adjustment for market conditions at 31 March 2016	Estimated maximum exposure to default
	£000	%	%	£000
	(a)	(b)	(c)	(a * c)
Deposits with banks and financial institutions (principal amount)	60,400	0	0	0

No breaches of the Council's counterparty criteria occurred during the year and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits.

The Council does not generally allow credit for its trade debtors. At the Balance Sheet date a balance of £11.664m was outstanding and is analysed by age below:

	31 March 2016 £000	31 March 2015 £000
Less than three months	4,196	5,421
Three to four months	163	217
Four to five months	253	175
More than five months	7,052	5,478
<b>Total</b>	<b>11,664</b>	<b>11,291</b>

### Liquidity Risk

The Council manages its liquidity position through the risk management procedures above, as well as through a comprehensive cash flow management system, as required by the Code. This seeks to ensure that cash is available when it is needed.

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

The maturity analysis of financial assets (principal amount) is as follows:

	31 March 2016 £000	31 March 2015 £000
Less than one year	156,406	150,976
<b>Total</b>	<b>156,406</b>	<b>150,976</b>

All investments placed in the year were restricted to a maximum maturity period of twelve months; this policy reduced the risk that the Council would hold an investment with an institution that had a declining credit rating.

### 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 2016 £000	31 March 2015 £000
Less than one year	15	0	8,607	15,227
Between one and two years	15	0	6,466	1,108
Between two and five years	30	0	1,003	7,118
Between five and ten years	40	0	4,983	5,334
More than ten years	100	50	106,025	106,025
<b>Total</b>			<b>127,084</b>	<b>134,812</b>

## Market Risk

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

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

Borrowings are not carried at fair value on the Balance Sheet, so nominal gains and losses on fixed rate borrowings would not impact on the CIES. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the CIES and affect General Fund Balances, subject to influences from Government grants. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in the CIES.

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

If all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

	31 March 2016 £000	31 March 2015 £000
Decrease in the fair value of fixed rate borrowings liabilities (no impact on CIES)	33,237	29,282

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 £25.046m.

**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 £39.8m. 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.

	Consumable Stores		Maintenance Materials		Work In Progress		Total	
	2015/2016	2014/2015	2015/2016	2014/2015	2015/2016	2014/2015	2015/2016	2014/2015
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Balance outstanding at start of year</b>	318	295	158	213	28	28	504	536
Purchases	615	2,618	411	376	0	0	1,026	2,994
Recognised as an expense in the year	(751)	(2,595)	(431)	(431)	(1)	0	(1,183)	(3,026)
<b>Balance outstanding at year -end</b>	<b>182</b>	<b>318</b>	<b>138</b>	<b>158</b>	<b>27</b>	<b>28</b>	<b>347</b>	<b>504</b>

### 22. Short Term Debtors

Short Term Debtors comprise amounts due to the Council that are not investments and that have not been received at the Balance Sheet date.

The Council maintains an allowance for bad or doubtful debts for any potential non-payment of debtors. Assessment is made based on the risk of the debtors' ability to pay future cash flows due under the contractual terms. 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.

	31 March 2016 £000	31 March 2015 £000
Central Government Bodies	5,436	6,039
Allowance for Bad or Doubtful Debts	(15,955)	(13,062)
NHS Bodies	113	1,188
Other Local Authorities	429	724
Other Entities and Individuals	41,511	34,369
Public Corporations and Trading Funds	0	15
	<b>31,534</b>	<b>29,273</b>
Capital Debtors	2,083	1,719
Payments In Advance	4,094	1,910
Transferred Services	34	37
<b>Total</b>	<b>37,745</b>	<b>32,939</b>

### 23. Cash and Cash Equivalents

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

	31 March 2016 £000	31 March 2015 £000
Cash held by the Council	25	31
Short Term Investments	55,419	117,012
Bank Current Accounts	157	9,104
Bank Overdraft	0	0
<b>Total</b>	<b>55,601</b>	<b>126,147</b>

### Current Liabilities

#### 24. Short Term Creditors

*Short Term Creditors comprise amounts owed by the Council for work done, goods received or services rendered, for which payment has not been received at the Balance Sheet date.*

	31 March 2016 £000	31 March 2015 £000
Central Government Bodies	(8,556)	(10,500)
NHS Bodies	(1,547)	(344)
Other Local Authorities	(360)	(664)
Other Entities and Individuals	(16,176)	(15,510)
Public Corporations and Trading Funds	(770)	(374)
<b>Total</b>	<b>(27,409)</b>	<b>(27,392)</b>
Capital Creditors	(4,875)	(3,307)
Deposits and Receipts in Advance	(2,176)	(4,129)
Short Term Accumulating Compensated Absences	(3,577)	(3,580)
<b>Total</b>	<b>(38,037)</b>	<b>(38,408)</b>

## 25. Other Long Term and Short Term Liabilities

*Other Long Term and Short Term Liabilities comprise amounts due to individuals or organisations which will have to be paid at some time in the future. Long term liabilities are usually payable more than one year from the Balance Sheet date.*

	Note	Long Term £000	Short Term £000	Total £000
<b>2015/16</b>				
Pension Liability	30	(273,932)		(273,932)
PFI	28	(107,764)	(2,432)	(110,196)
Finance Leases	27	(2,623)	(6)	(2,629)
Former Transferred Debt		(6,088)		(6,088)
Donated Assets		(10,658)		(10,658)
Rent Deposit on Leased Buildings		(16)		(16)
<b>Total</b>		<b>(401,081)</b>	<b>(2,438)</b>	<b>(403,519)</b>
<b>2014/15</b>				
Pension Liability	30	(348,259)	0	(348,259)
PFI	28	(110,196)	(1,976)	(112,172)
Finance Leases	27	(2,630)	(6)	(2,636)
Former Transferred Debt		(6,932)	0	(6,932)
Donated Assets		(10,658)	0	(10,658)
Rent Deposit on Leased Buildings		(14)	0	(14)
<b>Total</b>		<b>(478,689)</b>	<b>(1,982)</b>	<b>(480,671)</b>

**Former Transferred Debt** – The debt associated with the non-current assets of the former Greater Manchester and Lancashire County Councils, passed to the successor authorities with debt administration being managed by the Council.

**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.*

*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 MiRS in future financial years as payments are made.*

**Short Term Provisions**

	2015/16 £000	2014/15 £000
Land Charges Provision	(31)	(192)
Provision for Business Rates Appeals	(2,916)	(2,684)
<b>Total</b>	<b>(2,947)</b>	<b>(2,876)</b>

**Long Term Provisions**

	Insurance Fund £000	Pay Provision £000	Other Provisions £000	Total £000
<b>Balance at 1 April 2015</b>	<b>(4,065)</b>	<b>(6,455)</b>	<b>(73)</b>	<b>(10,593)</b>
Additional provisions made in the period	(1,404)	0	(84)	(1,488)
Amounts used	1,144	0	34	1,178
<b>Balance at 31 March 2016</b>	<b>(4,325)</b>	<b>(6,455)</b>	<b>(123)</b>	<b>(10,903)</b>

**Insurance Fund** – is mainly to cover 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.

**Pay Provision** – established following job evaluation and the establishment of a new pay and grading structure in January 2011. This provides for any claims that have been lodged.

**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:

	<b>31 March 2016 £000</b>	<b>31 March 2015 £000</b>
Other Land and Buildings	2	2
<b>Total</b>	<b>2</b>	<b>2</b>

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

	31 March 2016 £000	31 March 2015 £000
Finance lease liabilities (net present value of minimum lease payments):		
- current	(6)	(6)
- non-current	(2,625)	(2,630)
Finance costs payable in future years	(16,491)	(16,712)
<b>Minimum lease payments</b>	<b>(19,122)</b>	<b>(19,348)</b>

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

	Minimum Lease Payments 2015/16 £000	Finance Lease Liabilities 2015/16 £000	Minimum Lease Payments 2014/15 £000	Finance Lease Liabilities 2014/15 £000
Not later than one year	(226)	(6)	(226)	(6)
Later than one year and not later than five years	(898)	(26)	(901)	(25)
Later than five years	(17,998)	(2,600)	(18,221)	(2,605)
	<b>(19,122)</b>	<b>(2,632)</b>	<b>(19,348)</b>	<b>(2,636)</b>

### Operating Leases

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

The Council had nine assets under operating leases in the year, with typical lives of 1-5 years. The future minimum lease payments due under non-cancellable leases in future years are:

	2015/16 £000	2014/15 £000
Not later than one year	137	155
Later than one year and not later than five years	9	34
	<b>146</b>	<b>189</b>

The expenditure charged to Cost of Services in the CIES during the year in relation to these leases was:

	2015/16 £000	2014/15 £000
Minimum lease payments	414	392

### 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:

	2015/16 £000	2014/15 £000
Not later than one year	1,297	1,352
Later than one year and not later than five years	3,696	4,027
Later than five years	79,410	80,279
	<b>84,403</b>	<b>85,658</b>

## 28. Service Concession Agreements (Private Finance Initiatives (PFI) and 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.*

### **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; and
- 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 shareholding 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 shareholding 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; and
- 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.

The process of reviewing the affordability position on the BSF contracts commenced in March 2013. This review takes account of changes in any of the assumptions around expenditure, income, interest and inflation rates. The balance of the BSF Affordability Reserve at 31 March 2016 is £6.489m (£5.306m at 31 March 2015).

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

	Hattersley £000	Inspiredsp aces Tameside (Hold Co 1) Ltd £000	Inspiredsp aces Tameside (Hold Co 2) Ltd £000	Total £000
<b><u>Cost or Valuation</u></b>				
At 1 April 2015	15,880	39,223	59,703	114,806
Additions	70	0	0	70
<b>At 31 March 2016</b>	<b>15,950</b>	<b>39,223</b>	<b>59,703</b>	<b>114,876</b>
<b><u>Accumulated Depreciation and Impairment</u></b>				
At 1 April 2015	(1,450)	(2,721)	(3,557)	(7,728)
Depreciation charge	(336)	(770)	(1,185)	(2,291)
<b>At 31 March 2016</b>	<b>(1,786)</b>	<b>(3,491)</b>	<b>(4,742)</b>	<b>(10,019)</b>
<b><u>Net Book Value</u></b>				
<b>At 31 March 2016</b>	<b>14,164</b>	<b>35,732</b>	<b>54,961</b>	<b>104,857</b>
<b>At 31 March 2015</b>	<b>14,430</b>	<b>36,502</b>	<b>56,146</b>	<b>107,078</b>

Details of restated comparative movements in PFI assets are below:

	Hattersley £000	Inspiredsp aces Tameside (Hold Co 1) Ltd £000	Inspiredsp aces Tameside (Hold Co 2) Ltd £000	Total £000
<b><u>Cost or Valuation</u></b>				
At 1 April 2014	16,846	39,223	59,702	115,771
Additions	85	0	0	85
Revaluation losses recognised in the Revaluation Reserve	(1,051)	0	0	(1,051)
Assets reclassified in year	0	0	1	1
<b>At 31 March 2015</b>	<b>15,880</b>	<b>39,223</b>	<b>59,703</b>	<b>114,806</b>
<b><u>Accumulated Depreciation and Impairment</u></b>				
At 1 April 2014	(1,966)	(1,951)	(2,372)	(6,289)
Depreciation charge	(316)	(770)	(1,185)	(2,271)
Revaluation losses recognised in the Revaluation Reserve	832	0	0	832
<b>At 31 March 2015</b>	<b>(1,450)</b>	<b>(2,721)</b>	<b>(3,557)</b>	<b>(7,728)</b>
<b><u>Net Book Value</u></b>				
<b>At 31 March 2015</b>	<b>14,430</b>	<b>36,502</b>	<b>56,146</b>	<b>107,078</b>
<b>At 31 March 2014</b>	<b>14,880</b>	<b>37,272</b>	<b>57,330</b>	<b>109,482</b>

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

	<b>Hattersley £000</b>	<b>Inspiredsp aces Tameside (Hold Co 1) Ltd £000</b>	<b>Inspiredsp aces Tameside (Hold Co 2) Ltd £000</b>	<b>Total £000</b>
Liability outstanding at 1 April 2015	(13,729)	(36,228)	(62,215)	(112,172)
Payments made during the year	328	575	1,073	1,976
<b>Liability outstanding at 31 March 2015</b>	<b>(13,401)</b>	<b>(35,653)</b>	<b>(61,142)</b>	<b>(110,196)</b>
Short Term Finance Lease Liability (2016-17)	(405)	(752)	(1,275)	(2,432)
Long Term Finance Lease Liability (Future Years)	(12,996)	(34,901)	(59,867)	(107,764)
	<b>(13,401)</b>	<b>(35,653)</b>	<b>(61,142)</b>	<b>(110,196)</b>

Details of comparative movements in PFI liabilities are below:

	<b>Hattersley £000</b>	<b>Inspiredsp aces Tameside (Hold Co 1) Ltd £000</b>	<b>Inspiredsp aces Tameside (Hold Co 2) Ltd £000</b>	<b>Total £000</b>
Liability outstanding at 1 April 2014	(13,991)	(36,761)	(63,281)	(114,033)
Payments made during the year	262	532	1,067	1,861
<b>Liability outstanding at 31 March 2015</b>	<b>(13,729)</b>	<b>(36,229)</b>	<b>(62,214)</b>	<b>(112,172)</b>
Short Term Finance Lease Liability (2015-16)	(328)	(575)	(1,073)	(1,976)
Long Term Finance Lease Liability (Future Years)	(13,401)	(35,654)	(61,141)	(110,196)
	<b>(13,729)</b>	<b>(36,229)</b>	<b>(62,214)</b>	<b>(112,172)</b>

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

	Payments					Indexation	Contract Expiry
	Liability £000	Finance Costs £000	Contingent Rental Finance Costs £000	Service Charges incl. Lifecycle Costs £000	Total £000		
<b>Hattersley</b>							
Payments within 1 year	404	1,437	427	1,085	3,353	RPI	2033
Payments within 2 to 5 years	1,641	5,281	1,892	5,352	14,166		
Payments within 6 to 10 years	3,025	5,567	3,092	7,535	19,219		
Payments within 11 to 15 years	5,465	3,377	4,087	8,059	20,988		
Payments within 16 to 20 years	2,866	467	1,812	3,014	8,159		
	13,401	16,129	11,310	25,045	65,885		
<b>Inspiredspaces Tameside (Hold Co 1) Ltd</b>							
Payments within 1 year	753	3,218	453	1,901	6,325	RPIx	2036
Payments within 2 to 5 years	3,406	12,132	2,280	8,673	26,491		
Payments within 6 to 10 years	6,576	13,102	4,158	11,961	35,797		
Payments within 11 to 15 years	9,138	9,621	5,452	15,479	39,690		
Payments within 16 to 20 years	14,091	4,636	7,187	17,833	43,747		
Payments within 21 to 25 years	1,689	64	775	1,240	3,768		
	35,653	42,773	20,305	57,087	155,818		
<b>Inspiredspaces Tameside (Hold Co 2) Ltd</b>							
Payments within 1 year	1,275	6,073	406	2,478	10,232	RPIx	2038
Payments within 2 to 5 years	5,843	22,957	2,196	11,315	42,311		
Payments within 6 to 10 years	10,230	25,105	4,164	16,705	56,204		
Payments within 11 to 15 years	13,826	19,231	5,578	22,647	61,282		
Payments within 16 to 20 years	21,369	11,090	7,373	26,680	66,512		
Payments within 21 to 25 years	8,599	969	2,575	7,487	19,630		
	61,142	85,425	22,292	87,312	256,171		

## 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 as part of Non Distributed Costs.*

**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 2015/16 the Council paid £8.054m to the Teachers' Pension Agency in respect of the employers' contribution rate for teacher's pensions (£7.425m in 2014/15). These contributions are based on a national rate of 14.1% to 31 August and 16.48% from 1 September.

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 2015/16 these costs amounted to £1.972m (£1.970m in 2014/15). 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 2015/16, the Council paid £0.074m (£0.096m in 2014/15) to the NHS Pension Scheme in respect of former NHS staff retirement benefits. These contributions are based on a national rate of 14.1% 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 2015/16.

### **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 2015/16 the Council paid an employer's contribution of £15.54m (£14.87m in 2014/15) into the Fund representing 19.6% (19% in 2014/15) of pensionable pay. The Council also paid £1.585m (£1.646m in 2014/15) for pension payments relating to added years that it has awarded, together with related increases for these representing 2% (2.1% in 2014/15) 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:

	2015/16 £000	2014/15 £000
<b>Service Cost</b>		
- Current service costs	22,205	17,455
- Past service costs (including curtailments)	354	593
<b>Total Service Cost</b>	<b>22,559</b>	<b>18,048</b>
<b>Financing and Investment Income and Expenditure</b>		
- Interest income on scheme assets	(24,526)	(29,842)
- Interest cost on defined benefit obligation	35,726	40,836
<b>Total Net Interest</b>	<b>11,200</b>	<b>10,994</b>
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>33,759</b>	<b>29,042</b>
<b>Remeasurements of the Net Defined Liability</b>		
- Return on plan assets excluding amounts included in net interest	29,008	(50,685)
- Actuarial losses arising from changes in financial assumptions	(100,146)	139,974
- Other experience	(17,902)	(7,653)
<b>Total Remeasurements Recognised in Other Comprehensive Income and Expenditure</b>	<b>(89,040)</b>	<b>81,636</b>
<b>Total Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement</b>	<b>(55,281)</b>	<b>110,678</b>
<b>Movement in Reserves Statement</b>		
- Reversal of net charges made to the surplus or deficit on provision of services	52,805	47,527
- Employers' Contribution payable to the scheme	19,046	18,485

#### 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:

	2015/16 £000	2014/15 £000
Fair value of employers assets	757,314	771,020
Present value of funded liabilities	(986,083)	(1,068,164)
Present value of unfunded liabilities	(45,163)	(51,115)
<b>Net liability arising from Defined Benefit obligation</b>	<b>(273,932)</b>	<b>(348,259)</b>

Reconciliation of the Movements in Fair Value of Scheme Assets:

	2015/16 £000	2014/15 £000
Opening fair value of scheme assets	771,020	698,386
Interest income	24,526	29,842
<u>Remeasurement gain</u>		
- Return on plan assets excluding amounts included in net interest	(29,008)	50,685
Contributions from employer	19,046	18,485
Contributions from employees into the scheme	5,036	5,008
Benefits paid	(33,306)	(31,386)
<b>Closing fair value of scheme assets</b>	<b>757,314</b>	<b>771,020</b>

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

	2015/16 £000	2014/15 £000
<b>Opening fair value of scheme liabilities</b>	<b>(1,119,279)</b>	<b>(954,452)</b>
Current service cost	(22,205)	(17,455)
Interest cost	(35,726)	(40,836)
Contributions from scheme participants	(5,036)	(5,008)
<u>Remeasurement gain</u>		
- Actuarial losses arising from changes in financial assumptions	100,146	(139,974)
- Other experience	17,902	7,653
Past service cost	(354)	(593)
Benefits paid	33,306	31,386
<b>Closing fair value of scheme liabilities</b>	<b>(1,031,246)</b>	<b>(1,119,279)</b>

Asset Category	31 March 2016				31 March 2015			
	Quoted Prices in Active Markets £000	Prices Not Quoted in Active Markets £000	Total £000	%	Quoted Prices in Active Markets £000	Prices Not Quoted in Active Markets £000	Total £000	%
<b>Equity Securities:</b>								
Consumer	66,689.1		66,689.1	9%	77,507.0	0.0	77,507.0	10%
Manufacturing	54,884.0		54,884.0	7%	72,132.4	0.0	72,132.4	9%
Energy and Utilities	40,653.7		40,653.7	5%	64,499.7	0.0	64,499.7	8%
Financial Institutes	73,463.2		73,463.2	10%	91,344.8	0.0	91,344.8	12%
Health and Care	31,667.9		31,667.9	4%	36,434.5	0.0	36,434.5	5%
Information Technology	17,014.4		17,014.4	2%	15,519.9	0.0	15,519.9	2%
Other	9,980.9		9,980.9	1%	9,697.2	0.0	9,697.2	1%
<b>Debt Securities:</b>								
Corporate Bonds (investment grade)	37,729.9		37,729.9	5%	45,433.4	0.0	45,433.4	6%
Corporate Bonds (non-investment grade)		0.1	0.1		0.1	0.0	0.1	0%
UK Government	6,004.3		6,004.3	1%	7,174.7	0.0	7,174.7	1%
Other	23,644.5		23,644.5	3%	38,127.4	0.0	38,127.4	5%
<b>Private Equity:</b>								
All		18,921.7	18,921.7	3%	0.0	21,422.7	21,422.7	3%
<b>Real Estate:</b>								
UK Property		23,846.3	23,846.3	3%	0.0	21,346.5	21,346.5	3%
<b>Investment funds and Unit Trusts:</b>								
Equities	211,030.2		211,030.2	28%	142,360.6	0.0	142,360.6	18%
Bonds	58,835.8		58,835.8	8%	42,759.0	0.0	42,759.0	6%
Infrastructure		10,149.5	10,149.5	1%	0.0	8,461.1	8,461.1	1%
Other	14,880.6	36,832.0	51,712.6	7%	9,985.0	38,105.5	48,090.5	6%
<b>Derivatives:</b>								
Other	1,993.4		1,993.4	0%	8,604.0	0.0	8,604.0	1%
<b>Cash and Cash Equivalents:</b>								
All	19,092.5		19,092.5	3%	20,104.8	0.0	20,104.8	3%
Totals	667,564.4	89,749.6	757,314.0	100%	681,684.5	89,335.8	771,020.3	100%

#### b. Basis for Estimating Assets and Liabilities

Liabilities in respect of the Greater Manchester Pension Fund have been assessed on an actuarial basis using the projected unit method. The Local Government scheme has been assessed by Hymans Robertson, an independent firm of actuaries, estimates for the Local Government Pension Scheme being based on the latest valuation of the scheme as at 31 March 2015. The significant assumptions used by the actuary have been:

	2015/16 £000	2014/15 £000
<b>Mortality assumptions *</b>		
Longevity at 65 for current pensioners:		
Men	21.4	21.4
Women	24.0	24.0
Longevity at 65 for future pensioners:		
Men	24.0	24.0
Women	26.6	26.6
Rate of inflation	2.20%	2.40%
Rate of increase in salaries	3.50%	3.60%
Rate of increase in pensions	2.20%	2.40%
Rate for discounting scheme liabilities	3.50%	3.20%

\* 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 2016	Approximate % change to Employer Liability	Approximate Monetary Amount £000
0.5% decrease in Real Discount Rate	10%	105,479
1 year increase in Member Life Expectancy	3%	30,937
0.5% increase in the Salary Increase Rate	3%	27,590
0.5% increase in the Pension Increase Rate	7%	76,712

### d. Impact on the Council's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The Council has agreed a strategy with the scheme's actuary to achieve a funding level of 90.5% over the next 3 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed at 31 March 2016.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and other main existing public service schemes may not provide benefits in relation to service after 31 March 2015 (or service after 31 March 2016 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made

within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits.

The Council anticipates paying £16.019m contributions to the scheme in 2016/17. The weighted average duration of the defined benefit obligation for scheme members is 18 years.

**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	<b>2015/16 £000</b>	<b>2014/15 £000</b>
Depreciation and amortisation of non-current assets	(14,187)	(13,875)
Movement in Allowance for Bad or Doubtful Debts	(2,893)	(5,171)
(Increase)/Decrease in Creditors	4,258	(3,055)
Increase/(Decrease) in Debtors	7,335	630
Pensions Liability	(14,713)	(10,557)
Contributions (to)/from Provisions	(381)	(1,028)
Revaluation Losses	(12,813)	(50,856)
Carrying value on disposal of non-current assets	(7,671)	(15,623)
Other non-cash adjustments	2,379	(3,560)
	<b>(38,687)</b>	<b>(103,095)</b>

b) Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities	<b>2015/16 £000</b>	<b>2014/15 £000</b>
Proceeds from the sale of non-current assets	7,903	4,898
Capital grants received	19,709	18,433
Contribution from the Capital Receipts Reserve to finance the payments to the Government Capital Receipts Pool	0	(1)
	<b>27,612</b>	<b>23,330</b>

c) Interest received, interest paid and dividends received	<b>2015/16 £000</b>	<b>2014/15 £000</b>
Interest received	(1,863)	(3,863)
Interest paid	6,562	18,772
Dividends received	(3,249)	(1,000)
	<b>1,450</b>	<b>13,909</b>

**32. Investing Activities**

	2015/16 £000	2014/15 £000
Purchase of non-current assets	28,409	33,436
Purchase of short term and long term investments	153,100	170,100
Other movements in investing activities	12,132	(2,351)
Proceeds from the sale of non-current assets	(7,903)	(4,898)
Proceeds from short term and long term investments	(86,100)	(192,595)
Capital grants received	(19,709)	(17,240)
<b>Net cash flows from investing activities</b>	<b>79,929</b>	<b>(13,548)</b>

**33. Financing Activities**

	2015/16 £000	2014/15 £000
Cash receipts of short term and long term borrowing	(7,355)	(4,077)
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	1,982	1,867
Repayments of short term and long term borrowing	4,077	1,023
Billing Authority - Council Tax and NDR adjustments	739	(1,735)
<b>Net cash flows from financing activities</b>	<b>(557)</b>	<b>(2,922)</b>

**OTHER NOTES****34. Member's Allowances**

	2015/16 £000	2014/15 £000
Payments to Members	1,181	1,197

**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	
	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16 £000	2014/15 £000
£0-£20,000	0	0	148	33	148	33	1,617	204
£20,001-£40,000	0	0	32	3	32	3	845	96
£40,001-£80,000	0	0	1	1	1	1	48	48
<b>Total</b>	<b>0</b>	<b>0</b>	<b>181</b>	<b>37</b>	<b>181</b>	<b>37</b>	<b>2,510</b>	<b>348</b>

### 36. Officer's Remuneration

The remuneration paid to the Council's Senior Officers is as follows:

Post Holder Information	2015/16				
	Salary Entitlement Full Time	Salary, Fees and Allowances	Compensation for Loss of Office	Employer's Pensions Contribution	Total
	£	£	£	£	£
Chief Executive - Steven Pleasant	166,929	166,929	0	32,718	<b>199,647</b>
Executive Director of People	123,804	123,804	0	24,266	<b>148,070</b>
Executive Director of Place	115,283	115,283	0	22,596	<b>137,879</b>
Executive Director of Governance & Resources (Borough Solicitor)	124,003	124,003	0	24,305	<b>148,308</b>
Executive Director of Pensions	111,283	111,283	0	0	<b>111,283</b>
Director of Public Health	97,478	91,876	0	13,279	<b>105,155</b>
Assistant Executive Director (Section 151 Officer) *	86,786	54,599	0	11,010	<b>65,609</b>

\* The Section 151 Officer was in post until 22nd November 2015 and was replaced by an Interim Section 151 Officer. The cost of the interim placement was £68,806.

Post Holder Information	2014/15				
	Salary Entitlement Full Time	Salary, Fees and Allowances	Compensation for Loss of Office	Employer's Pensions Contribution	Total
	£	£	£	£	£
Chief Executive - Steven Pleasant	166,929	166,929	0	31,717	<b>198,646</b>
Executive Director of People	123,804	123,804	0	23,523	<b>147,327</b>
Executive Director of Place	115,283	115,283	0	21,904	<b>137,187</b>
Executive Director of Governance (Borough Solicitor) (Monitoring Officer)	124,003	124,003	0	23,561	<b>147,564</b>
Executive Director of Finance (Borough Treasurer)	115,283	106,431	0	21,904	<b>128,335</b>
Executive Director of Pensions	111,283	111,283	0	0	<b>111,283</b>
Director of Public Health	97,478	97,478	0	13,647	<b>111,125</b>

## Changes to the Executive Team Structure

The Executive Team has reduced as the Executive Director of Finance (Borough Treasurer) left the Council on 31 March 2015 and responsibility for Resources was transferred to the Executive Director of Governance (Borough Solicitor) and the Section 151 officer responsibility transferred to the Assistant Executive Director of Finance. Executive Team pay remains frozen and has not been increased from 2008/09 levels.

## Employees' Remuneration

The Council's other employees, including teachers, (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) 2015/16	Number of employees (including severance payments) 2015/16	Number of employees (excluding severance payments) 2014/15	Number of employees (including severance payments) 2014/15
£50,000 - £54,999	81	82	65	65
£55,000 - £59,999	50	59	47	47
£60,000 - £64,999	30	32	30	31
£65,000 - £69,999	18	19	13	13
£70,000 - £74,999	9	10	9	10
£75,000 - £79,999	11	12	14	14
£80,000 - £84,999	3	3	4	4
£85,000 - £89,999	3	4	2	2
£90,000 - £94,999	1	0	0	0
£95,000 - £99,999	0	0	0	0
£100,000 - £104,999	1	1	1	1
£105,000 - £109,999	1	1	0	0
£110,000 - £114,999	0	0	0	0
£115,000 - £119,999	1	1	0	0
£120,000 - £124,999	0	1	0	0
£125,000 - £129,999	1	1	0	0
<b>Total</b>	<b>210</b>	<b>226</b>	<b>185</b>	<b>187</b>

A number of employees in the accounting period received one off severance payments and left the organisation. The figures above have been presented both excluding and including this payment.

## 37. Contingent Liabilities

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

The Council has the following contingent liabilities at the Balance Sheet date:

### **Manchester Airport Group (MAG)**

In 2009/10 there was a restructure of various loans used to finance capital expenditure that the Airport had agreed to reimburse the Council. As a consequence, the loans to the Airport that were previously secured became unsecured but a higher coupon rate became receivable. The loan agreement expires in 2055. Provision has not been made in the Balance Sheet to cover the total potential losses to the Council from this agreement.

### **Guarantees**

The Council is guarantor for Tameside Sports Trust in respect of the Pulse Fitness Agreements.

The Council is also guarantor in respect of employer's liability arising out of admission agreements made under the Local Government Pension Scheme Regulations 1997 for Ashton Pioneer Homes Limited (transferred staff), the Cash Box Credit Union Limited, Meridian Healthcare Limited (previously Tameside Care Limited), Tameside Citizens Advice Bureau, Groundwork MSSTT (Ex-Tameside staff), Carillion AMBS Ltd (Ex-Tameside staff).

### **Warranties relating to the housing transfer**

The Council has warranties relating to the housing transfer. These cover unlimited environmental warranties for which the Council has taken out insurance.

### **Pay**

As reported in previous years' accounts, the local pay and grading review, arising from the National Single Status Agreement of 1997 together with the later report by the Local Government Pay Commission, has now been completed. The new payline was implemented in 2010/11. Arising from this new payline some claims for backdated pay have been received by the Council and may result in subsequent payments being required. Any resulting liability cannot be quantified in advance and additional resources will be needed to settle the outstanding claims, which may go to employment tribunal.

### **Maintenance of Pathways and Roads**

Court rulings have determined that councils have a statutory duty to maintain certain footways, carriageways and public rights of way on former council housing estates that have been transferred to housing associations and other social landlords. This ruling has had an impact on the maintenance and insurance liabilities of the Council and the cost of maintaining highways within the Borough. The matter is still under active consideration by the Council's legal services team, in conjunction with the solicitors instructed on behalf of the Council's public liability insurers.

### **Greater Manchester Loan Funds Guarantee**

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

For Tameside Council the maximum indemnity will be £1.138m which is 8.13% of the total indemnity.

At 31 March 2016 loans totalling £4.050m have been advanced.

The risk of the indemnity being called upon is considered to be low.

### **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.

### **Housing Investment Fund**

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

The Fund was set-up on 1 April 2015 and is administered by Manchester City Council as accountable body.

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

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

Each GM District will indemnify a proportion of the Fund based on its percentage of GM population as at 1 April 2015. For Tameside Metropolitan Borough Council the maximum indemnity will be £19.388m which is 8.08% of the total indemnity.

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

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

### **38. Contingent Assets**

*A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent assets are not recognised in the Balance Sheet but have been disclosed below where it is probable that there will be an inflow of economic benefits or service potential.*

### **Disabled Facilities Grants**

There is an outstanding claim for VAT in respect of Disabled Facilities Grants (covering the period 1 April 1994 to 31 March 2015) is £245k. It is anticipated, if the claim is accepted by HMRC, that simple interest on this claim would be in the region of 100% of the claim amount. An additional claim for £29k covering the period 1 April 2015 to 31 March 2016 will be submitted to HMRC imminently.

### **Business Rates Growth Pilot**

The Council, along with other Greater Manchester Local Authorities and Cheshire East Council, entered into a pilot scheme for the full retention of Business Rates Growth beyond inflation (as measured by RPI) plus a stretch target of 0.5%. The commencement date for the growth pilot is 1 April 2015. The baseline for calculating growth will be based on the 2015/16 original estimate for

business rates revenue (as per Councils' NDR 1 forms) together with a further adjustment for appeals.

Specific and detailed arrangements for calculating the baseline and measuring growth have yet to be agreed with the Government. Furthermore, discussions are currently ongoing regarding the methodology for calculating growth shares across Greater Manchester Districts, Cheshire East Council and the Greater Manchester Combined Authority (GMCA). The mechanism for releasing retained monies to member authorities is also yet to be agreed.

Current calculations suggest that the Council may benefit from additional funds resulting from the Business Rates growth pilot in the financial year 2015/16. However until the calculation for growth, the sharing mechanism and the process for releasing the funds has been approved by Central Government, member authorities and the GMCA, it is considered prudent not to recognise any potential receipts.

### **39. External Audit Costs**

The Council has incurred the following costs in relation to services provided by the Council's external auditors (Grant Thornton):

	<b>2015/16 £000</b>	<b>2014/15 £000</b>
Fees payable with regard to external audit services	105	141
Fees payable for the certification of grant claims and returns	39	32
Fees payable in respect of other services	22	20
Audit fee rebate	0	(12)
<b>Total</b>	<b>166</b>	<b>181</b>

### **40. Events after the Balance Sheet Date**

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

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

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

The Audited Statement of Accounts was authorised for issue by the Assistant Executive Director, Finance (Section 151 Officer) on 12 September 2016. 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 2016, 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.*

### **General Policies**

The Statement of Accounts summarises the Council's transactions for the 2015/16 financial year and its position at 31 March 2016.

The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2003 (as amended), which require the accounts to be prepared in accordance with proper accounting practices.

These practices primarily comprise the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 ('the Code') and the CIPFA Service Reporting Code of Practice (SERCOP) for Local Authorities 2015/16, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

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

The Council's accounting policies are included in the relevant notes to the accounts, in the section to which they relate. The general accounting principles that have been adopted by the Council are shown below:

### **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.

### **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.

### **Cost of Services**

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice (SERCOP) for Local Authorities 2015/16.

All recharges of support service costs are consistent with the principles outlined in the SERCOP. The total absorption costing principle is used. This means the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core costs (as these relate to the Council's status as a multi-functional, democratic organisation).
- Non-Distributed costs (as these are the costs of discretionary benefits awarded to employees retiring early).

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

### **Value Added Tax (VAT)**

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.

### **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.

### **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.

### **Exceptional and Extraordinary Items**

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

## **Revenue Recognition**

Revenue is a sub-set of income and is defined as the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net worth.

Revenue is measured at the fair value of the consideration received or receivable. In most cases, the consideration receivable is in the form of cash and cash equivalents and the amount of revenue is the amount of cash and cash equivalents receivable. Where the Council is acting as an agent of another organisation the amounts collected for that organisation are excluded from revenue.

Revenue relating to the sale of goods is recognised when the amount of revenue can be measured reliably, it is probable the revenue will be received by the Council and the risks and rewards of ownership have passed to the purchaser. Revenue relating to the provision of services is recognised when the amount of revenue can be measured reliably, it is probable the revenue will be received by the Council and the stage of completion of the service can be measured.

### **42. Accounting Standards that have been issued but have not yet been adopted**

*'The Code' requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2016/17 Code. The Code requires implementation from 1 April 2016 and there is therefore no impact on the 2015/16 Statement of Accounts.*

- Amendments to IAS19 Employee Benefits (Defined Pension Plans : Employee Contributions);
- Annual Improvements to IFRSs (2010 – 2012 Cycle);
- Amendment to IFRS11 Joint Arrangements;(Accounting for Acquisitions of Interests in Joint Operations);
- Amendment to IAS16 Property, Plant and Equipment and IAS 38 Intangible Assets (Clarification of Acceptable Methods of Depreciation and Amortisation);
- Annual Improvements to IFRSs (2012 – 2014 Cycle);
- Amendment to IAS1 Presentation of Financial Statements (Disclosure Initiative);
- The changes to the format of the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement and the introduction of the new Expenditure and Funding Analysis;
- The changes to the format of the Pension Fund Account and the Net Assets Statement.

### **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’; consequently 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 currently five types of schools within the borough:

- 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 recent amendments to the Code of Practice on Local Authority Accounting the Council has written 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.

<b>Type of School</b>	<b>No of Primary School</b>	<b>No of Secondary School</b>	<b>No of Special School</b>	<b>Total</b>
Community	36	6	5	<b>47</b>
Voluntary Controlled (VC)	10	0	0	<b>10</b>
Voluntary Aided (VA)	21	2	0	<b>23</b>
Foundation	0	0	0	<b>0</b>
Foundation Trust	0	0	0	<b>0</b>
<b>Maintained Schools</b>	<b>67</b>	<b>8</b>	<b>5</b>	<b>80</b>
Academies	8	7	1	<b>16</b>
<b>Total</b>	<b>75</b>	<b>15</b>	<b>6</b>	<b>96</b>

## **Accounting for Schools - Transfers to Academy Status**

When a school that is held on the Council's Balance Sheet transfers to Academy status the Council accounts for this as a disposal for nil consideration on the date that the school converts to Academy status, rather than as an impairment on the date that approval to transfer to Academy status is announced.

Where the Council has entered into construction contracts for replacement schools on behalf of an Academy, the Council charges the cost of construction against Assets Under Construction (part of 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.

## **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.

- Property may have a remaining useful life of between 2 and 70 years and the exact amount is determined for each property by chartered surveyors, not less than once every 5 years.
- Infrastructure assets (such as roads) are depreciated over 40 years from the date of capitalisation.
- Investment properties are not depreciated, in line with guidance but are revalued each year.
- Surplus assets are not depreciated as the Council's policy is to revalue them each year.
- Other non-current assets (such as vehicles, plant and equipment) are depreciated over 10 years or less.
- 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 2016. 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.

### **Manchester Airports 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 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.

MAG's financial statements became available during the period between the Council's subject to audit and audited accounts. MAG had profits for operations before taxation and significant items of £186.9m (153.6m in 2014/15) and after taxation and significant items profit of 116.7m (£68.6m in 2014/15). MAG has total net assets of £1,558.7m at 31 March 2016 (£1,554.6m at 31 March 2015).

## **Housing Benefit Subsidy**

Assumptions contained within the accounts include the final level of housing benefit subsidy grant receivable (included in the Comprehensive Income and Expenditure Statement). The amount will not be finalised until the 30 November 2016 when the auditor-certified claim is submitted and so the amount included in the accounts could differ.

## **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 (see Section 5 for more details), including:

- The further significant loss of Government funding.
- Significant changes to local government responsibilities and the unknown impact of these (e.g. Care Act, Universal Credit, further responsibilities associated with full devolution of business rates).
- 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 01/04/2015 will be provided for using a straight-line method of calculating MRP. It will be provided for in equal instalments over 50 years. 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.
- The following will be required in relation to borrowing taken up on or after 01/04/2015. '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; the debt will be fully extinguished at the end of period.

## **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.

### **Members**

Members of the Council have direct control over the Council's financial and operating policies. The total of Members' Allowances paid in 2015/16 is shown in Note 34.

The Council holds a Register of Members' Interest, which is open to public inspection during office hours, on appointment, and is also available on the Council's website. In respect of the 2015/16 financial year, a number of Members declared interests in other organisations that the Council transact with. However, these were not deemed to be significant interests that would lead to a related party transaction.

In certain cases, where a Member has an external interest that is declared (e.g. appointed to the Board of another organisation), it is for the purpose of representing the views of the Council. The allocation of places on the Board, however, would mean that while the Council can exert an influence, we cannot determine the outcome of decisions and as such this would not lead to a related party transaction.

### **Officers**

Senior Officers have not disclosed any material transactions with related parties.

### **Other Public Bodies**

The Council pays levies towards the services provided by the Greater Manchester Waste Disposal Authority (£16.519m), the Greater Manchester Combined Authority Transport Levy (£15.854m), the Environment Agency Levy £0.106m and the British Waterways Levy £0.076m.

### **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 111.

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) of £8.832m on behalf of the GMPF and received HMRC VAT (net) of £0.475m. Total payments due from the GMPF, therefore, amounted to £8.357m (2014/15 £13.920m). The GMPF reimbursed the Council £6.588m for these charges and there is a debtor of £0.575m owing from the GMPF at the Balance Sheet date (2014/15 £1.192m).

## Entities Controlled or Significantly Influenced by the Council

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 Code' contains revised provisions following the issue of new IFRS standards and the amendment of related existing standards. The new provisions have effect in three main areas:

- A new definition of subsidiaries based on a remodelled control test;
- New classifications for joint operations and joint ventures; and
- Extended and revised disclosure requirements for group accounts.

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.

The Council's group boundaries have been assessed using the criteria outlined in 'the Code'. It was determined that the Council had a significant influence over Inspiredspaces Tameside (Holdings1) Ltd and Inspiredspaces Tameside (Holdings2) Ltd, with effective total shareholdings of 46% and two directors represented on the boards. However, on the basis of materiality the Council has determined that the preparation of group accounts for these Associate companies is not required.

The Council also has a 10% stake in Inspiredspaces Tameside Ltd, which itself held 10% of the shares in Inspiredspaces Tameside (Holdings1) Ltd and Inspiredspaces Tameside (Holdings2) Ltd. As the Council's share ownership of Inspiredspaces Tameside Ltd has not changed during the year (10%) and as it is only represented by two of the nine Directors, there is no significant control over this company and, therefore, it will not be consolidated for group accounts purposes.

The net value of transactions with Inspiredspaces Tameside (Holdings1) Ltd and Inspiredspaces Tameside (Holdings2) Ltd during the year is as follows:

	2015/16 £000	2014/15 £000
Inspiredspaces Tameside (Holdings1) Ltd & Inspiredspaces Tameside (Holdings2) Ltd	355	383
	<b>355</b>	<b>383</b>

The following amounts were due from Inspiredspaces Tameside (Holdings1) Ltd and Inspiredspaces Tameside (Holdings2) Ltd at the Balance Sheet date and are included in Short Term Debtors:

	2015/16 £000	2014/15 £000
Inspiredspaces Tameside (Holdings1) Ltd & Inspiredspaces Tameside (Holdings2) Ltd	332	330
	<b>332</b>	<b>330</b>

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 in the two holding companies 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	LeGSB £000	i-Network £000	GMPHN £000
<b>Balance Brought Forward</b>	<b>(1,689)</b>	<b>(24)</b>	<b>76</b>	<b>(853)</b>
Contributions		(191)	(394)	(1,357)
Interest earned on Balances		0	0	0
<b>Total Income</b>	<b>0</b>	<b>(191)</b>	<b>(394)</b>	<b>(1,357)</b>
Employee Expenses		4	255	663
Payments as per Business Plan		0	0	0
Premises Expenses		0	7	0
Project Payments to Authorities		0	0	58
Supplies and Services Expenses		210	88	534
<b>Total Expenditure</b>	<b>0</b>	<b>214</b>	<b>350</b>	<b>1,255</b>
<b>Receipt in Advance</b>	<b>(1,689)</b>	<b>(1)</b>	<b>32</b>	<b>(955)</b>

#### Hattersley/Mottram Project (HMP)

HMP involves the regeneration of land previously owned by Manchester City Council and the Council mainly for residential use. In addition, the former Manchester City Council housing stock was transferred and is now owned by Peak Valley Housing Association (PVHA). 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 and Communities Agency, Symphony Housing Group and PVHA. 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 developers (Base Hattersley and CTP Property Holdings Ltd) as per the respective development agreements and distributes the funds to the partners in priority ranking as per the Agreement. The balance will be carried forward into 2016/17 and used to fund the remaining elements of the Hattersley Business Plan.

#### Local E Government Standards Body (LeGSB)

LeGSB 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 balance will be carried forward into 2016/17 to continue the work of the project.

#### i-Network

i-Network brings together local authorities, police, fire and health bodies across the North West, Yorkshire and Humberside and West Midlands to support innovation and the transformation of local public services. It is chaired by the Chief Executive of the Council, which acts as accountable body. i-Network charges membership fees in order to sustain the partnership and deliver set outcomes, this is where a significant element of funding for this programme is obtained. The balance will be carried forward into 2016/17.

Greater Manchester Public Health Network (GMPHN)

GMPHN is a collaborative organisation that works on behalf of the Greater Manchester Directors of Public Health. 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. The Council has been the accountable body for the GMPHN since 1 April 2013 and the Council's Chief Executive is the lead Chief Executive for Health. The Network is funded by membership. The balance will be carried forward into 2016/17.

**Pooled Budgets**Integrated Community Equipment Service (ICES)

The Council is the host for the ICES. The aim of the ICES is to provide a community equipment service, responsive to authorised requests, which removes the burden and responsibilities from the partners regarding equipment sourcing, centralised storing, distribution, fitting and technical demonstrations, collection, recycling and servicing and maintenance. The net deficit arising on the pooled budget during the year was £0.284m and the Council's share of this deficit was £0.083m.

**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 £0.125m in 2015/16, which was made up of a deficit on chargeable activities of £0.123m and a deficit on non-chargeable activities of £0.002m.

	2015/16		
	CHARGEABLE	NON-CHARGEABLE	TOTAL
	£000	£000	£000
<b>EXPENDITURE:</b>			
Employee Expenses	113	2	115
Premises	16	0	16
Transport	2	0	2
Supplies and Services	81	2	83
Central and Support Service Charges	39	1	40
	<b>251</b>	<b>5</b>	<b>256</b>
<b>INCOME:</b>			
Building Regulation Charges	(128)	(3)	(131)
Miscellaneous Income	0	0	0
	<b>(128)</b>	<b>(3)</b>	<b>(131)</b>
<b>(SURPLUS)/DEFICIT FOR YEAR</b>	<b>123</b>	<b>2</b>	<b>125</b>

**48. Better Care Fund**

Tameside Council and Tameside & Glossop CCG are partners in the provision of services to support reduced hospital admissions and length of stay. Joint arrangements of this type are permitted under section 75 of the National Health Service Act 2006.

The aims and benefits of the Partners in entering in to this Agreement are to:

- improve the quality and efficiency of the Services;
- meet the National Conditions and Local Objectives;
- make more effective use of resources through the establishment and maintenance of an aligned fund for revenue expenditure on the Services and;
- ensure that people in Tameside will be independent, resilient and self-caring so fewer people reach crisis point;
- for those that need it, to develop an integrated health and care system that enables people to proactively manage their own care with the support of their family, community and the right professionals at the right time in a properly joined up system.

The BCF provides various services to residents of Tameside who would benefit from specific targeted interventions, as well as supporting hospitals to treat people closer to their homes and communities.

The services provided include:

- Reablement services
- Telecare / Telehealth
- Carers support
- Community based initiatives to support independent living and prevent unnecessary hospital admissions

BCF expenditure in 2015/16 totalled £16.941m which was in line with the available BCF funding of £16.941m as shown below in the table.

<b>Funding provided to the pooled budget:</b>	<b>2015/16 £000</b>
Council	1,801
Tameside & Glossop CCG	15,140
<b>Total BCF</b>	<b>16,941</b>

<b>Expenditure met from the pooled budget:</b>	<b>2015/16 £000</b>
Council	13,605
Tameside & Glossop CCG	3,336
<b>Total Expenditure</b>	<b>16,941</b>

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# Supplementary Financial Statements

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

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# Collection Fund

There is a legal requirement for charging authorities to maintain a separate Collection Fund account that holds details of transactions relating to Council Tax, NDR, 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 2016

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 2016			31 March 2015		
	Council Tax £000	NDR £000	Total £000	Council Tax £000	NDR £000	Total £000
<b>Income</b>						
Income from Council Tax	(87,297)		(87,297)	(84,748)		(84,748)
Income from NDR		(58,971)	(58,971)		(58,564)	(58,564)
<b>Total Income</b>	<b>(87,297)</b>	<b>(58,971)</b>	<b>(146,268)</b>	<b>(84,748)</b>	<b>(58,564)</b>	<b>(143,312)</b>
<b>Expenditure</b>						
<u>Council Tax</u>						
The Council	70,394		70,394	67,403		67,403
Police and Crime Commissioner of GM	8,694		8,694	8,484		8,484
GM Fire and Rescue Authority	3,290		3,290	3,211		3,211
<u>NDR</u>						
The Council		27,691	27,691		26,894	26,894
Central Government		28,256	28,256		27,443	27,443
GM Fire and Rescue Authority		565	565		549	549
Allowance for cost of collection		301	301		300	300
Transitional Protection Payments		100	100		0	0
Increase/(decrease) in:						
Allowance for non-collection	1,830	983	2,814	4,093	1,223	5,316
Provision for appeals		474	474		2,112	2,112
<u>(Surplus)/deficit allocated/paid out in year:</u>						
The Council	369	1,030	1,399	328	(74)	254
Central Government		1,051	1,051		(76)	(76)
Police and Crime Commissioner of GM	46		46	38		38
GM Fire and Rescue Authority	18	21	39	12	(2)	10
<b>Total Expenditure</b>	<b>84,642</b>	<b>60,472</b>	<b>145,114</b>	<b>83,569</b>	<b>58,369</b>	<b>141,938</b>
<b>(Surplus)/deficit for the year</b>	<b>(2,655)</b>	<b>1,501</b>	<b>(1,154)</b>	<b>(1,179)</b>	<b>(195)</b>	<b>(1,374)</b>
Balance brought forward	(4,976)	868	(4,108)	(3,797)	1,063	(2,734)
(Surplus)/deficit for the year	(2,655)	1,501	(1,154)	(1,179)	(195)	(1,374)
<b>Balance carried forward</b>	<b>(7,631)</b>	<b>2,369</b>	<b>(5,262)</b>	<b>(4,976)</b>	<b>868</b>	<b>(4,108)</b>
<u>Share of (surplus)/deficit</u>						
The Council	(6,531)	1,161	(5,370)	(4,252)	425	(3,827)
Central Government		1,185	1,185		434	434
Police and Crime Commissioner of GM	(801)		(801)	(525)		(525)
GM Fire and Rescue Authority	(299)	24	(276)	(199)	9	(190)
	<b>(7,631)</b>	<b>2,369</b>	<b>(5,262)</b>	<b>(4,976)</b>	<b>868</b>	<b>(4,108)</b>

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## Notes to the Collection Fund

### 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 statement shows the Council's transactions in relation to the collection from taxpayers of Council Tax and NDR and its distribution to the relevant preceptors and Central Government.

The Council has a statutory requirement to operate 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 continue to be 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.

### 3. 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 2015/16, the total Non-Domestic Rateable value at the year-end is £149.9m (£149.7m in 2014/15). The national multipliers for 2015/16 were 48p for qualifying small businesses, and the standard multiplier being 49.3p for all other businesses (47.1p and 48.2p respectively in 2014/15).

Local authorities retain a proportion of the total collectable rates due. In the case of Tameside the local share is 49%. The remainder is distributed to the Greater Manchester Fire and Rescue Authority (GMFRA) (1%) and Central Government (50%).

The NDR shares paid in 2015/16 were £28.256m to Central Government, £0.565m to GMFRA and £27.691m to the Council. These sums have been paid in 2015/16 and charged to the Collection Fund in year. The total income from NDR payers collectable in 2015/16 was £58.97m (£58.56m in 2014/15).

Table showing the tax base for the whole Council and Council Tax for properties outside the Mossley Parish Council boundary:

	Total Number Of Dwellings	Equivalent After Discounts etc.	Specified Ratio	Band D Equivalents	Income To Be Raised £000	Band D Equivalent Council Tax £	2015/16 Council Tax (Excluding Mossley Parish) £
Disabled relief		62	5/9	34			
Band A	52,170	33,242	6/9	22,162			961.72
Band B	18,497	15,035	7/9	11,694			1,122.02
Band C	18,667	16,182	8/9	14,384			1,282.30
Band D	6,420	5,935	9/9	5,935			1,442.59
Band E	3,497	3,282	11/9	4,012			1,763.15
Band F	887	843	13/9	1,217			2,083.73
Band G	380	371	15/9	618			2,404.31
Band H	42	18	18/9	36			2,885.18
	<b>100,560</b>	<b>74,970</b>		<b>60,092</b>	<b>82,353</b>	<b>1,442.59</b>	
<b>Less allowance for losses on collection</b>				<b>(3,005)</b>			
<b>Sub-total</b>				<b>57,087.1</b>			
MOD properties				0			
<b>Total Tameside Tax Base 2015/16</b>				<b>57,087.1</b>			

Table showing the tax base and Council Tax for properties within the Mossley Parish Council:

	Total Number Of Dwellings	Equivalent After Discounts etc.	Specified Ratio	Band D Equivalents	Income To Be Raised £000	Band D Equivalent Council Tax £	2015/16 Council Tax (Including Mossley Parish) £
Disabled relief	0	1	5/9	1			
Band A	2,809	1,939	6/9	1,292			967.33
Band B	880	761	7/9	592			1,128.56
Band C	1,004	881	8/9	783			1,289.78
Band D	325	322	9/9	322			1,451.00
Band E	173	166	11/9	203			1,773.43
Band F	48	48	13/9	70			2,095.88
Band G	13	12	15/9	20			2,418.33
Band H	1	0	18/9	0			2,902.00
	<b>5,253</b>	<b>4,130</b>		<b>3,283</b>	<b>26</b>	<b>8.41</b>	
<b>Less allowance for losses on collection</b>				<b>(164)</b>			
<b>Total Mossley Council Tax Base 2015/16</b>				<b>3,118.7</b>			

# **Greater Manchester Metropolitan Debt Administration Fund (GMMDAF)**

The Council is the lead council responsible for the administration of the debt of the former Greater Manchester County Council, on behalf of all ten Greater Manchester Metropolitan Authorities. All expenditure of the fund is shared by the authorities on a population basis.

## Income and Expenditure Account for the year ended 31 March 2016

	31 March 2016 £000	31 March 2015 £000
<b>Income</b>		
Interest recharged to responsible authorities	(6,570)	(7,970)
Gains/Losses on repurchase of debt	0	1
<b>Total Income</b>	<b>(6,570)</b>	<b>(7,969)</b>
<b>Expenditure</b>		
Interest on loans: Public Works Loan Board	6,397	7,832
Interest on loans: Pre 1974 Transferred Debt	10	14
Interest on loans: Temporary Borrowing	51	17
	6,458	7,863
Charge for future Premiums	54	54
Debt management expenses	58	52
<b>Total Expenditure</b>	<b>6,570</b>	<b>7,969</b>
<b>(Surplus)/Deficit for year</b>	<b>0</b>	<b>0</b>

## The Balance Sheet as at 31 March 2016

	31 March 2016 £000	31 March 2015 £000
<b>Debt Outstanding</b>	<b>109,648</b>	<b>124,862</b>
<b>Long Term Liabilities</b>		
External Loans: Public Works Loan Board	67,964	99,926
External Loans: Pre 1974 Transferred	238	270
	68,202	100,196
<b>Current Liabilities</b>		
Creditors: Temporary Loans	42,041	24,181
Charge for future premiums	539	485
	42,580	24,666
<b>Current Assets</b>		
Debtors	(1,134)	0
	(1,134)	0
Net Current Liabilities	41,446	24,666
	<b>109,648</b>	<b>124,862</b>

1. Analysis by Responsible Authority

	31 March 2016 £000	31 March 2015 £000
Police and Crime Commissioner of GM	7,630	8,689
GM Fire and Rescue Service	3,735	4,253
GM Integrated Passenger Authority	18,543	21,116
Bolton MBC	7,355	8,375
Bury MBC	5,045	5,745
City of Manchester	14,005	15,949
Oldham MBC	14,824	16,881
Rochdale MBC	5,912	6,732
City of Salford	7,386	8,410
Stockport MBC	8,137	9,266
Tameside MBC	6,173	7,030
Trafford MBC	884	1,007
Wigan MBC	10,019	11,409
	<b>109,648</b>	<b>124,862</b>

The outstanding debt of £109.648m at 31 March 2016 includes former Manchester Airport debt of £9.587m and former Greater Manchester Probation Service debt of £0.927m.

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 themselves.

2. Analysis by Type of Loan

	31 March 2016 £000	Year on Year Change £000	31 March 2015 £000	Year on Year Change £000
Public Works Loan Board	67,963	(31,963)	99,926	(22,000)
Debt administered by other authorities	238	(32)	270	(32)
Debt falling out in next 12 months	32,963	9,706	23,257	9,157
Temporary Loan	7,945	7,022	923	(1,370)
Revenue and other balances temporarily used for capital purposes	539	53	486	61
	<b>109,648</b>	<b>(15,214)</b>	<b>124,862</b>	<b>(14,184)</b>

### 3. Financial Instrument Balances

Under accounting requirements the financial instrument value shown in the Balance Sheet include the principal amount borrowed plus accrued interest.

	31 March 2016		31 March 2015	
	Long Term £000	Current £000	Long Term £000	Current £000
Financial Liabilities Principal Amount	68,201	39,908	100,196	22,923
Adjustment for Amortised Cost	0	2,101	0	1,257
<b>Financial Liabilities at Amortised Cost</b>	<b>68,201</b>	<b>42,009</b>	<b>100,196</b>	<b>24,180</b>
<b>Total Borrowings</b>	<b>68,201</b>	<b>42,009</b>	<b>100,196</b>	<b>24,180</b>

### 4. Financial Instruments Gains / Losses

The gains and losses recognised in the Income and Expenditure Account in relation to Financial Instruments are made up as follows:

	31 March 2016	31 March 2015
	Financial Liabilities Measured at Amortised Cost £000	Financial Liabilities Measured at Amortised Cost £000
Interest expense	(6,397)	(7,832)
Losses on derecognition	0	(1)
<b>Interest payable and similar charges</b>	<b>(6,397)</b>	<b>(7,833)</b>
<b>Net loss for the year</b>	<b>(6,397)</b>	<b>(7,833)</b>

### 5. Fair Value of Financial Assets and Liabilities Carried at Amortised Cost

Financial liabilities and financial assets represented by loans and receivables are carried on the Balance Sheet at amortised cost. Their fair value (level 2) can be assessed by calculating the present value of the cash-flows that take place over the remaining life of the instruments, using the following assumptions:

- Where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values for financial liabilities have been determined by reference to the Public Works Loan Board (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 2016		31 March 2015	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
PWLB Debt	100,905	119,659	124,107	147,055
<b>Total Liabilities</b>	<b>100,905</b>	<b>119,659</b>	<b>124,107</b>	<b>147,055</b>

The fair value is greater than the carrying amount because the portfolio of loans relating to the GMMDAF includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the Balance Sheet date. The difference between the carrying amount and the fair value measures the additional interest that the Fund will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates.

However, the GMMDAF 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 Fund 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 £100.905m would be valued at £116.093m. 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 £15.139m, principal of £99.926m, and accrued interest of £0.979m, totalling £116.044m.

The above represents the fair value of PWLB debt managed by the Council on behalf of the GMMDAF. The fair value of transferred debt relating to GMMDAF will be shown by those authorities that manage this element of the debt.

**6. Nature and extent of risks arising from Financial Instruments**

Please see Note 20 within the Council's Notes to the Financial Statements.

# Statement of Responsibilities

This is a signed statement by the Assistant Executive Director, 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 2016.

**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 Assistant Executive Director, 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 Assistant Executive Director, Finance (Section 151 Officer) Responsibilities**

The Assistant Executive Director, 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 2014/15*.

**In preparing this Statement of Accounts, the Assistant Executive Director, 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 Assistant Executive Director, 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.

**Assistant Executive Director, 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 2016, and its income and expenditure for the year ended 31 March 2016.

Signed: 

Date: 12 September 2016

**I. Duncan**

*(Assistant Executive Director, Finance (Section 151 Officer))*

# Statement of Assurance

This is a signed statement by the Executive Leader and Chief Executive certifying how the Council is complying with the Council's Code of Corporate Governance.

## Statement of Assurance

The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for, and that it is used economically, efficiently and effectively. In discharging this responsibility, Members and Senior Officers must ensure that proper arrangements are put in place for the governance of the Council's affairs and the stewardship of the resources at its disposal. To this end, the Council has approved and adopted a Code of Corporate Governance, which is consistent with these principles and reflects the requirements of the CIPFA/SOLACE Framework *Corporate Governance in Local Government: A Keystone for Community Governance*. A copy of the Code can be found on our website, at: [Tameside Code of Governance](#)

During 2015/16 the Council has maintained strong corporate governance arrangements by reviewing and updating key plans/policies, protocols and systems, for example:

- Constitution; and
- Annual Governance Statement.

In the Annual Audit Letter (presented to the Council's Audit Panel by Grant Thornton in December 2015), the Audit Engagement Lead stated that:

- "We issued an unqualified VFM conclusion on 21 September 2015, confirming that the Council continues to have effective arrangements in place to secure economy, efficiency and effectiveness in its use of resources";
- "The Council has good financial planning and review processes in place, and a track record of delivering financial plans and savings. However, in common with other authorities the Council is continuing to experience real financial pressures to deliver on its medium term financial strategy (MTFS) from 2015-16 onwards";
- "The Council has been proactive in taking difficult decisions in relation to its cost base during the last five years (with over £100m of cost reductions), but this also means that it is becoming more challenging to identify and deliver additional savings. The Council understands the need for continued focus on proposals to deal with expected future funding reductions combined with rising demand for services."

The Council has put in place appropriate management and reporting arrangements and is satisfied that its approach to corporate governance is both adequate and effective in practice. The annual review of the Council's corporate governance arrangements has taken place in accordance with the revised framework and has shown this to be the case.

Signed:



Dated: 12 September 2016

Councillor K. Quinn  
Executive Leader of Tameside Council



Dated: 12 September 2016

S. Pleasant  
Chief Executive of Tameside Council

On behalf of the Members and Senior Officers of the Council.

# **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 Strategy (MTFS)**

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.

### **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.

**Service Reporting Code of Practice (SeRCOP)**

Prepared and published by CIPFA. SeRCOP establishes proper practices with regard to consistent financial reporting for services.

**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 2015/16**

Greater Manchester Pension Fund

**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 22 elected Members (13 from Tameside MBC, being the Administering Authority, and 9 from other Greater Manchester local authorities) and a representative from the Ministry of Justice in relation to probation staff.

The Management Panel is advised in all areas by the Advisory Panel. Each of the 10 Greater Manchester local authorities and the Ministry of Justice are represented on the Advisory Panel and there are 6 employee representatives nominated by the North West TUC. There are also 3 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 GMPF in compliance with regulations and ensure that appropriate governance is in place.

GMPF also has 6 Working Groups, which consider particular areas of its activities and make recommendations to the Management Panel. These Working Groups cover:

- Investment Monitoring and Environment, Social and Governance issues
- Alternative Investments
- Pensions Administration
- Property
- Policy and Development
- Employer Funding and Viability

For 2015/16, there are 4 Officers to GMPF:

- Executive Director of Pensions – administrator of GMPF and link for Members, advisors and investment managers between meetings
- Chief Executive and Executive Director of Governance & Resources – responsible for the provision of legal and secretarial services to the Management and Advisory Panels
- Assistant Executive Director (Resources)/Section 151 Officer – 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:

- 3 external Investment Managers that manage multi asset briefs
- external manager with a global equity brief
- 2 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 the WM Company in order to judge GMPF's performance relative to market returns and the rest of the pensions industry. In addition to this, GMPF also subscribes to WM's Local Authority Pension Fund Service to enable assessment of its performance relative to all other funds who operate under the same regulations.

GMPF is a 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 to liabilities (see Actuarial Review of the Fund – 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 2016 and the preceding year is shown below:

<b>31 March 2015</b>		<b>31 March 2016</b>
113,075	Contributors	111,328
110,898	Pensioners	114,444
116,452	Deferred Members *	124,949
<b>340,425</b>	<b>Total Membership</b>	<b>350,721</b>

\* Includes former contributors who have retained a right to a refund of contributions or a transfer of pension benefits to another scheme.

The employers contributing to GMPF can be found in Note 20.

Further information is published in the Greater Manchester Pension Fund Annual Report 2015/16 and Funding Strategy Statement (FSS). The FSS is available from [www.gmpf.org.uk](http://www.gmpf.org.uk) and the Annual Report will be published on the website following the Annual General Meeting in September 2016.

## Fund Account for the Year Ended 31 March 2016

31 March 2015 £000		Note	31 March 2016 £000
	<b><u>Contributions and benefits</u></b>		
(138,267)	Contributions from employees	5	(142,090)
(420,732)	Contributions from employers	5	(454,446)
(558,999)			(596,536)
(2,641,622)	Transfers in (bulk)		(17,910)
(8,316)	Transfers in (individual)		(15,111)
(3,208,937)			(629,557)
636,593	Benefits payable	6	704,777
26,486	Payments to and on account of leavers	7	35,118
18,216	Management expenses	8	19,330
681,295			759,225
	<b><u>Returns on investments</u></b>		
(296,724)	Investment income	9	(316,176)
(108,453)	Investment returns by proxy	9a	(5,074)
(1,373,260)	Reduction/(increase) in fair value of investments	11	455,768
2,286	Taxation	10	2,612
(3,354)	(Profit)/loss on foreign currency		(220)
<b>(1,779,505)</b>	<b>Net (profit)/loss on investments</b>		<b>136,910</b>
<b>(4,307,147)</b>	Net increase in the Fund during the year		<b>266,578</b>
<b>(13,284,054)</b>	Net assets of the Fund at start of year		<b>(17,591,201)</b>
<b>(17,591,201)</b>	<b>Net assets of the Fund at end of year</b>		<b>(17,324,623)</b>

Net Assets Statement at 31 March 2016

31 March 2015 £000		Note	31 March 2016 £000
2,817,799	UK equities		2,854,368
3,930,516	Overseas equities		3,641,034
788,541	UK fixed interest corporate bonds		722,582
88,447	Overseas fixed interest corporate bonds		94,589
111,083	UK fixed interest government bonds		107,221
313,423	Overseas fixed interest government bonds		130,975
206,441	UK index linked government bonds		138,640
340,996	Overseas index linked government bonds		426,807
409,235	Investment property	11	525,270
325	Derivative contracts	11	0
7,882,069	Pooled investment vehicles	11	7,911,323
628,823	Cash and deposits	11	627,786
159,956	Other investment assets	11	132,550
<b>17,677,654</b>	<b>Investment assets</b>		<b>17,313,145</b>
0	Derivative contract liabilities	11	(178)
(114,206)	Other investment liabilities	11	(21,925)
<b>(114,206)</b>	<b>Investment liabilities</b>		<b>(22,103)</b>
53,633	Current assets	11	54,283
(25,880)	Current liabilities	11	(20,702)
<b>27,753</b>	<b>Net current assets</b>		<b>33,581</b>
<b>17,591,201</b>	<b>Net assets of Fund</b>		<b>17,324,623</b>

Notes to Greater Manchester Pension Fund

## 1. 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 2015/16 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.

## 2. Accounting Policies

**Basis of preparation:** The accounts have been prepared on an accruals basis. That is, income and expenditure is recognised as it is earned or incurred including contributions receivable and pension benefits payable. Individual transfer values are recognised on a received or paid basis.

**Financial assets and liabilities:** On initial recognition, GMPF is required to classify financial assets and liabilities into held to maturity investments, available for sale financial assets, held for trading, designated at fair value through the Fund account, or loans and receivables. Financial assets may be designated as at fair value through the Fund account only if such designation (a) eliminates or significantly reduces a measurement or recognition of inconsistency, or (b) applies to a group of financial assets, financial liabilities or both that GMPF manages and evaluates on a fair value basis, or (c) relates to an instrument that contains an embedded derivative which is not evidently closely related to the host contract.

**Contribution income:** Normal contributions, both from the members and from the employer, are accounted for on an accruals basis at the percentage rate recommended by the fund actuary in the payroll period to which they relate. Employer deficit funding contributions are accounted for on the due dates on which they are payable under the schedule of contributions set by the scheme actuary or on receipt if earlier than the due date.

Employers' augmentation contributions and pensions strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long-term financial assets

**Additional Voluntary Contributions (AVC):** GMPF provides an AVC scheme for its contributors, the assets of which are invested separately from GMPF. These AVC sums are not included in GMPF's financial statements because GMPF has no involvement in the management of these assets. Members participating in this arrangement each receive an annual statement confirming the amount held in their account and the movements in the year. Further details are provided in Note 24.

**Additional Voluntary Contributions Income:** Where a member is able and chooses to use their AVC fund to buy scheme benefits, this is treated on a cash basis and is categorised within Transfers In.

**Investment Income:** Interest, property rent and dividends on fixed interest and equity investments and on short-term deposits has been accounted for on an accruals basis.

**Accrued Investment Income:** Accrued investment income has been categorised within investments in accordance with the appropriate Pensions Statement of Recommended Practice (SORP).

**Foreign Income:** Foreign income is translated into sterling at the rate applicable at the date of conversion. Income due at the year-end is translated at the rate applicable at 31 March 2016.

**Foreign Investments:** Foreign investments are translated at the exchange rate applicable at 31 March 2016. 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 2016 determined as follows:

<b>At 31 March 2016</b>	<b>Valuation basis/technique</b>	<b>Main assumptions</b>
Equities and bonds	Pricing from market data providers based on observable bid price quotations.	Use of pricing source. There are minor variations in the price dependent upon the pricing feed used.
Direct investment property	Independent valuations for freehold and leasehold investment properties at fair value; the main investment property portfolio has been valued by Colliers International Valuation UK LLP, Chartered Surveyors, as at 31 December 2015 subsequently adjusted for transactions undertaken between 1 January 2016 and 31 March 2016. The Greater Manchester Property Venture Fund portfolio has been valued as at 31 March 2016 by Bilfinger GVA. In both cases valuations have been in accordance with Royal Institute of Chartered Surveyors (RICS) Red Book.	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.
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.

At 31 March 2016	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. 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.</p>
Cash and other net assets	Value of deposit or value of transaction	Cash and account balances are short-term, highly liquid and subject to minimal changes in value.

**Financial instruments at fair value through the fund account:** Financial assets and liabilities are stated at fair value as per the Net Assets Statement which is prepared in accordance with the Pensions SORP, requiring assets and liabilities to be reported on a fair value basis. Gains and losses on financial instruments that are designated as at fair value through the Fund account are recognised in the Fund account as they arise. The carrying values are therefore the same as fair values.

**Loans and receivables:** Non-derivative financial assets which have fixed or determinable payments and are not quoted in an active market are classified as loans and receivables.

**Cash and cash equivalents:** Cash comprises of cash in hand and demand deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in values.

**Acquisition costs of investments:** Acquisition costs of 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 115. 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 11 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 comprises 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 2016 was £1,043,193,000 (£686,936,000 at 31 March 2015).

### **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 2016		
	Designated as fair value through profit and loss	Loans and receivables	Financial liabilities at amortised cost
	£000	£000	£000
<b>Financial assets:</b>			
Equities	6,495,402	0	0
Fixed interest	1,055,367	0	0
Index linked	565,447	0	0
Derivatives	0	0	0
Pooled investment vehicles	7,911,323	0	0
Cash	0	627,786	0
Other investment assets	0	132,550	0
Current assets	0	54,283	0
	<b>16,027,539</b>	<b>814,619</b>	<b>0</b>
<b>Financial liabilities:</b>			
Derivatives	(178)	0	0
Other investment liabilities	0	(21,925)	0
Current liabilities	0	(20,702)	0
	<b>(178)</b>	<b>(42,627)</b>	<b>0</b>
<b>Total</b>	<b>16,027,361</b>	<b>771,992</b>	<b>0</b>

Note: the above table does not include investment property.

	At 31 March 2015		
	Designated as fair value through profit and loss	Loans and receivables	Financial liabilities at amortised cost
	£000	£000	£000
<b>Financial assets:</b>			
Equities	6,748,315	0	0
Fixed interest	1,301,494	0	0
Index linked	547,437	0	0
Derivatives	325	0	0
Pooled investment vehicles	7,882,069	0	0
Cash	0	628,823	0
Other investment assets	0	159,956	0
Current assets	0	53,633	0
	<b>16,479,640</b>	<b>842,412</b>	<b>0</b>
<b>Financial liabilities:</b>			
Derivatives	0	0	0
Other investment liabilities	0	(114,206)	0
Current liabilities	0	(25,880)	0
	<b>0</b>	<b>(140,086)</b>	<b>0</b>
<b>Total</b>	<b>16,479,640</b>	<b>702,326</b>	<b>0</b>

Note: the above table does not include investment property.

### Net Gains and Losses on Financial Instruments

All gains and losses were on financial instruments and these were at fair value through the Fund account. The net loss for the year ending 31 March 2016 was £477,962,610 (and the 31 March 2015 net gain of £1,367,751).

### 3a. Valuation of financial instruments carried at fair value

The table below provides an analysis of the financial 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 2016			
	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
<b>Financial assets:</b>				
Equities	6,495,402	0	0	6,495,402
Fixed interest	0	1,055,367	0	1,055,367
Index linked	0	565,447	0	565,447
Derivatives	0	(178)	0	(178)
Pooled investment vehicles	0	6,274,360	1,636,963	7,911,323
<b>Total</b>	<b>6,495,402</b>	<b>7,894,996</b>	<b>1,636,963</b>	<b>16,027,361</b>

Note: the above table does not include investment property, cash, other investment assets/liabilities and net current assets.

	At 31 March 2015			
	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
<b>Financial assets:</b>				
Equities	6,748,315	0	0	6,748,315
Fixed interest	0	1,301,494	0	1,301,494
Index linked	0	547,437	0	547,437
Derivatives	0	325	0	325
Pooled investment vehicles	0	6,667,607	1,214,462	7,882,069
<b>Total</b>	<b>6,748,315</b>	<b>8,516,863</b>	<b>1,214,462</b>	<b>16,479,640</b>

Note: the above table does not include investment property, cash, other investment assets/liabilities and net current assets.

The valuation of financial instruments 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.

GMPF has cash, other investment assets and liabilities which will mature in the next 12 months. 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 2014.

GMPF's approach to risk measurement and its management is set out in its Statement of Investment Principles (SIP). The Management Panel recognises that risk is inherent in any investment activity. 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 SIP (available at [www.gmpf.org.uk](http://www.gmpf.org.uk)).

Some risks lend themselves to being measured (e.g. using such concepts as 'Active Risk' and such techniques as 'Asset Liability Modelling') and where this is the case, GMPF employs the relevant approach to measurement. GMPF reviews new approaches to measurement as these continue to be developed.

GMPF's exposures to risks and its objectives, policies and processes for managing and measuring the risks have not changed throughout the course of the year.

#### **Market risk**

Market risk is the level of volatility in returns on investments caused by changes in market expectations, interest rates, credit spreads, foreign exchange rates and other factors.

This is calculated as the standard deviation of predicted outcomes. GMPF is exposed to market risk through its portfolio being invested in a variety of asset classes.

GMPF seeks to limit its exposure to market risk by diversifying its portfolio as explained within its SIP 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 2015 p.a.	31 March 2016 p.a.
UK equities	17.0%	17.1%
Overseas equities	20.1%	19.6%
Fixed interest - gilts	6.7%	6.7%
Index linked gilts	4.8%	5.1%
Corporate bonds	9.5%	9.5%
Overseas bonds	12.6%	12.2%
Property	14.7%	14.7%
Private equity	28.6%	28.7%
Infrastructure	15.9%	15.7%
Cash and other liquid funds	0.6%	0.6%
<b>GMPF</b>	<b>12.0%</b>	<b>12.7%</b>

The volatilities for each asset class and correlations used to create the total GMPF volatility have been estimated using standard deviations of 5,000 simulated one-year total returns using Hymans Robertson Asset Model, the economic scenario generator maintained by Hymans Robertson LLP.

The overall GMPF volatility has been calculated based on GMPF's target split as at 31 March 2015 and 2016. The calibration of the model is based on a combination of historical data, economic theory and expert opinion.

Had the market price of GMPF's investments increased/decreased 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 2015 and 2016 would have been as shown in the tables below.

Asset Type	31 March 2016 £000	% Change p.a.	Value on increase £000	Value on decrease £000
UK equities	3,851,532	17.1%	4,510,144	3,192,920
Overseas equities	7,304,655	19.6%	8,736,367	5,872,943
Fixed interest - gilts	531,952	6.7%	567,593	496,311
Index linked gilts	444,852	5.1%	467,539	422,164
Corporate bonds	1,056,847	9.5%	1,157,247	956,446
Overseas bonds	877,508	12.2%	984,564	770,452
Investment property	1,104,677	14.7%	1,267,065	942,289
Private equity	710,218	28.7%	914,051	506,385
Infrastructure	347,338	15.7%	401,870	292,806
Cash and other liquid funds	1,083,567	0.6%	1,090,068	1,077,066
<b>GMPF</b>	<b>17,313,145</b>	<b>12.7%</b>	<b>19,511,915</b>	<b>15,114,376</b>

Note: the above table does not include investment liabilities and net current assets.

<b>Asset Type</b>	<b>31 March 2015 £000</b>	<b>% Change p.a.</b>	<b>Value on increase £000</b>	<b>Value on decrease £000</b>
UK equities	3,834,754	17.0%	4,486,662	3,182,846
Overseas equities	7,765,183	20.1%	9,325,984	6,204,381
Fixed interest - gilts	570,034	6.7%	608,227	531,842
Index linked gilts	543,181	4.8%	569,254	517,108
Corporate bonds	1,147,979	9.5%	1,257,037	1,038,921
Overseas bonds	991,305	12.6%	1,116,210	866,401
Investment property	895,490	14.7%	1,027,127	763,853
Private equity	571,172	28.6%	734,527	407,817
Infrastructure	157,035	15.9%	182,004	132,066
Cash and other liquid funds	1,201,521	0.6%	1,208,730	1,194,312
<b>GMPF</b>	<b>17,677,654</b>	<b>12.0%</b>	<b>19,798,973</b>	<b>15,556,336</b>

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 2016, GMPF had £323,232,000 (2014/15 £412,417,000) invested in this asset via pooled investment vehicles. Therefore, a 1% change in interest rates will increase or reduce GMPF's return by £3,232,000 (2014/15 £4,124,170) 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 2016 was £606,958,000 (31 March 2015 £577,813,000). This was held with the following institutions.

<b>SUMMARY</b>	<b>RATING</b>	<b>Balance at 31 March 2015</b>	<b>Balance at 31 March 2016</b>
		<b>£000</b>	<b>£000</b>
<b>Money market Funds</b>			
Blackrock	AAA	4,700	25,000
Insight	AAA	50,000	50,000
J P Morgan	AAA	50,000	50,000
HSBC	AAA	49,100	0
SSGA	AAA	50,000	24,000
Goldman Sachs	AAA	27,100	0
IGNIS	AAA	50,000	50,000
D B Advisors	AAA	50,000	50,000
Prime Rate	AAA	50,000	50,000
Morgan Stanley	AAA	50,000	50,000
Legal & General	AAA	50,000	50,000
Invesco	AAA	0	9,300
<b>Banks</b>			
RBS	BBB	41,523	8,043
<b>Local authorities &amp; public bodies</b>			
Salford City Council	N/A	5,000	9,000
Staffordshire Council	N/A	10,000	0
Telford & Wrekin Council	N/A	0	28,000
Newport Council	N/A	0	5,000
Greater London Authority	N/A	0	25,000
Eastleigh Council	N/A	0	10,000
Rhondda Council	N/A	4,390	0
Highland Council	N/A	5,000	18,000
Dudley Council	N/A	6,000	0
Buckinghamshire Council	N/A	15,000	0
Dundee Council	N/A	0	8,000
Glasgow City Council	N/A	10,000	48,615
Dumfries & Galloway Council	N/A	0	5,000
Barking & Dagenham Council	N/A	0	5,000
King's Lynn & West Norfolk Council	N/A	0	4,000
Middlesborough Council	N/A	0	5,000
Norfolk Police & Crime Commissioner	N/A	0	6,000
Northumbria Police & Crime Commissioner	N/A	0	9,000
Stockport Council	N/A	0	5,000
<b>Totals</b>		<b>577,813</b>	<b>606,958</b>

## Liquidity risk

Liquidity risk represents the risk that GMPF will not be able to meet its financial obligations as they fall due. TMBC therefore take steps to ensure that GMPF has adequate cash resources to meet its commitments. This will particularly be the case for cash from the liability matching mandates from the main investment strategy to meet the pensioner payroll cost; and also cash to meet investment commitments.

TMBC has immediate access to the GMPF cash holdings, with the exception of investments placed with other local authorities – where periods are fixed when the deposit is placed.

GMPF had in excess of £606 million cash balances at 31 March 2016.

All financial liabilities at 31 March 2016 are due within one year.

The majority of GMPF assets are liquid, their value could be realised within one week. The table below shows GMPF investments in liquidity terms.

<b>31 March 2015</b> <b>£000</b>	<b>Liquidity terms</b>	<b>31 March 2016</b> <b>£000</b>
16,023,957	Assets realisable within 7 days	14,960,297
20,000	Assets realisable in 8-30 days	101,000
10,000	Assets realisable in 31-90 days	56,615
1,623,697	Assets taking more than 90 days to realise	2,195,233
<b>17,677,654</b>	<b>Total</b>	<b>17,313,145</b>

Management prepares periodic cash flow forecasts to understand and manage the timing of GMPF's cash flows. The appropriate strategic level of cash balances to be held is a central consideration when preparing GMPF's annual investment strategy.

The effects of reductions in public expenditure are expected to result in a significant maturing of GMPF's liabilities, with fewer employee members and more pensioner and deferred members. However, when income from investments is taken into account, GMPF is expected to continue to be cash flow positive for the foreseeable future and it will not be a forced seller of investments to meet its pension obligations.

## 5. Contributions

### By Category

<b>31 March</b> <b>2015</b> <b>£000</b>		<b>31 March</b> <b>2016</b> <b>£000</b>
(138,267)	Employees contributions	(142,090)
	Employers:	
(404,839)	Normal contributions	(444,978)
(15,408)	Deficit recovery contributions	(9,075)
(485)	Augmentation contributions	(393)
(420,732)	Total employers	(454,446)
<b>(558,999)</b>	<b>Total contributions</b>	<b>(596,536)</b>

## By Authority

31 March 2015 £000		31 March 2016 £000
(357,785)	Part 1 Schedule 2 Scheme Employers	(366,668)
(79,494)	Designating bodies	(98,708)
(111,628)	Community admission bodies	(115,053)
(10,092)	Transferee admission bodies	(16,107)
<b>(558,999)</b>		<b>(596,536)</b>

Scheme employers can be split into those listed in Part 1 of Schedule 2 of the Local Government Pension Scheme (Administration) Regulations 2008 (as amended) (such as local authorities) which participate automatically, and those listed in Part 2 (such as town councils) which can only participate if they choose to do so by designating employees or groups of employees as eligible. Part 2 employers are called designating bodies. Community admission bodies provide a public service in the United Kingdom otherwise than for the purposes of gain and have sufficient links with a Scheme employer. Transferee admission bodies are commercial organisations carrying out work for local authorities under a best value or other arrangement. Further analysis by employer is contained in Note 20 of these statements.

At the 2013 Actuarial Valuation, GMPF was assessed as 90.5% funded. Contribution increases are phased over the 3 year period ending 31 March 2017. The phasing results in deficit contributions increasing over the period, and some employers will make contributions in excess of their future service rate.

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 deficit payments – details of these can be found in the 2013 Actuarial Valuation report located at [www.gmpf.org.uk](http://www.gmpf.org.uk).

## 6. Benefits Payable

## By Category

31 March 2015 £000		31 March 2016 £000
529,224	Pensions	573,447
95,666	Commutation & lump sum retirement benefits	114,724
11,703	Lump sum death benefits	16,606
<b>636,593</b>		<b>704,777</b>

## By Authority

31 March 2015 £000		31 March 2016 £000
520,745	Part 1 Schedule 2 Scheme Employers	558,866
19,030	Designating bodies	25,582
89,056	Community admission bodies	109,691
7,762	Transferee admission bodies	10,638
<b>636,593</b>		<b>704,777</b>

Scheme employers can be split into those listed in Part 1 of Schedule 2 of the Local Government Pension Scheme (Administration) Regulations 2008 (as amended) (such as local authorities) which participate automatically, and those listed in Part 2 (such as town councils) which can only participate if they choose to do so by designating employees or groups of employees as eligible. Part 2 employers are called designating bodies. Community admission bodies provide a public service in the United Kingdom otherwise than for the purposes of gain and have sufficient links with a Scheme employer. Transferee admission bodies are commercial organisations carrying out work for local authorities under a best value or other arrangement. Further analysis by employer is contained in Note 20 of these statements.

**7. Payments to and on account of leavers**

<b>31 March 2015 £000</b>		<b>31 March 2016 £000</b>
1,000	Group transfers to other schemes	5,420
25,176	Individual transfers to other schemes	28,343
18	Payments for members joining state scheme	462
(50)	Income for members from state scheme	(155)
342	Refunds to members leaving service	1,048
<b>26,486</b>		<b>35,118</b>

**8. Management Expenses**

The costs of administration and investment management are met by the employers through their employer contribution rate.

In June 2014, 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. The 2015 figures have been restated to be consistent with the 2016 methodology for calculating these costs.

**Investment management expenses:**

<b>31 March (restated) 2015 £000</b>		<b>31 March 2016 £000</b>
1,244	Employee costs	1,211
138	Support services including IT	67
10,699	Management fees	11,541
349	Custody fees	320
<b>12,430</b>		<b>13,139</b>

Administrative costs:

31 March (restated) 2015 £000		31 March 2016 £000
3,307	Employee costs	3,695
1,114	Support services including IT	1,031
42	Printing and publications	100
<b>4,463</b>		<b>4,826</b>

Oversight and governance costs:

31 March (restated) 2015 £000		31 March 2016 £000
423	Employee costs	412
381	Support services including IT	315
109	Governance and decision making costs	152
53	Investment performance monitoring	56
68	External audit fees	62
102	Internal audit fees	102
109	Actuarial fees - investment consultancy	131
78	Actuarial fees	135
<b>1,323</b>		<b>1,365</b>

\* Total fee paid to external auditors in 2015/16 is £62,337 (2014/15 £68,332) of which £5,996 (2014/15 £11,992) was paid in relation to work carried out on behalf of GMPF's main scheme employers

9. Investment income

31 March 2015 £000		31 March 2016 £000
(46,022)	Fixed interest (corporate and government bonds)	(45,208)
(193,904)	Equities	(205,567)
(4,779)	Index linked	(5,106)
(25,343)	Pooled investment vehicles	(31,100)
(24,748)	Investment property (gross)	(28,237)
2,107	Investment property non-recoverable expenditure	3,869
(2,869)	Interest on cash deposits	(4,039)
(1,118)	Stocklending	(744)
(48)	Underwriting	(44)
<b>(296,724)</b>		<b>(316,176)</b>

In accordance with IAS 12 Income Taxes, investment income includes withholding taxes and irrecoverable withholding tax is analysed separately as a tax charge. Income received by Legal and General pooled funds is automatically reinvested within the relevant sector fund and thus excluded from the above analysis. Similarly, UBS pooled funds for Emerging Market Equities, Capital International pooled funds for Emerging Market Equities and High Yield Bonds, Aviva Investors Property Fund, Standard Life Pooled Property Pension Fund and Standard Life Investments UK Property Development Fund in which GMPF invest have income automatically reinvested with that fund.

### **9a. Investment Return by Proxy**

On 1st June 2014, in accordance with Statutory Instrument 1146 (2014), GMPF became the sole administering authority for probation staff and former probation staff in England and Wales that have or are eligible for LGPS membership.

The transfer of assets from the former Administering Authorities was a staged process throughout 2014/15 to 2015/16, with the ceding LGPS funds paying an estimated compensatory amount to GMPF to reflect investment returns for the period between the agreed transfer date and the actual transfer value receipt date. Once the actual investment returns of the transferring funds were established, the amount was refreshed and an adjustment paid to or from GMPF to reflect this return.

### **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 2015/16 amounts to £2,612,000 (2014/15 £2,286,000) 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 following tables analyse the carrying amounts of the financial assets and liabilities by category.

**Greater Manchester Pension Fund Statement of Accounts 2015/16**

Value at 1 April 2015 £000		Purchases £000	Sales £000	Change in fair value £000	Value at 31 March 2016 £000
	<b>Designated as at fair value through the fund account</b>				
6,748,315	Equities	2,593,343	(2,350,927)	(495,329)	6,495,402
1,301,494	Fixed interest	418,893	(628,383)	(36,636)	1,055,368
547,437	Index linked	379,078	(379,590)	18,522	565,447
409,235	Property	120,506	(26,666)	22,195	525,270
325	Derivatives	14,608	(23,338)	8,227	(178)
7,882,069	Pooled investment vehicles	969,493	(967,492)	27,253	7,911,323
16,888,875		4,495,921	(4,376,396)	(455,768)	16,552,632
	<b>Loans and receivables</b>				
628,823	Cash				627,785
73,503	Other investments and net assets				144,206
<b>17,591,201</b>	<b>Total</b>				<b>17,324,623</b>

Value at 1 April 2014 £000		Purchases £000	Sales £000	Change in fair value £000	Value at 31 March 2015 £000
	<b>Designated as at fair value through the fund account</b>				
6,172,402	Equities	3,931,485	(3,771,637)	416,065	6,748,315
1,303,436	Fixed interest	1,136,109	(1,259,002)	120,951	1,301,494
371,426	Index linked	269,197	(137,102)	43,916	547,437
376,835	Property	39,150	(12,260)	5,510	409,235
299	Derivatives	1,831	(17,571)	15,766	325
4,287,243	Pooled investment vehicles	4,148,905	(1,325,131)	771,052	7,882,069
12,511,641		9,526,677	(6,522,703)	1,373,260	16,888,875
	<b>Loans and receivables</b>				
704,032	Cash				628,823
68,381	Other investments and net assets				73,503
<b>13,284,054</b>	<b>Total</b>				<b>17,591,201</b>

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.

**Investment Property**

31 March 2015 £000		31 March 2016 £000
369,900	UK - Main property portfolio	486,535
39,335	UK - Greater Manchester Property Venture Fund *	38,735
<b>409,235</b>		<b>525,270</b>

\* An amount of £47,666,000 (2014/15 £46,239,000) relating to Greater Manchester Property Venture Fund has not been included in this total but is recorded under property unit trusts within Pooled Investment Vehicles analysis section of Note 11

All investment property is located in England, Wales or Scotland and, in order to reduce risk, is diversified over several sectors which include high street retail, offices, industrial/retail warehousing, leisure, healthcare and student accommodation. Gross and net rental income are 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 six investment properties. These were either being prepared for sale, were being marketed or prices had been agreed at 31 March 2016 (combined prices totalled £41,070,000).

The following tables summarise the movement in the fair value of investment properties over the year:

<b>Movement in the fair value of investment properties in 2015/16</b>	<b>£000</b>
Balance at 1 April 2015	409,235
Purchases	114,650
Expenditure during year	5,856
Disposals	(26,666)
Net gains/ (losses) from fair value adjustments	22,195
<b>Balance at 31 March 2016*</b>	<b>525,270</b>

\* Of which £41,070,000 relates to properties being marketed at 31 March 2016.

<b>Movement in the fair value of investment properties in 2014/15</b>	<b>£000</b>
Balance at 1 April 2014	376,835
Purchases	37,750
Expenditure during year	1,401
Disposals	(12,260)
Net gains/ (losses) from fair value adjustments	5,509
<b>Balance at 31 March 2015</b>	<b>409,235</b>

**.Future Operating Lease Rentals Receivable**

<b>31 March 2015 £000</b>		<b>31 March 2016 £000</b>
21,177	Not later than 1 year	23,873
63,233	Later than 1 year, but not later than 5 years	78,366
154,921	Later than 5 years	179,671
<b>239,331</b>	<b>Total</b>	<b>281,910</b>

The future minimum lease payments due to GMPF under non-cancellable operating leases are stated above.

Where a lease contains a “tenant’s break” clause, it is only up to this point that the aggregation is made.

**Derivatives**

<b>31 March 2015 £000</b>		<b>31 March 2016 £000</b>
	<b>Investment assets:</b>	
180	Forward Currency contracts	183
318	FTSE 100 Index future	0
498		183
	<b>Investment liabilities:</b>	
(173)	Forward Currency contracts	(361)
<b>325</b>	<b>Net (liability)/asset</b>	<b>(178)</b>

Derivative receipts and payments represent the realised gains and losses on futures contracts and forward currency contracts. GMPF’s objective in entering into derivative positions is to decrease risk in the portfolio.

<b>31 March 2016</b>	<b>Settlement Date</b>	<b>Currency</b>	<b>Currency Bought</b>	<b>Currency</b>	<b>Currency Sold</b>	<b>Asset</b>	<b>Liability</b>
<b>Contract</b>			<b>000</b>		<b>000</b>	<b>£000</b>	<b>£000</b>
Forward Currency Contact	Within one month	USD	747	MYR	3,150	0	(42)
Forward Currency Contact	Within one month	NOK	13,142	EUR	1,400	0	(5)
Forward Currency Contact	Within one month	JPY	348,817	USD	3,075	20	0
Forward Currency Contact	Within one month	JPY	437,129	USD	3,850	28	0
Forward Currency Contact	Within one month	USD	814	ZAR	12,600	0	(28)
Forward Currency Contact	Within one month	USD	126	ZAR	1,950	0	(4)
Forward Currency Contact	Within one month	USD	16,070	GBP	11,400	0	(220)

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Forward Currency Contact	Within one month	NOK	19,518	EUR	2,050	16	0
Forward Currency Contact	Within one month	EUR	7,497	GBP	5,900	47	0
Forward Currency Contact	Within one month	EUR	2,151	GBP	1,700	6	0
Forward Currency Contact	Within one month	USD	3,144	GBP	2,200	0	(13)
Forward Currency Contact	Within one month	USD	1,444	SEK	11,800	0	(9)
Forward Currency Contact	Within one month	USD	610	SEK	5,000	0	(5)
Forward Currency Contact	Within one month	EUR	1,979	GBP	1,550	20	0
Forward Currency Contact	Within one month	JPY	506,268	GBP	3,150	0	(15)
Forward Currency Contact	Within one month	USD	3,425	GBP	2,400	0	(17)
Forward Currency Contact	Within one month	MYR	3,150	USD	801	5	0
Forward Currency Contact	Within one month	GBP	60,882	EUR	76,685	41	0
Forward Currency Contact	Within two months	USD	801	MYR	3,150	0	(3)
						<b>183</b>	<b>(361)</b>

		<b>Economic Exposure £000</b>	<b>Market Value £000</b>
<b>31 March 2016 Contract</b>	<b>Settlement Date</b>		
FTSE 100 Index Futures	Within 3 months	0	0

		<b>Economic Exposure £000</b>	<b>Market Value £000</b>
<b>31 March 2015 Contract</b>	<b>Settlement Date</b>		
FTSE 100 Index Futures	Within 3 months	116,732	318

The above tables analyse the derivative contracts held at 31 March 2016 by maturity date. The Forward Currency Contracts were all traded on an over-the-counter-basis.

**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.

<b>31 March 2015 £000</b>		<b>31 March 2016 £000</b>
149,488	Property	152,517
564,562	Overseas equity	595,811
141,032	UK private equity & infrastructure	266,160
416,100	Overseas private equity & infrastructure	548,571
93,781	UK special opportunities portfolio	136,575
59,667	Overseas special opportunities portfolio	90,881
<b>1,424,630</b>	<b>Managed funds</b>	<b>1,790,515</b>
315,574	Property	400,258
1,311	Overseas private equity	990
83	UK private equity	16
<b>316,968</b>	<b>Unit trusts</b>	<b>401,264</b>
37,427	Property	40,995
1,016,955	UK quoted equity	997,163
458,951	UK fixed interest	424,731
336,740	UK index linked securities	306,211
359,438	UK corporate bonds	334,265
412,417	UK cash instruments	323,232
3,270,104	Overseas quoted equity	3,067,810
176,107	Overseas fixed interest	161,363
25,149	Overseas corporate bonds	22,174
47,183	Overseas index linked securities	41,599
<b>6,140,471</b>	<b>Insurance policies</b>	<b>5,719,543</b>
<b>7,882,069</b>	<b>Total pooled investment vehicles</b>	<b>7,911,323</b>

**Cash**

<b>31 March 2015 £000</b>		<b>31 March 2016 £000</b>
576,755	Sterling	608,801
52,068	Foreign currency	18,985
<b>628,823</b>		<b>627,786</b>

**Other investments balances and net assets**

<b>31 March 2015 £000</b>		<b>31 March 2016 £000</b>
86,431	Amounts due from broker	37,918
34,716	Outstanding dividends and recoverable withholding tax	38,564
19,275	Gross accrued interest on bonds	18,437
1,543	Gross accrued interest on loans	3,583
16,915	Investment loans	33,708
1,076	Other accrued interest and tax reclaims	340
<b>159,956</b>	<b>Other investment assets</b>	<b>132,550</b>
(105,608)	Amounts due to broker	(21,596)
(7,431)	Amounts due to other funds re asset transfers	0
(318)	Variation margin	0
(849)	Irrecoverable withholding tax	(329)
<b>(114,206)</b>	<b>Other investment liabilities</b>	<b>(21,925)</b>
34,440	Employer contributions - main scheme	36,354
926	Employer contributions - additional pensions	386
1,628	Property	3,591
6,556	Development of new Pensions office building	8,475
10,083	Other	5,477
<b>53,633</b>	<b>Current assets</b>	<b>54,283</b>
(6,844)	Property	(7,849)
(443)	Employer contributions - main scheme	(897)
(1,455)	Employer contributions - additional pensions	(1,604)
(9,545)	Admin & investment management expenses	(4,376)
(7,593)	Other	(5,976)
<b>(25,880)</b>	<b>Current liabilities</b>	<b>(20,702)</b>
<b>27,753</b>	<b>Net current assets</b>	<b>33,581</b>
<b>73,503</b>	<b>Other investment balances and net assets</b>	<b>144,206</b>

**11a. Transaction and management costs not charged directly to the fund account**

**Transaction Costs**

The charges for Transaction Costs are currently implicit within the value of assets concerned. Consequently, they are not charged directly to the Fund account nor analysed in Note 8 of these financial statements. Instead, they are reflected in the fair value adjustments applied both to the assets concerned and the Fund account.

Transaction costs include commissions, stamp duty and other fees. With the aim of increasing transparency, the costs generated from acquisitions and disposals in the following investment areas were:-

<b>31 March 2015 £000</b>		<b>31 March 2016 £000</b>
5,330	Public market investments	6,498
944	Directly held investment property	5,797
<b>6,274</b>		<b>12,295</b>

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.

The 2015 figure has been restated to be consistent with the 2016 methodology for calculating these costs. The data response from the underlying managers has improved as they have understood requirements better. The figures show a trend upwards as amounts invested in these vehicles have increased due to asset allocation changes. The costs are offset by improved risk adjusted investment returns.

<b>31 March 2015 (restated) £000</b>		<b>31 March 2016 £000</b>
18,027	Private market and alternative investments (performance related)	19,551
20,358	Private market and alternative investments (non-performance related)	27,554
2,020	Indirect investment property	2,021
<b>40,405</b>		<b>49,126</b>

### **12. Local investments**

GMPF invests within the North West of England with a focus on the Greater Manchester conurbation in property development and redevelopment opportunities. This programme of investments is delivered through Greater Manchester Property Venture Fund.

<b>31 March 2015 £000</b>		<b>31 March 2016 £000</b>
85,574	Greater Manchester Property Venture Fund	86,400

**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:

<b>31 March 2015 £000</b>		<b>31 March 2016 £000</b>
140,069	Index linked	138,641
134,121	Cash	112,999
1,272	Other investment balances	1,288
<b>275,462</b>		<b>252,928</b>

**14. Summary of managers' portfolio values at 31 March**

<b>2015</b>			<b>2016</b>	
<b>£m</b>	<b>%</b>		<b>£m</b>	<b>%</b>
		<b>Externally managed</b>		
6,446	36.6%	UBS Global Asset Management	6,104	35.1%
6,104	34.7%	Legal & General	5,679	32.8%
2,245	12.8%	Capital International	2,210	12.8%
519	2.9%	LaSalle	653	3.8%
667	3.8%	Investec	634	3.7%
86	0.5%	GVA (advisory mandate)	86	0.5%
<b>16,067</b>	<b>91.3%</b>		<b>15,366</b>	<b>88.7%</b>
		<b>Internally managed</b>		
728	4.1%	Private equity	1,058	6.1%
275	1.6%	Designated funds	253	1.5%
291	1.7%	Property indirect	365	2.1%
230	1.3%	Cash, other investments and net assets	283	1.6%
<b>1,524</b>	<b>8.7%</b>		<b>1,959</b>	<b>11.3%</b>
<b>17,591</b>	<b>100.0%</b>	<b>Total</b>	<b>17,325</b>	<b>100.0%</b>

**15. Concentration of investment**

As at 31 March 2016, GMPF held, respectively, 16.8% and 15.9% of its net assets in insurance contracts MF32950 and MF36558 with Legal & General Assurance (Pensions Management) Limited. They are linked long term contract under Class III of Schedule 1 of the Insurance Companies Act 1982 and not "with profits" contracts.

The policy documents have been issued and the values are incorporated in the Net Asset statement within pooled investment vehicles. The policies' underlying asset classes are as follows:-

**POLICY MF32950**

<b>31 March 2015 £000</b>		<b>31 March 2016 £000</b>
245,034	UK equities	249,864
1,799,547	Overseas equities	1,757,288
304,998	UK fixed interest	289,696
149,951	UK corporate bonds	147,018
75,305	Overseas fixed interest	72,717
237,205	UK Index linked	217,877
185,079	UK cash instruments	181,197
<b>2,997,119</b>		<b>2,915,657</b>

**POLICY MF36558**

<b>31 March 2015 £000</b>		<b>31 March 2016 £000</b>
771,921	UK equities	747,299
1,470,557	Overseas equities	1,310,523
153,954	UK fixed interest	135,035
209,487	UK corporate bonds	187,247
100,802	Overseas fixed interest	88,646
99,535	UK Index linked	88,334
227,339	UK cash instruments	142,035
47,183	Overseas index linked	41,599
25,149	Overseas corporate bonds	22,174
<b>3,105,927</b>		<b>2,762,892</b>

Details of any single investment exceeding 5% of GMPF assets in any class or type of security are detailed in the following tables:

<b>Investment</b>	<b>Type and nature of investment</b>	<b>Value as at 31 March 2016 £'000</b>	<b>Asset class value at 31 March 2016 £'000</b>	<b>% of asset class</b>
US Government	Treasury Bonds 0.25% Index Linked January 2025	87,326	565,447	15.44%
US Government	Treasury Bonds 0.125% Index Linked April 2017	63,699	565,447	11.27%
US Government	Treasury Bonds 0.125% Index Linked July 2024	45,256	565,447	8.00%
US Government	Treasury Bonds 0.125% Index Linked April 2020	81,606	565,447	14.43%
US Government	Treasury Bonds 0.125% Index Linked April 2023	37,969	565,447	6.71%
US Government	Treasury Bonds 1.75% Index Linked January 2028	48,985	565,447	8.66%
UK Government	Treasury Bonds 2.5% Index Linked April 2020	124,278	565,447	21.98%

**Greater Manchester Pension Fund Statement of Accounts 2015/16**

Investment	Type and nature of investment	Value as at 31 March 2015	Asset class value at 31 March 2015	% of asset class
		£'000	£'000	
US Government	Treasury Bonds 0.25% Fixed July 2015	72,149	1,301,494	5.54%
US Government	Treasury Bonds 0.125% Index Linked April 2019	78,615	547,437	14.36%
US Government	Treasury Bonds 0.125% Index Linked April 2017	62,398	547,437	11.40%
US Government	Treasury Bonds 0.125% Index Linked July 2024	46,474	547,437	8.49%
US Government	Treasury Bonds 0.25% Index Linked April 2025	37,603	547,437	6.87%
US Government	Treasury Bonds 0.625% Index Linked April 2024	29,962	547,437	5.47%
US Government	Treasury Bonds 1.75% Index Linked January 2028	28,792	547,437	5.26%
UK Government	Treasury Bonds 2.5% Index Linked April 2020	125,377	547,437	22.90%
LIFFE FTSE 100 Future June 2014	Derivative Contract	318	318	100.00%

**16. Notifiable interests**

As at 31 March 2016 GMPF had holdings of 3% or over in the ordinary share capital of the following quoted companies:

UK Equity 31 March 2015 %		UK Equity 31 March 2016 %
4.0	Premier Farnell PLC	4.6
6.0	STV Group PLC	6.0
4.9	Chemring Group PLC	5.4
4.2	Darty PLC	4.9
3.7	Mothercare PLC	3.9
3.9	Synthomer PLC	3.7
3.3	Balfour Beatty PLC	3.9
3.4	Brown (N) Group PLC	4.3
3.5	RPS Group PLC	4.0
5.3	TT Electronics PLC	5.3
N/A	Serco Group PLC	3.5
N/A	SIG PLC	3.2
N/A	Volution GRP PLC	3.4

**17. Commitments**

<b>31 March 2015 £000</b>	<b>Asset type</b>	<b>Nature of commitment</b>	<b>31 March 2016 £000</b>
2,076	Directly held investment property	Commitments regarding demolition or refurbishment work	216
20,800	Directly held investment property	Commitments regarding purchases	0
411,231	Indirect private equity and infrastructure	Commitments to fund	1,036,854
149,570	Special Opportunities portfolio	Commitments to fund	165,228
47,610	Property managed funds	Commitments to fund	126,196
0	Property unit trusts	Commitments to fund	46,904
8,208	Property unit trusts	Commitment to lend	0
15,765	Commercial/domestic based property unit trust	Commitments to fund	48,009
17,748	Local Investment 4 Growth fund	Commitments to fund	6,953
1,246	Local Impact Portfolio	Commitments to fund	106,940
1,156	Administration property	Commitments to fund	0
0	Greater Manchester Property Venture Fund	Commitment to lend	2,136
<b>675,410</b>			<b>1,539,436</b>

The above expenditure was contractually committed as at 31 March and a series of staged payments are to be made at future dates.

**18. Related party transactions**

In the course of fulfilling its role as administering authority to GMPF, Tameside MBC incurred costs for services (e.g. salaries and support costs) and construction of new pension building of £8,832,000 on behalf of GMPF and reclaimed from HMRC VAT (net) of £475,000. Total payments due to Tameside MBC therefore, amounted to £8,357,000 (2014/15 £13,920,000). GMPF reimbursed Tameside MBC £7,779,000 for these charges and there is a creditor of £578,000 owing to Tameside MBC at the yearend (2014/15 £1,192,000 within Creditors). This creditor has been settled since the year end.

For 2015/16, the Executive Director of Pensions has his entire full-time remuneration and any employer's pension contributions of £111,283 (2014/15 £111,283) charged to GMPF. This amount is also detailed in Tameside MBC's accounts.

Other key management personnel full time and total remuneration and employer's pension contributions are as shown below:-

<b>Job Title</b>	<b>£</b>
Assistant Executive Director - Investments	91,836
Assistant Executive Director - Administration	91,836
Assistant Executive Director - Funding & Business Development	91,836
Assistant Executive Director - Local Investment & Property	91,836

There is no direct charge to GMPF for the services provided by the Chief Executive, the Assistant Executive Director (Resources)/Section 151 Officer and the Executive Director of Governance &

Resource of Tameside MBC, but a contribution towards their cost is included in the recharge as detailed above. They receive no additional salary or remuneration for undertaking this role. Details of the total remuneration of these officers will be published on the Tameside MBC website. The remuneration of the Chairman of the Management Panel can be found by accessing the following link:

<http://www.tameside.gov.uk/constitution/part6>

Paragraph 3.9.4.3 of the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom exempts Local Authorities on the Key Management Personnel disclosure requirements of IAS 24, on the basis that the disclosure requirements for officer remuneration and members' allowances detailed in Section 3.4 of the code (which are derived from the requirements of Regulation 7(2)-(4) of the Accounts and Audit (England) Regulations 2011 and Regulation 7A of the Accounts and Audit (Wales) Regulations (2005) satisfy the Key Management Personnel disclosure requirements of paragraph 16 of IAS 24.

The disclosures required by regulation 7(2)-(4) of the Accounts and Audit (England) Regulations can be found in the main accounts of the administering authority - Tameside MBC.

No senior officers responsible for the administration of GMPF have entered into any contract (other than their contract of employment) with Tameside MBC (administering authority).

A number of members of the Local Board, the Management Panel and 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. These are:

<b>Name</b>	<b>Position in GMPF 2015/16</b>	<b>Company in which directorship is held</b>
Cllr J Taylor	Management Panel Member	Elisabeth House (General Partner) Limited
Peter Morris	Executive Director - Pensions	GMPF UT (Second Unit Holder) Limited Elisabeth House Nominee 1 Limited Elisabeth House Nominee 2 Limited Elisabeth House (General Partner) Limited Airport City (Asset Manager) Limited
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
Neil Charnock	Head of Legal Services	Hive Bethnal Green Limited
Patrick Dowdall	Assistant Executive Director - Local Investment & Property	Matrix Homes (General Partner) Limited Hive Bethnal Green Limited GLIL Corporate Holdings Limited Plot 5 First Street GP Limited Plot 5 First Street Nominee Limited
Nigel Driver	Investment Manager	Hive Bethnal Green Limited
Steven Pleasant	Chief Executive	Airport City (General Partner) Limited
Daniel Hobson	Senior Investment Manager	GLIL Corporate Holdings Limited Clyde Windfarm (Scotland) Limited

The above receive no remuneration for these directorships.

Under legislation introduced in 2003/04, Councillors were entitled to join the pension scheme. Councillor J Pantall, member of the GMPF Management Panel, and employee representative F

Llewellyn both received pension benefits from GMPF during the financial year. In addition, the following Councillors, members of the GMPF Management and Advisory Panels, members of the Local Board and employee representatives made pension contributions to GMPF during the financial year:

<b>Name</b>	<b>Position</b>
Cllr K Quinn	Councillor member
Cllr S Quinn	Councillor member
Cllr J Taylor	Councillor member
Cllr G Cooney	Councillor member
Cllr J Fitzpatrick	Councillor member
Cllr J Lane	Councillor member
Cllr M Smith	Councillor member
Cllr A Mitchell	Councillor member
Cllr D Ward	Councillor member
Cllr T Halliwell	Councillor member
D Schofield	Employee representative
J Thompson	Employee representative
M Baines	Employee representative
M Rayner	Employee representative
K Drury	Employee 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 membership are listed on the next page:



The administering authority, Tameside MBC, falls under the influence of The United Kingdom Department of 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 2016, GMPF had amounts totalling £9,000,000 (2015 £5,000,000) on short-term loan to Salford City Council and £5,000,000 (2015 £nil) to Stockport Metropolitan Borough Council. The investments were made as part of GMPF's day-to-day treasury management activities and are detailed, together with other short-term loans, in Note 4 (Credit Risk).

**20. Contributions received and benefits paid during the year ending 31 March**

<b>Contributions Received 2015 £m</b>	<b>Benefits Paid 2015 £m</b>		<b>Contributions Received 2016 £m</b>	<b>Benefits Paid 2016 £m</b>
(31)	36	Bolton Borough Council	(33)	36
(19)	24	Bury Borough Council	(20)	26
(54)	91	Manchester City Council	(54)	97
(19)	30	Oldham Borough Council	(19)	31
(23)	29	Rochdale Borough Council	(22)	30
(27)	36	Salford City Council	(27)	37
(22)	31	Stockport Borough Council	(24)	28
(20)	29	Tameside Borough Council (administering authority)	(20)	32
(19)	22	Trafford Borough Council	(17)	25
(29)	35	Wigan Borough Council	(32)	38
(174)	177	Other scheme employers *	(197)	205
(122)	97	Admitted bodies *	(131)	120
<b>(559)</b>	<b>637</b>		<b>(596)</b>	<b>705</b>

\* A full list of all scheme and admitted bodies can be found in the GMPF Annual Report 2015/16 which will be available at [www.gmpf.org.uk](http://www.gmpf.org.uk), following the GMPF Annual General Meeting in September 2016.

**21. Statement of Investment Principles and Funding Strategy Statement**

GMPF has published a Statement of Investment Principles and a Funding Strategy Statement. Both documents can be found on its website - [www.gmpf.org.uk](http://www.gmpf.org.uk).

**22. Actuarial Review of the Fund**

GMPF's last Actuarial valuation was undertaken as at 31 March 2013. A copy of the valuation report can be found on the GMPF website –

<http://www.gmpf.org.uk/2014/documents/policies/actuarialvaluation/2013.pdf>

The funding policy is set out in the Funding Strategy Statement (FSS) dated 7 March 2014. 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 2013 were valued at £12,590 million, were sufficient to meet 90.5% of the present value of promised retirement benefits earned. The resulting deficit was £1,317 million.

The key financial assumptions adopted for the 2013 valuation were:

	<b>31 March 2013</b>	
	<b>Nominal % p.a.</b>	<b>Real % p.a.</b>
<b>Financial assumptions</b>		
Discount rate	4.80%	2.30%
Pay increases*	3.55%	1.05%
Price inflation/Pension increases	2.50%	-

\* plus an allowance for promotional pay increase.

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. Stocklending**

GMPF's custodian, J P Morgan, is authorised to release stock to third parties under a stocklending agreement. Under the agreement, GMPF do not permit J P Morgan to lend UK or US equities.

At the year end the value of stock on loan was £89.1m (31 March 2015: £255.9m) in exchange for which the custodian held collateral at fair value of £93.4m (31 March 2015: £269.3m), which consisted exclusively of UK, US, and certain other government bonds.

**24. AVC Investments**

GMPF provides an 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).

The scheme 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	£8,395,506
Units purchased	1,404,232
Units sold	1,020,815
<b>Fair value as at 31 March 2016</b>	<b>£70,710,313</b>
Fair value as at 31 March 2015	£69,607,015

**25. Actuarial present value of promised retirement benefits**

CIPFA's Code of Practice on Local Authority Accounting 2015/16 requires administering authorities of LGPS funds to disclose the actuarial present value of promised retirement benefits in accordance with IS26 Accounting and Reporting by Retirement Benefit Plans.

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 2015/16.

**Financial Assumptions**

<b>31 March 2015 % p.a.</b>	<b>Year ended:</b>	<b>31 March 2016 % p.a.</b>
2.40%	Inflation/pension increase rate	2.20%
3.55%	Salary increase rate	3.50%
3.20%	Discount rate	3.50%

**Mortality**

Life expectancy is based on GMPF's VitaCurves with improvements in line with the CMI 2010 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:

	<b>Males</b>	<b>Females</b>
Current pensioners	21.4 years	24.0 years
Future pensioners*	24.0 years	26.6 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

<b>31 March 2015 £m</b>		<b>31 March 2016 £m</b>
24,896	Present value of promised retirement benefits	23,051

Liabilities have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2013. The liability as at 31 March 2015 and 31 March 2016 includes the liabilities transferred as part of the Ministry of Justice pension transfer on 1 June 2014. No allowance has been made for unfunded benefits.

### Sensitivity analysis

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below.

<b>31 March 2015</b>		<b>Change in assumptions at year ended 31 March</b>	<b>31 March 2016</b>	
<b>Approximate % increase to promised retirement benefits</b>	<b>Approximate monetary amount (£m)</b>		<b>Approximate % increase to promised retirement benefits</b>	<b>Approximate monetary amount (£m)</b>
7%	1,743	0.5% increase in the Pension Increase Rate	7%	1,614
3%	747	0.5% increase in the Salary Increase Rate	4%	922
3%	747	1 year increase in member life expectancy	3%	692
10%	2,490	0.5% decrease in Real Discount Rate	11%	2,536

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.



<b>Report To:</b>	<b>OVERVIEW (AUDIT) PANEL</b>
<b>Date:</b>	12 September 2016
<b>Executive Member / Scrutiny Panel:</b>	Councillor Gillian Peet – Chair to People Scrutiny Panel Councillor Peter Robinson, Executive Member (Children and Families)
<b>Subject:</b>	<b>REVIEW OF CHILD SEXUAL EXPLOITATION</b>
<b>Report Summary:</b>	The Chair to People Scrutiny Panel to comment on the Executive Response ( <b>Appendix 1</b> ) made by Councillor Peter Robinson (Children and Families) in June 2016 to the Scrutiny review of Child Sexual Exploitation and the recommendations made to support future services ( <b>Appendix 2</b> ), which was concluded in December 2015 and to comment on progress made regarding implementation to date.
<b>Recommendations:</b>	That the Overview (Audit) Panel note the recommendations detailed in Section 8 of <b>Appendix 2</b> .
<b>Links to Community Strategy:</b>	This review supports the Community Strategy priorities relating to 'Supportive Tameside' and 'Safe Tameside'.
<b>Policy Implications:</b>	The review itself has no specific policy implications. Should the recommendations of this report be accepted by the Tameside Council's Executive, the relevant services will need to assess the policy implications of putting individual recommendations in place.
<b>Financial Implications: (Authorised by the Section 151 Officer)</b>	There are no direct financial implications arising from the recommendations within this report. The Council's direct financial contribution towards the multi-agency Project Phoenix Child Sexual Exploitation team equates to one social worker and one support worker within Children's Services at a cost of £0.069m in 2016/2017. In addition, the Council and associated partners dedicate further resources from within their existing service budget allocations as appropriate.
<b>Legal Implications: (Authorised by the Borough Solicitor)</b>	<p>On the 19 November 2014 Ofsted issued a report - <i>The sexual exploitation of children: it couldn't happen here, could it?</i> This thematic inspection was commissioned to evaluate the effectiveness of local authorities' current response to child sexual exploitation. The report draws on evidence from inspection and case examination in eight local authorities and from the views of children and young people, parents, carers, practitioners and managers. In addition, themes from the aligned inspections of 36 children's homes and the collation of findings from the 33 published inspections of services for children in need of help and protection, children looked after and care leavers and reviews of Local Safeguarding Children Boards contributed to the findings. <a href="http://www.ofsted.gov.uk/resources/sexual-exploitation-of-children-it-couldnt-happen-here-could-it">http://www.ofsted.gov.uk/resources/sexual-exploitation-of-children-it-couldnt-happen-here-could-it</a></p> <p>Consequently this review undertakes an important role in considering what further action we need to take to protect children and young people from abuse.</p>

Over the last two years, a series of inquiries and reviews have highlighted significant weaknesses in our collective action to protect vulnerable children and young people from sexual exploitation. Although much of the attention has once again focussed on local authority child protection services, no single agency has escaped criticism for responses that have all too often failed to keep children safe from harm. It is vital that local government responds urgently and robustly to this challenge. Child protection is an essential issue for councils, as both community leaders and the statutory agency for children's services, and it is right that local government demonstrates collective leadership on this agenda.

The LGA commissioned Research in Practice to lead a review of current arrangements for the operation of LSCBs with a view to establish the key criteria required for the effective operation of LSCBs, and whether current arrangements provide a model that is fit for purpose in fulfilling the expectations of policy makers and regulators.

**Risk Management:**

Reports of Scrutiny Panels are integral to processes which exist to hold the Executive of the authority to account.

**Access to Information:**

The background papers relating to this report can be inspected by contacting Joel Hammond-Gant by:



Telephone: 0161 342 3049



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## APPENDIX 1

### Post Scrutiny - Executive Response

**In Respect of:** Scrutiny Review of Child Sexual Exploitation

**Date:** June 2016

**Cabinet Deputy:** Councillor Peter Robinson (Children and Families)

**Coordinating Officer:** Dominic Tumelty, Assistant Executive Director, Children's Services

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Recommendations	Accepted/ Rejected	Executive Response	Officer Responsible	Action By (Date)
1. That avenues are explored to further seek safeguarding assurances with private providers, schools and partners for the LAC placed in Tameside from other areas.	Accepted	<p>We will seek assurances from Placements North West that contractual agreements are in place for all providers to comply with Phoenix best standards.</p> <p>TSCB is the appropriate forum to ensure all partners are cognisant of and compliant with policy and procedure and can seek assurance through the Section 11 Audits which are statutory returns. TMBC will also continue to liaise with providers via the quarterly Provider Forum Network to ensure safeguarding protocols are adhered to and statutory notifications of Looked After Children from other areas are forwarded to the appropriate contact within the borough.</p>	Dominic Tumelty	<p>September 2016</p> <p>October 2016</p>

Recommendations	Accepted/ Rejected	Executive Response	Officer Responsible	Action By (Date)
2. That the local authority and partners put an emphasis on supporting missing children, particularly those who repeatedly go missing, with the aim of reducing the number of missing cases.	Accepted	Children who go missing from home regularly are at high risk. All partners will continue to build on the fortnightly Missing Panel meetings to ensure action plans are relevant and appropriate. In addition, TMBC has recently tendered for the Children's Rights project which includes an improved service for those children who go missing. This will be monitored quarterly to ensure efficacy.	Lorna Schlechte	October 2016
3. That TSCB, Phoenix Tameside and other partners look to ensure that past and present victims of CSE have access to, and are made aware of any support services available to them at the earliest opportunity.	Accepted	Greater Manchester Phoenix has identified that victim support is not as consistently available as it should be. This has also been identified in the most recent (June 2016) Phoenix peer review of Tameside Phoenix, which also stressed the importance of making services more readily available. Early conversations have taken place with third sector providers to improve the current victim support network in Tameside. A plan of support is expected to be available in Autumn 2016.	Dominic Tumelty	October 2016

Recommendations	Accepted/ Rejected	Executive Response	Officer Responsible	Action By (Date)
4. That Children's Services and partners engage with parents and carers on a more regular basis through safeguarding, and awareness projects with a view towards developing a vital resource for awareness raising going forward.	Accepted	<p>The 'Week of Action' scheme in Tameside is widely regarded as setting the benchmark of best practice for CSE awareness raising and training across Greater Manchester. There is always more to do however and the service accepts that child and family feedback is an area for further development which will range from electronic surveys, focus groups and more.</p> <p>The CSE Sub-Group will oversee work in relation to online safety with the aim of developing a strategy for communicating online safety messages to young people, their parents and professionals (a small task and finish group will meet in July to progress this). This work is in addition to that of the Safeguarding Youth Forum which has presented an e-safety training package (SNAPP) for dissemination in schools to TSCB Strategic Board and Child Protection Designated Teachers Forum in June 2016.</p>	Adele Smith	January 2017
5. That Phoenix Tameside look to improve awareness raising and training schemes to ensure that all professionals working with children in Tameside are able to recognise and refer CSE concerns to appropriate agencies.	Accepted	Training schemes are on offer via the TSCB Sub-Groups and are built into the annual training plan. To date, there has been an excellent take-up for all training sessions/courses. TSCB will continue to ensure that ample numbers of training courses are being run, and that they are aligned to any priority safeguarding themes and issues in Tameside by incorporating the expertise of the Phoenix Team into the training pool.	John Mazzolai	December 2016

Recommendations	Accepted/ Rejected	Executive Response	Officer Responsible	Action By (Date)
6. That TSCB and Phoenix Tameside explore the idea of a mentoring network that can bridge the gaps in care for at-risk children, specifically LAC.	Accepted	The recent 'Week of Action' sessions in Tameside have demonstrated how effective a mentor figure can be in delivering key knowledge and information on CSE. The service recognises that it will take time to develop and establish an effective mentoring network, but that it is an important and needed development.	John Mazzolai	March 2017
7. That work is undertaken with non-participating schools to educate the students of the dangers of CSE, and safeguarding information.	Accepted	An audit of schools will be undertaken to identify any school improvement measures that can be implemented to ensure reluctant schools are encouraged to partake in CSE safeguarding training sessions.	Bob Berry	January 2017
8. That regular and mandatory CSE upskilling sessions are designed to keep professionals, teachers and Registered Social Landlords informed of the key safeguarding trends and priorities in Tameside.	Accepted	TSCB will strive to make sure that CSE is kept at the forefront of service delivery by the Council and all partners. In addition, TSCB will liaise and work with members of the Council's Licencing Department to ensure that any CSE upskilling and training sessions are made mandatory for any professionals who interact/work with children.	Dominic Tumelty	January 2017
9. That TSCB tailors its Business Plan 2016-17 to combat the major CSE threats and align with the key safeguarding themes in Tameside.	Accepted	The CSE Sub-Group will make it a priority to ensure that the TSCB Business Plan 2016-17 is informed by the most relevant, priority CSE safeguarding issues and themes in Tameside.	Dominic Tumelty / John Mazzolai	Ongoing
10. That TSCB strives to make professionals in all authorities more aware of the key safeguarding themes and recommendations in Ann Coffey MP's 'Real Voices' report.	Accepted	It is acknowledged that improving the awareness of TMBC and partners to wider safeguarding themes across Greater Manchester will help to inform local plans. This will be included within the TSCB Business Plan 2016-17 and is set to be actioned by the CSE Sub-Group	Dominic Tumelty / John Mazzolai	January 2017

Recommendations	Accepted/ Rejected	Executive Response	Officer Responsible	Action By (Date)
11. That the Council explore options to introduce CSE awareness and prevention as a compulsory aspect of obtaining an alcohol and taxi license.	Accepted	The mandatory training that is required to obtain alcohol and taxi licences covers aspects of CSE and has been reviewed to ensure it is robust. Continued monitoring of the training content will be undertaken to make sure it is aligned to the safeguarding threats and strategies in Tameside.	Dominic Tumelty /Sharon Smith	Ongoing

## APPENDIX 2

### 1. INTRODUCTION BY THE CHAIR OF THE PEOPLE SCRUTINY PANEL

- 1.1 The People Scrutiny Panel are pleased to present this report to you. It follows a review into Child Sexual Exploitation (CSE) in Tameside and was carried out over a period of 4 months by a working group of the panel.
- 1.2 The Panel was very aware of the recent adverse publicity reporting the extent of CSE, sexual abuse and the profound consequences that they have on the lives of those affected. We were concerned to investigate whether everything possible was being done to safeguard the children and young people of Tameside.
- 1.3 We read several recent reports relating to CSE and used these to identify commonalities in the incidences of CSE in Tameside and then considered the advice therein. The Real Voices report (October 2014) written by Ann Coffey MP into CSE in Greater Manchester was written in response to the CSE incidents in Rochdale.
- 1.4 The report highlighted a number of disturbing facts and at the time it was written many children were still being preyed on each day and there were 260 live investigations into CSE across Greater Manchester. This raised the very real possibility that CSE could be occurring in Tameside. The report also stated that the majority of cases involved single offenders but there were variations across Greater Manchester. Many children did not report offences because they felt that the Police looked down on them.
- 1.5 Other reports that we looked at included the Alexis Jay report on CSE in Rotherham and the report by Anna Klonowski, an independent consultant, who was appointed by the Metropolitan Borough Council as the Independent Reviewing Officer into CSE in Rochdale. The Jay report flagged up that scrutiny process of the authority was too often absent or inadequate. All the documents that were read stressed that reports of CSE were not taken seriously enough or properly acted upon.
- 1.6 In light of these papers we have made efforts to seek assurances and to produce a report that would inform the public of Tameside. It is hoped that this report will encourage more people to be aware of the issues and alert to the signs of CSE.
- 1.7 We recognise that although the policies put in place across Greater Manchester have successfully raised the profile of the problem, and successful strategies have been put in place to identify and deal with perpetrators, as well as support victims, not all are well established. We therefore intend to receive regular updates on this subject.
- 1.8 The former children's minister Tim Loughton was quoted in the Klonowski report as saying:  
*"This country has to wake up to the fact that children are being sexually abused in far greater numbers than was ever imagined. It could be going on in every type of community and in every part of the country. Too many local areas have failed to uncover the true extent of child sexual exploitation in their communities and failed to properly support victims and their families".*
- 1.9 It would be fundamentally wrong for any local authority in the country to suggest that CSE is not an issue for their young residents. What remains clear is the importance of putting procedures in place based on local knowledge and intelligence. Everyone needs to play their part in protecting our children and young people. On behalf of the People Scrutiny Panel, I would like to thank all those who participated in this review.

Councillor Gillian Peet, Chair to People Scrutiny Panel

## **2. BACKGROUND TO THE REVIEW**

- 2.1 The current duty to promote the welfare of children has long been established since the Children Act (1989). The most recent update to this law in 2004 has formed a significant component of the work conducted by local authorities across England.
- 2.2 Investigations into recent high profile CSE cases, such as Rotherham in 2013/14, have exposed major shortcomings in the safeguarding successes and efforts of local authorities. Despite the recent rise in media attention and public awareness it is estimated that around 70% of victims do not come forward to report a crime. Of those that do, the average victim waits 12 years before accessing any support services.
- 2.3 The 'Real Voices' report (2014) written by Ann Coffey MP highlighted that only 18.2% of sexual offenders were taken to court, with 8.37% being prosecuted. In 2009, furthermore, only 3.23% of all reported CSE incidents in England and Wales resulted in convictions.
- 2.4 Taking into account the number of children at potential risk of CSE and the size and scale of cases the review will look at the current arrangements that are in place to combat, prevent and raise awareness of CSE as a real issue to children and families across the borough.

## **3. MEMBERSHIP OF THE PANEL – 2015/16**

Councillor Peet (Chair), Councillor Drennan (Deputy Chair).  
Councillors Affleck, Ballagher, Beeley, Cartey, Cooper, P Fitzpatrick, Kinsey, Ryan, T Smith, Whitehead, Wild.

Mrs L Aspin (Roman Catholic Church)  
Mrs S Marsh (Church of England)  
Mrs A Gregory (Parent Governor)  
Mr M Osmond (Parent Governor)  
Mr N Ahmed (Muslim Faith)  
Mrs T Sharma (Hindu Faith)

## **4. TERMS OF REFERENCE**

### **Aim of the Review**

- 4.1 To protect the children of Tameside from sexual exploitation by ensuring that the Council and partners are working together effectively to raise awareness and understanding relating to child sexual exploitation and are delivering a proactive and responsive approach to the safeguarding of children and young people in Tameside.

### **Objectives**

- 4.2
1. To understand the issues relating to child sexual exploitation and the approach taken to safeguard children and young people in Tameside.
  2. To explore the role of the Police and project Phoenix in preventing and tackling CSE in Tameside.
  3. To examine the early identification methods which can allow for quick and safe interventions.
  4. To look at how intelligence is shared across organisations to improve responsiveness.
  5. To explore the work that is undertaken to increase awareness across all age groups and prevent the occurrence of CSE in the first instance.
  6. To examine the support available to the victims and survivors of CSE.
  7. To produce workable recommendations to deliver improvements to Child Sexual Exploitation in Tameside.

### **Value for Money/Use of Resources**

- 4.3 It is important that children and young people in Tameside are provided with safe and supportive environments. It is essential that the Council and partners work collaboratively to combat CSE and improve early identification and intervention methods. Therefore effective strategies will raise awareness of issues and improve outcomes for all children and their families across the borough.

### **Equalities Issues**

- 4.4 Child sexual exploitation can impact on all sections of Tameside's communities. The review will consider strategies that lead to safe and positive environments across all ages and backgrounds.

### **People and Place Scorecard**

- 4.5 The following targets from the People and Place Scorecard relate to the Child Sexual Exploitation review.

<b>Vulnerable Children</b>	<ul style="list-style-type: none"><li>• Child In Need</li><li>• Child Protection Plans</li><li>• Looked After Children</li></ul>
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## **5. METHODOLOGY**

- 5.1 The working group met with Dominic Tumelty, Assistant Executive Director, Children's Services and Lorna Schlechte, Head of Children's Safeguarding to receive an overview of child sexual exploitation.
- 5.2 The working group met with Andy Sandiford, Detective Inspector, Greater Manchester Police to receive information and data relating to CSE in the borough and the work undertaken by Project Phoenix.
- 5.3 The working group met with Sharon Smith, Head of Environmental Services (Public Protection) and John Gregory, Licensing Manager to receive information about the work that is undertaken and how shared intelligence can improve the way CSE is tackled at the earliest opportunity.
- 5.4 The working group met with John Mazzolai, Chair of the CSE Sub-Group, Stewart Tod, Business Manager, Tameside Safeguarding Children Board and Joanne Booth, Specialist Nurse for Looked After Children, to receive information on the mechanisms and strategies that Children's Services in Tameside have in place to safeguard and protect children and young people from sexual exploitation.
- 5.5 The working group met with Margaret Banks, Assistant Headteacher and Senior Designated Person for Child Protection at St. Damian's R.C. College and Tania Brown, Safeguarding Advisor for Education, to receive information about the role schools can play in relation to CSE issues, support and awareness.

## **6. REVIEW FINDINGS**

### **Children at Risk**

- 6.1 Children and young people in the UK are at risk from a variety of models of CSE, with research from the 'My Dangerous Loverboy' project (2012) (see Section 6.47) finding that;
- Over 17,700 sexual crimes against children are reported every year;
  - The average age of CSE victims is just 13.

- 6.2 The grooming and sexual exploitation of young people can take many different forms. CSE can be carried out by lone perpetrators, street gangs or organised crime groups, and child trafficking is common in cases motivated by money. Tameside Safeguarding Children Board (TSCB) have ascertained that while there is no current evidence to suggest the presence of gang activity, the greatest threat of CSE in Tameside arises from lone perpetrators targeting isolated individuals.
- 6.3 The notable signs and triggers of CSE include:
- Going missing from home, care or education
  - Breaking away from family and friends
  - Sudden behavioural changes, including being intimidated and fearful of certain people and situations
  - Withdrawn, anxious or depressed behaviour
  - Self-harming
  - Poor eating patterns
  - Dressing inappropriately
  - Low self-esteem
  - Unexplained money or presents
  - Spending time at places of concern such as hotels or known brothels
  - Associating with older people, antisocial groups or other vulnerable peers
- 6.4 In 2014/15 a total of 384 children were reported missing in Tameside; 18% were reported multiple times during the year. The Department for Education (2013) reported that 25% of missing children are at risk of serious harm, and are at particularly high risk of sexual exploitation.
- 6.5 As of 21 January 2016 there are 101 children in Tameside who have been flagged at risk of CSE, in most cases following the application of the CSE Risk Assessment Tool (see Section 6.33). Of these young people, 6 are currently High Risk, 73 are Medium Risk and the other 22 are Low Risk who have not met the criteria to conduct a Risk Assessment but are still monitored.
- 6.6 In order to put these numbers in context locally, data from the 2014 mid-year population estimates show that there are 28,157 young people in Tameside aged between 8 and 18, 49% of which are girls.
- 6.7 **Looked After Children** – Looked After Children (LAC) are considered to habitually be at a greater risk of CSE than the average young person, owing to them not having stable, consistent familial support. The Child Exploitation and Online Protection Centre estimated that in 2011, 20-35% of all sexually exploited children in the UK live in residential care.
- 6.8 LAC are also four times more likely than the average child to develop mental health conditions, and are considerably more likely to do worse than their peers at school. These can potentially become contributing factors to a child losing confidence and interest in their academic career and social development, and potentially lead them towards some of the common triggers of CSE.
- 6.9 As of 1 January 2016, 348 looked after children have been placed in Tameside by other authorities from across the country, of which 62 are in residential children's homes. The other 286 children are in temporary/long-term foster or adoption placements.
- 6.10 The Council is notified of every child placed in residential care establishments by another authority, and provide educational and healthcare support to them. Beyond this, however, there is little ability to support LAC due to their social care being continued and managed by their 'home' authority. Additional efforts and measures are taken to make certain that LAC

are being successfully integrated into their new school and surroundings, and remove them from triggers of CSE and other harmful activities.

- 6.11 **Children's Homes** – There are 19 children's homes in Tameside; 4 are run by the local authority and 15 are in private ownership. It is also probable that the numbers of private children's homes may rise in Tameside in the future. There are 4 additional care homes that are semi-independently managed and specifically cater to young people aged 16-18.
- 6.12 The standards of care at Council and privately managed residential homes are carefully and regularly monitored by OFSTED. Council officers and CSE-trained Police Community Support Officers also visit all children's homes every 6 weeks, to confirm that the establishments are suitably safeguarding their children from CSE.
- 6.13 The consistency of care provided by private children's homes in Tameside can be affected by high turnover rates of children and staff. This can affect how comfortable and confident a looked after child is in their placement, and inhibit them from developing trusting relationships with the staff, in particular those from other boroughs that require this to help with their transition to Tameside.
- 6.14 **Grooming and Online Safety** – The rise of social networking and the increasing accessibility of explicit information on the internet are considered to be two of the greatest challenges facing authorities and Police working to tackle CSE.
- 6.15 Due to the regular and widespread use of social networking websites and smartphone 'apps', a growing proportion of young people are becoming exposed and vulnerable to online grooming, sexual abuse and sexual exploitation. For example, according to 'My Dangerous Loverboy' 1 million children under the age of 13 are using social networking websites each day in the UK.
- 6.16 Current popular culture and media trends are exposing people of all ages to sexualised images and behaviour, resulting in young people wanting to follow and copy these trends, and partaking in activities such as sexting. This has seen an increasing proportion of young people at risk of being groomed online and/or coerced into engaging in the sharing of sexually inappropriate messages and pictures with online predators.
- 6.17 This has forced Police strategy and methods to be changed to account for the proportion of cyber-crime, as well as the fact that perpetrators can be hundreds of miles away from the victims. A lot of the policing for these cases is therefore done by collecting and assessing evidence from online.
- 6.18 The issue of sexting has become particularly prevalent in schools across the UK, which Ann Coffey MP cites as being responsible for producing different expectations of sexual entitlement and a confused understanding of consent. It is believed that this is a key cause of young people becoming increasingly vulnerable to sexual exploitation online.

## Conclusions

1. With no current evidence to suggest linked perpetrators or gangs are operating in Tameside, CSE cases have mainly involved individuals and targeted offences.
2. While the number of at-risk children in Tameside appears to be a relatively small proportion of the young population, it is of great importance to continue to safeguard and protect current and future victims of CSE.
3. Missing and looked after children are at a higher-than-average risk of CSE, with potential gaps in intelligence and support for the children placed from other areas and children with multiple missing episodes remaining a risk for local authorities.
4. The rise of social networking and sexting have resulted in online grooming becoming increasingly dangerous, and emphasised as a safeguarding priority by the local authority, Police, schools, and other partners.

## Recommendations

1. That avenues are explored to further seek safeguarding assurances with private providers, schools and partners for the LAC placed in Tameside from other areas.
2. That the local authority and partners put an emphasis on supporting missing children, particularly those who repeatedly go missing, with the aim of reducing the number of missing cases.

## Safeguarding Children

- 6.19 TSCB became a statutory function under the Children's Act in 2004 and has a responsibility to coordinate, monitor and support the work that is undertaken by each represented person or body for the purposes of safeguarding and promoting the welfare of children.
- 6.20 Responsibilities for the Board, as set out in Working Together to Safeguard Children (2015) include:
- Developing policies and procedures for safeguarding and promoting the welfare of children
  - Communicating the need and raising awareness of the issues and signs of CSE to all groups in the community
  - Participating in the planning of services for children in the area
  - Conducting reviews of serious cases and advising board partners on lessons that can be learned
- 6.21 At an operational level TSCB has a three tiered structure which comprises of the Strategic Board, Business Group and a number of sub-groups.
- **Strategic Board** – Meets every quarter and sets the strategic direction for the Board. One of the key priorities for the Strategic Board has been to evaluate the impact of existing CSE strategies and develop effective multi-agency responses to children missing from home and/or education.
  - **Business Group** – Meets every 6 weeks and can be viewed as the operational arm of the Board. The group will discuss a range of emerging themes and determines how work in these areas will be progressed.
  - **Sub Groups** – Positioned under the Business Group and carry out the work of the Board.
- 6.22 A CSE Sub-Group is chaired by a member of Greater Manchester Police (GMP) and is attended by several other partners from the community. It is responsible for delivering the annual CSE Workplan, which is a regularly updated action plan of the key CSE safeguarding work that needs to be undertaken in the borough.

6.23 In 2014/15, TSCB re-wrote its CSE Strategy and Workplan to be in accordance with national policy and guidance, and more directly support Tameside's young residents. The Board also established a referral pathway between the Public Service Hub in Denton, and Project Phoenix, to increase the accessibility of local support for victims and children at risk of sexual exploitation.

### **Project Phoenix**

6.24 Police forces in Greater Manchester and across the country have been under pressure to strengthen their efforts on tackling CSE. As a result, GMP forces established Project Phoenix – a joint approach with the Association of Greater Manchester Authorities (AGMA) – which aims to homogenise and improve the way that CSE is tackled in the region.

6.25 A Project Phoenix team has been set up in each district of Greater Manchester; Phoenix Tameside is made up of Detectives, Constables, Police Community Support Officers, a Social Worker and a Health Nurse. Teams across Greater Manchester regularly share information and work cooperatively on CSE cases, owing to perpetrators rarely living in the same area as their victims.

6.26 TSCB and Phoenix Tameside have produced a three-strand partnership approach to tackling CSE that involves Preventative Work, Protection and Prosecution. A number of operations and schemes have been implemented to enforce these three strategic priorities.

6.27 **Prevention** – Preventative work involves educating those at risk, the community and other professionals on how to identify, reduce and avoid the dangers of CSE;

- CSE awareness is being raised across the borough and training sessions are being delivered to schools, Police and Fire services, New Charter Housing Association and the Youth Offending Service.
- The theatrical production 'Somebody's Sister, Somebody's Daughter' (see Section 6.49) has been delivered to 11 of the 15 secondary schools in Tameside in 2014/15.
- Phoenix Tameside is prioritising its involvement with parents and carers in Tameside to make them more aware of the real threat of CSE and how they can help to protect their children (see Section 6.31).

6.28 **Safeguarding** – To safeguard those identified as at risk or vulnerable to CSE most effectively, a holistic, multi-agency approach has been instigated in Tameside.

- A standardised CSE Risk Assessment Tool is being used to create a more uniform approach to safeguarding (see Section 6.33).
- Phoenix Tameside received 119 referrals in 2014/15 from Police, schools, housing associations and residents.
- A Missing Panel was created by TSCB in response to a significant number of young people being reported missing from home or care; 384 children went missing in 2014/15, 18% of which had multiple missing episodes.

6.29 **Prosecution** – Improving investigations and prosecutions of CSE offenders was cited by Ann Coffey MP as one of the key recommendations for authorities in Greater Manchester

- Multi-agency enforcement visits to premises across the borough have commenced in an attempt to produce more prosecutable evidence and disrupt offenders from being able to commit CSE.
- Efforts have been made to better the standard of Missing from Home reports by care homes (see Section 6.60), and actions are taken against those who display poor management and safeguarding of residents.
- Phoenix Tameside regularly shares information with New Charter Housing Trust and other Registered Social Landlords, which has enabled 'problem tenants' associated with CSE to be evicted or have restrictions imposed on them to disrupt their activities.

- 6.30 Greater Manchester Project Phoenix launched a 'Child Sexual Exploitation Week of Action' in September 2015 to help raise awareness of CSE. The main focus of the event was to provide information and training on sexting and online safety. Future courses will look to educate residents on the full range of issues and dangers associated with CSE.
- 6.31 As aforementioned in Section 6.27, Phoenix Tameside is actively working to engage parents and carers in Tameside to make them more aware of the dangers of CSE, and create a holistic approach to safeguarding that incorporates parents/carers. In May 2015 a 'Parents Awareness Week of Action' was run, which delivered 18 CSE awareness sessions across Tameside and passed out over 1,000 copies of the Phoenix 'Parents Awareness Pack' to residents.
- 6.32 Strong links have been developed between Phoenix Tameside, the Council and schools. Improvements have been made in the way information and intelligence is gathered and shared between partners, specifically with regards to monitoring and sharing key information on individual at-risk children.
- 6.33 Project Phoenix has recently introduced a standardised CSE Risk Assessment Tool, which comprehensively measures a child's:
- Level of care at home
  - School attendance
  - Sexual health
  - Substance use
  - Social media use
  - Association with risky peers/adults
- 6.34 The test attributes a High, Medium or Low risk rating to each child, which is then logged and shared between partners to alert other authorities such as schools and support services. The Risk Assessment Tool is being utilised by all Phoenix teams across the country which is helping to strengthen the uniformity of the national, regional and local approaches to tackling CSE.

**Figure 1. Total Numbers of CSE Incidents in Greater Manchester and Tameside**

<b>Area</b>	<b>2013/14</b>	<b>2014/15</b>
Greater Manchester	886	3258
Tameside	95	275

- 6.35 The table above compares the total number of CSE incidents in Tameside and Greater Manchester between 2013/14 and 2014/15. The figures show an increase in incidents by 189% in Tameside and by 268% across Greater Manchester.
- 6.36 The increases can be attributed to the intense work that has taken place to raise awareness of the risks of CSE. Whilst the numbers of reports and potential incidents have risen, the inroads that have been made to bring CSE to the forefront of the minds of parents, carers and residents can be viewed as positive progress by the Police, local authority and partners.

## Conclusions

5. TSCB coordinates CSE safeguarding activity in Tameside through a number of partner agencies, and engages with as many people in the community as possible.
6. Project Phoenix has allowed strong links to be developed between the Police, Tameside Children's Services and schools, with the clear aim of safeguarding young people at risk of CSE.
7. There is a clear connection between the rise in CSE incidents and the amount of work undertaken over the past 12 months to improve the awareness of CSE in Tameside.

## Recommendations

3. That TSCB, Phoenix Tameside and other partners look to ensure that past and present victims of CSE have access to, and are made aware of any support services available to them at the earliest opportunity.
4. That Children's Services and partners engage with parents and carers on a more regular basis through safeguarding, and awareness projects with a view towards developing a vital resource for awareness raising going forward.
5. That Phoenix Tameside look to improve awareness raising and training schemes to ensure that all professionals working with children in Tameside are able to recognise and refer CSE concerns to appropriate agencies.

## Raising Awareness

- 6.37 Successful safeguarding activities to date have emphasised raising the awareness of the risks associated with CSE and the different models in which young people can be exploited. TSCB's Training Organiser coordinates and delivers CSE training to partners, and advises schools on the most effective educational packages for children of different ages.
- 6.38 **Training Packages** – CSE training has been provided to staff in Tameside schools through the 'Train the Trainer' programme. A designated member of staff from each primary and secondary school in Tameside is trained to be able to:
- Recognise the signs/triggers of CSE
  - Support victims
  - Liaise with local partners to help to resolve CSE cases
  - Train the remaining members of staff in their schools
  - Integrate age-appropriate CSE material into lesson plans
- 6.39 Since 'Train the Trainer' began, a number of schools have reported a higher number of children providing information and evidence of CSE. As of 1 January 2016, 90% of all schools in Tameside have participated in the scheme, with the remaining schools scheduled for training in early 2016.
- 6.40 School nurses in Tameside have also been given training to allow them to be able to deal with low and medium risk CSE cases within school grounds, providing CSE victims with quick access to an alternative support service.
- 6.41 **Educational Resources** – The majority of CSE awareness activities are run in schools to actively engage with as many young people in the borough as possible and improve the number of prevented CSE cases/victims.
- 6.42 'Real Love Rocks' is a programme designed by Barnardos to promote the idea of healthy, safe relationships amongst children and young people, as well as raise awareness of grooming, CSE and online safety. Two different resources have been designed for primary and secondary school students and are delivered by teachers.

- 6.43 The 'Real Love Rocks' Primary Resource is an interactive tool specifically for pupils in Year 6, which focuses on the importance of feeling free, happy and safe in future relationships. The resource uses lots of games, crafts, activities and animations to address four key themes:
- **Relationships** – What they are and what makes a happy, safe and fair relationship
  - **Grooming** – What it is and how to get help if a child feels uncomfortable
  - **Keeping Safe** – How to stay safe, especially as they begin to get an increased independence and go to secondary school
  - **Being Online** – How to keep safe when online, on phones, computers, tablets and when gaming
- 6.44 The Secondary Resource is aimed at young people in Years 7-9, but can be used with children of all ages in secondary schools. The resource utilises a range of activities and promotes healthy discussions on four key themes:
- **Relationships** – What they are and what makes a happy, safe, fair and consensual relationship.
  - **Child Sexual Exploitation** – What it means, the different ways it can occur and where to receive help and support if needed.
  - **Keeping Safe** – Encouraging young people to think about how to stay safe when they are out in public emphasising the risk that alcohol, drugs and not being in contact with parents/carers can bring.
  - **Impact of Watching Porn and Sexting** – The impacts and possible consequences of watching porn, the risks involved in sexting and how to stay safe online.
- 6.45 Both the Primary and Secondary 'Real Love Rocks' resources are provided to special schools that are then able to adapt the range of information to suit the learning needs of specific students. In addition, a specialist CSE nurse delivers the resource to LAC who have been placed in Tameside from other boroughs.
- 6.46 'My Dangerous Loverboy' is a short film published in 2012 to raise awareness of the sexual exploitation and trafficking of young people. The film is designed for 16-18 year olds and aims to alert as many young people as possible about the dangers of sexual exploitation. It is a particularly hard hitting and emotional piece that sparked interest and discussion in the press upon its release.
- 6.47 The film is accompanied by the 'Love or Lies?' educational resource pack, which contains lesson plans and interactive exercises based on the images shown and issues covered in 'My Dangerous Loverboy', as well as of general CSE awareness. The exercises focus on:
- Creating healthy relationships
  - Boosting self-esteem
  - Minimising the risk of CSE
  - Online safety
  - Street grooming (trafficking) awareness
  - Social pressures and expectations
- 6.48 A theatrical production titled 'Somebody's Sister, Somebody's Daughter' was written and produced as a method of presenting information about CSE and street grooming to young people aged 14 and upwards. It presents the stories and perspectives of three young people to reveal the individual and wider impacts that CSE can have:
- **Chloe** – A 15 year old girl who becomes a victim of grooming by a street gang.
  - **Sara** – The best friend of Chloe.
  - **Javid** – A young man who risks his own safety to remove Chloe and Sara from the harm of sexual exploitation.
- 6.49 To date the play has been performed to all Year 10 students in 11 of Tameside's 15 secondary schools. The performance has received an excellent response from students

and staff, with some schools reporting a marked increase in the number of students coming forward to provide information about cases of CSE.

- 6.50 Project Phoenix put together the 'It's Not Okay' website and campaign that collaborates with public and third sector partners across Greater Manchester to help young people recognise the signs of CSE and encourage them to report it, as well as provide support to at-risk victims. The campaign also works closely with Parents against Child Sexual Exploitation to relay the dangers and signs of CSE to parents and carers, and provide CSE training to professionals in all sectors in Tameside.
- 6.51 Phoenix Tameside has also run the Crucial Crew CSE sessions which aim to speak to over 2,400 Year 6 pupils on the risks of CSE, and emphasise the importance of staying safe and vigilant when moving into secondary school, meeting new people and gaining independence.
- 6.52 **Support Services** – A Safeguarding Youth Forum has been established which offers young people a chance to discuss CSE signs and impacts and voice any concerns they may have. The Board is hoping to promote the use of this service by networking with more primary and secondary schools in the borough.
- 6.53 In an attempt to raise awareness of the dangers of CSE, the Council and partners have recently run borough-wide activities and workshops consisting of:
- CSE training to 4,000 Year 6 pupils
  - Sexting awareness training for students and teachers at Tameside College
  - Visits from CSE victims and parents

#### **Conclusions**

8. A range of educational resources have been rolled out to primary and secondary schools across Tameside that alert children to the dangers of CSE, and teach them to stay safe in public and online.
9. A small number of schools in the borough are yet to take advantage of the resources for CSE awareness.
10. CSE training has been provided by TSCB to teachers in Tameside schools, ensuring that they are capable of identifying and dealing with signs of CSE and effectively relay key information to students.

#### **Recommendations**

6. That TSCB and Phoenix Tameside explore the idea of a mentoring network that can bridge the gaps in care for at-risk children, specifically LAC.
7. That work is undertaken with non-participating schools to educate the students of the dangers of CSE, and safeguarding information.
8. That regular and mandatory CSE upskilling sessions are designed to keep professionals, teachers and Registered Social Landlords informed of the key safeguarding trends and priorities in Tameside.

#### **Improving Outcomes in Tameside**

- 6.54 The Council has taken steps to form strong relationships and partnerships with GMP and Phoenix Tameside to combat CSE in Tameside. Tameside Licencing Department has subsequently been awarded the 'Divisional Commander's Excellence Award' for its individual and partnership work undertaken to tackle CSE in the borough.

- 6.55 Operation Labyrinth, which commenced in January 2015, is a proactive project set up to identify and develop intelligence opportunities in public places, open spaces and potential CSE hot-spots. The operation also involves visits to these hot-spot areas by plain clothed Police officers twice a week to obtain first hand evidence.
- 6.56 As a result of Operation Labyrinth, 14 locations have been targeted (offenders' home addresses, premises with identified concerns); 8 business premises visited by enforcement teams; 65 offenders visited (33% receiving multiple visits); 15 abduction warnings served and numerous children given support and reassurance.
- 6.57 Off-Licence Enforcement Days are conducted regularly across Tameside, which involve officers from the Council, Police, Customs and Immigration forming several multi-functional teams and carrying out coordinated, impromptu visits to off-licences, checking for any illegal activity or signs of grooming.
- 6.58 Officers have successfully intercepted information about the owners of off-licences selling alcohol to underage children, and attempting to groom and/or exploit young girls by engaging in sexually explicit and inappropriate conversations with them. In certain circumstances licences are revoked immediately in cases which can be linked with CSE.
- 6.59 Operation Madison is another scheme that with the support of Phoenix Tameside is aiming to improve the standard of Missing from Home reports released by children's homes, and take action against those who display poor management of their residents.
- 6.60 Due to there being over 1,200 active taxi drivers in Tameside who naturally encounter young people and children on a daily basis, the Licencing Department have put an emphasis on implementing training initiatives and more requirements for all licensed drivers operating in Tameside.
- 6.61 To become a taxi driver in Tameside, a number of requirements and tests have to be met, including:
- Having held a full UK Driving Licence for a minimum of 12 months
  - Legal proof of eligibility to work in the UK
  - Providing a letter of good character written by their home nation's embassy
  - Passing English language and local knowledge tests
- 6.62 A training initiative is being established to train and up-skill all taxi drivers in Tameside to spot the signs of CSE and domestic abuse, and relay information and evidence to the right people in a timely manner. This will be extended to radio communications officers for all Tameside taxi companies, to ensure that information on these issues can be shared and dealt with as effectively and efficiently as possible.
- 6.63 As a result of the CSE awareness initiatives undertaken across the borough, CSE-related intelligence in Tameside has continued to increase, rising 77% from 2013/14 to 2014/15. Referrals to Phoenix Tameside have also risen to 119 in 2014/15 from 43 over the same period, showing the positive effect that awareness work in Tameside is having.
- 6.64 Through this increased intelligence sharing, enforcement sessions and investigations undertaken, Project Phoenix is currently monitoring 86 known or suspected CSE flagged offenders.
- 6.65 In addition, the number of CSE Public Protection Investigations undertaken by Phoenix Tameside increased by 105% in 2014/15, due to the improved partnership approach and integration of CSE-related services in the borough, as well as enhanced triaging.

### **Awareness for the Future**

- 6.66 TSCB has published its Strategic Plan 2015-2018, which was written in collaboration with all of its partner agencies and key stakeholders. It is in line with the strategies of the Health and Wellbeing Board, the Adult Safeguarding Board, Neighbourhood Services, Domestic Abuse Strategic Group and Clinical Commissioning Group, to homogenise the approach towards safeguarding going forward.
- 6.67 TSCB's CSE Workplan aims to:
- Improving intelligence gathering and sharing with multi-agency partners
  - Ensuring that a tiered package of support is available for all victims of CSE
  - Increasing the awareness of CSE in children and young people, parents and the wider community
  - Developing a local Missing from Home Protocol that details the response to missing children who are known to be at risk of CSE
- 6.68 Work will also be undertaken to tackle domestic abuse, self-harm and neglect, as well as provide more effective Early Help services, which will hopefully contribute to better safeguarding of Tameside's residents.

### **Conclusions**

11. The Council's partnership work with Project Phoenix has been recognised with the 'Divisional Commander's Excellence Award'.
12. In 2014/15, CSE awareness schemes and initiatives have increased the intelligence shared between partners.
13. There was some evidence that not all professionals working with children were fully familiar with the findings and recommendations of the 'Real Voices' report.

### **Recommendations**

9. That TSCB tailors its Business Plan 2016-17 to the combat the major CSE threats and align with the key safeguarding themes in Tameside.
10. That TSCB strives to make professionals in all authorities more aware of the key safeguarding themes and recommendations in Ann Coffey MP's 'Real Voices' report.
11. That the Council explore options to introduce CSE awareness and prevention as a compulsory aspect of obtaining an alcohol and taxi license.

## **7. CONCLUSIONS**

- 7.1 With no current evidence to suggest linked perpetrators or gangs are operating in Tameside, CSE cases have mainly involved individuals and targeted offences.
- 7.2 While the number of at-risk children in Tameside appears to be a relatively small proportion of the young population, it is of great importance to continue to safeguard and protect current and future victims of CSE.
- 7.3 Missing and looked after children are at a higher-than-average risk of CSE, with potential gaps in intelligence and support for the children placed from other areas and children with multiple missing episodes remaining a risk for local authorities.
- 7.4 The rise of social networking and sexting have resulted in online grooming becoming increasingly dangerous, and emphasised as a safeguarding priority by the local authority, Police, schools, and other partners.

- 7.5 TSCB coordinates CSE safeguarding activity in Tameside through a number of partner agencies, and engages with as many people in the community as possible.
- 7.6 Project Phoenix has allowed strong links to be developed between the Police, Tameside Children's Services and schools, with the clear aim of safeguarding young people at risk of CSE.
- 7.7 There is a clear connection between the rise in CSE incidents and the amount of work undertaken over the past 12 months to improve the awareness of CSE in Tameside.
- 7.8 A range of educational resources have been rolled out to primary and secondary schools across Tameside that alert children to the dangers of CSE, and teach them to stay safe in public and online.
- 7.9 A small number of schools in the borough are yet to take advantage of the resources for CSE awareness.
- 7.10 CSE training has been provided by TSCB to teachers in Tameside schools, ensuring that they are capable of identifying and dealing with signs of CSE and effectively relay key information to students.
- 7.11 The Council's partnership work with Project Phoenix has been recognised with the 'Divisional Commander's Excellence Award'.
- 7.12 In 2014/15, CSE awareness schemes and initiatives have increased the intelligence shared between partners.
- 7.13 There was some evidence that not all professionals working with children were fully familiar with the findings and recommendations of the 'Real Voices' report.

## **8. RECOMMENDATIONS**

- 8.1 That avenues are explored to further seek safeguarding assurances with private providers, schools and partners for the LAC placed in Tameside from other areas.
- 8.2 That the local authority and partners put an emphasis on supporting missing children, particularly those who repeatedly go missing, with the aim of reducing the number of missing cases.
- 8.3 That TSCB, Phoenix Tameside and other partners look to ensure that past and present victims of CSE have access to, and are made aware of any support services available to them at the earliest opportunity.
- 8.4 That Children's Services and partners engage with parents and carers on a more regular basis through safeguarding, and awareness projects with a view towards developing a vital resource for awareness raising going forward.
- 8.5 That Phoenix Tameside look to improve awareness raising and training schemes to ensure that all professionals working with children in Tameside are able to recognise and refer CSE concerns to appropriate agencies.
- 8.6 That TSCB and Phoenix Tameside explore the idea of a mentoring network that can bridge the gaps in care for at-risk children, specifically LAC.
- 8.7 That work is undertaken with non-participating schools to educate the students of the dangers of CSE, and safeguarding information.

- 8.8 That regular and mandatory CSE upskilling sessions are designed to keep professionals, teachers and Registered Social Landlords informed of the key safeguarding trends and priorities in Tameside.
- 8.9 That TSCB tailors its Business Plan 2016-17 to the combat the major CSE threats and align with the key safeguarding themes in Tameside.
- 8.10 That TSCB strives to make professionals in all authorities more aware of the key safeguarding themes and recommendations in Ann Coffey MP's 'Real Voices' report.
- 8.11 That the Council explore options to introduce CSE awareness and prevention as a compulsory aspect of obtaining an alcohol and taxi license.

<b>Report To:</b>	<b>OVERVIEW (AUDIT) PANEL</b>
<b>Date:</b>	12 September 2016
<b>Reporting Officer:</b>	Sandra Stewart - Executive Director Governance, Resources and Pensions
<b>Subject:</b>	<b>SCRUTINY ANNUAL WORK PROGRAMMES FOR THE MUNICIPAL YEAR 2016/17</b>
<b>Report Summary:</b>	To receive for information, the work programmes of the Scrutiny Panels for 2016/17 following previous consideration of the work programme at the last meeting of the Panel.
<b>Recommendations:</b>	That the work programmes for 2016/17 be noted.
<b>Links to Community Strategy:</b>	The work programmes are linked to the Council's Corporate Plan priorities. Reviews taking place will help to ensure that the priorities will be delivered effectively across Tameside.
<b>Policy Implications:</b>	The work programmes comprise reviews that seek to check on the effective implementation of the Council's policies and if appropriate make recommendations to the Executive with regards to development, performance monitoring and value for money.
<b>Financial Implications: (Authorised by the Section 151 Officer)</b>	All costs incurred must be met from within existing budgets.
<b>Legal Implications: (Authorised by the Borough Solicitor)</b>	Part 4(g) of the Scrutiny Procedure Rules set out in the Constitution requires the Chair of each Scrutiny Panel to submit an annual Work Programme to Council for approval.
<b>Risk Management:</b>	The Chairs and Deputy Chairs of the Scrutiny Panels will be informed of the progress in implementing the work programmes.
<b>Access to Information:</b>	The background papers relating to this report can be inspected by contacting Paul Radcliffe, Scrutiny and Member Services Manager by:  Telephone:0161 342 2199  e-mail: paul.radcliffe@tameside.gov.uk

## 1. SCRUTINY PANEL WORK PROGRAMMES

- 1.1 The work programmes for the Council's two Scrutiny Panels have now been approved and adopted by panel members. This report contains information relating to the planned activity of work that will take place during the 2016/17 municipal year, which includes in-depth reviews and the ongoing monitoring of Council services, external partners and performance.
- 1.2 Time has been taken to liaise with Members, the Senior Management Teams of both the Council and Single Commissioning Body and partners before being finalised. The majority of the items on the work programmes will involve reviews and activities that are aimed at adding value to the services that are central to the Council's priorities and performance. The programmes do contain a variety of work and it is important to note that it may not be possible for every topic to be reviewed in the current year. In addition developments in the health economy and, in particular, the creation of the Single Commissioning body and the creation of the Integrated Care Organisation will need to be reflected in the scrutiny work programme and on-going monitoring of the impact of changes brought about by the Care Together programme will be regularly reported to the Integrated Care and Wellbeing Scrutiny Panel.
- 1.3 The established working groups of both Panels are well underway with the first review topics of the year. As detailed in a previous report of 18 July 2016 the review topics selected by each panel for the first quarter are as follows:

**Integrated Care and Wellbeing Scrutiny Panel** – Carers in Tameside

**Place and External Relations Scrutiny Panel** – Impact of Bin Swap and Delivering Future Improvements to Recycling.

- 1.4 The work programme for each panel will remain as flexible as possible to allow any urgent issues which may arise to be addressed. As in previous years, if additions are required during the year this will require a report to be brought to the earliest available Overview (Audit) Panel meeting.

**Integrated Care and Wellbeing Scrutiny Panel  
Work Programme 2016/17**

**In-depth Policy Reviews**

<b>Subject of Review</b>	<b>Rationale for Review</b>	<b>Links to the Council's Corporate Plan Priorities</b>	<b>Executive Member</b>	<b>Suggested by</b>
<b>Carers in Tameside</b>	<p>Changes to the Care Act in April 2015 were made to improve conditions for many people that require support, and their carers. The changes gave local authorities a responsibility to assess the level of support that a carer may need. Councils are also allowed to arrange for other organisations such as charities or private companies to carry out assessments.</p> <p>Data from the 2011 Census showed that there are approximately 24,000 residents in Tameside who consider themselves as a carer. When looking at this in more detail, only 11,000 people are registered as carers and 3,500 seen to be active on a regular basis.</p> <p>The review will consider the changes that have been made to the Care Act along with the role and strategies of the Council to identify, assess and support carers across the borough.</p>	<p>This review will support the corporate priority 'People' by helping people to live independent lifestyles supported by responsible communities and improving the health and wellbeing of residents.</p>	<p>Adult Social Care and Wellbeing</p>	<p>Panel</p>
<b>Impact of the Public Service Hub</b>	<p>In order to provide the highest quality of public services during testing financial times, the Council established one of the country's first Public Service Hubs, which aims to create and progress an integrated public service model that brings together a range of professionals and agencies, while also streamlining systems and processes.</p>	<p>This review will support the corporate priority 'People' by helping people to live independent lifestyles supported by responsible communities and improving the health and wellbeing of residents.</p>	<p>Children and Families</p>	<p>Panel</p>

Subject of Review	Rationale for Review	Links to the Council's Corporate Plan Priorities	Executive Member	Suggested by
	<p>The Hub aims to focus on early intervention and prevention in order to reduce the demand across the public sector, performing more cost-effectively, and better addressing all needs of households across the borough.</p> <p>The review will take an in-depth look at the Hub and its ability to effectively improve the coordination of services, and create more positive outcomes for families, children and communities across the borough.</p>			
<b>Admission Avoidance</b>	<p>Preventing re-admission requires active management of transitions which includes the timely sharing of information and good communication between the hospital, Primary Care and Adult Services.</p> <p>When compared with national performance, Tameside has a higher number of emergency admissions for acute conditions that should not usually require hospital admission. Research has also found that the number of patients who are readmitted as an emergency following discharge has risen by almost 70% in the last decade. Integrated working between agencies can result in lower than expected emergency admissions and a reduction in the use of beds.</p> <p>The review will look at the processes that are in place to prevent hospital admission in the first instance, ensure the time of discharge is right for patients and that support mechanisms are in place to aid recovery at home and the community.</p>	This review will support the corporate priority 'People' by improving the health and wellbeing of residents and protecting the most vulnerable.	Healthy and Working / Adult Social Care and Wellbeing	Panel

Subject of Review	Rationale for Review	Links to the Council's Corporate Plan Priorities	Executive Member	Suggested by
<b>Special Educational Needs (SEN) – Reducing the Gap</b>	<p>National data shows that the number of pupils with special educational needs (SEN) continues to fall. It is also clear that during this period the attainment gap has generally remained unchanged.</p> <p>Some learning difficulties may only require limited intervention, while others may require large amounts of support on a daily basis to provide assistance with learning. It is important to understand the range of needs and the support that the local authority and schools are able to provide in mainstream settings.</p> <p>Following on from the review of Special Educational Needs in Tameside carried out in 2011/12 the review will look at the impact of the SEN code of practice implemented in June 2014 and strategies developed to improve the attainment gap.</p>	<p>This review will support the corporate priority 'People' by increasing educational attainment and skills levels.</p>	<p>Lifelong Learning</p>	<p>Panel</p>

#### Ongoing Monitoring

Subject of Review	Rationale	Links to the Council's Corporate Plan Priorities	Executive Member	Frequency
<b>Care Together</b>	<p>The Care Together Programme is bringing about an integrated health and social care system for Tameside, which is both innovative and ambitious. The Panel will receive regular updates relating to the progress, transformational work, and service delivery going forward.</p>	<p>This will support the corporate priority 'People' by improving the health and wellbeing of residents.</p>	<p>Healthy and Working / Adult Social Care and Wellbeing</p>	<p>Ongoing</p>
<b>Tameside Hospital</b>	<p>The Panel will continue to monitor performance and developments at Tameside Hospital. Members of the Hospital's Executive attend Scrutiny Panel meetings on a regular basis to keep the Panel updated and informed of any significant changes.</p>	<p>This will support the corporate priority 'People' by improving the health and wellbeing of residents.</p>	<p>Healthy and Working / Adult Social Care and Wellbeing</p>	<p>Ongoing</p>

<b>Subject of Review</b>	<b>Rationale</b>	<b>Links to the Council's Corporate Plan Priorities</b>	<b>Executive Member</b>	<b>Frequency</b>
<b>Adult Services</b>	The Panel will receive updates on developments to service delivery, the Care Together Programme and impact of the changes to the Care Act.	This will support the corporate priority 'People' by improving health and wellbeing of residents and protecting the most vulnerable.	Adult Social Care and Wellbeing	Annually
<b>Active Tameside</b>	The Panel will receive updates on the development work being undertaken across the borough by Active Tameside and the improved health and wellbeing offer for residents.	This will support the corporate priority 'People' by improving the health and wellbeing of residents.	Healthy and Working	Annually
<b>Children's Services / Early Years</b>	The Panel will continue to receive performance updates and development information for a range of Children's Services.	This will support the corporate priority 'People' by supporting families to care for their children safely and protecting the most vulnerable.	Children and Families	Annually
<b>Education</b>	The Panel will receive updates on School Performance and Standards including required actions following Ofsted inspections.	This will support the corporate priority 'People' by increasing educational attainment and skills levels.	Life Long Learning	Annually
<b>Health and Wellbeing Board</b>	The Scrutiny Panel has a good relationship with the board and ongoing work will be undertaken to routinely share information and developments.	This will support the corporate priority 'People' by improving the health and wellbeing of residents.	Healthy and working	Annually

### Performance Monitoring

Subject of Review	Rationale for Review	Links to the Council's Corporate Plan Priorities	Frequency
<b>People and Place Scorecard</b>	The Scrutiny Panel receives performance monitoring information relative to the remit and will:- i. scrutinise performance against direction of travel and comparator areas; ii. request information from partner organisations where relevant to particular People and Place Scorecard measures; and iii. expect partner organisations to consider and respond to scrutiny recommendations concerning the measures relevant to their organisation.	This performance monitoring exercise supports the Council's vision to maximise the wellbeing of the people of the borough as outlined in the Corporate Plan.	Quarterly

### Evaluation of Review Outcomes

(An evaluation of the implementation of the Scrutiny Panel's recommendations)

Subject of Review	Rationale for Review	Links to the Council's Corporate Plan Priorities	Executive Member	Suggested By
<b>Child Sexual Exploitation</b>	The review investigated the current levels of child sexual exploitation in Tameside and the effectiveness of strategies being put in place by the Council, Police, Schools and other partners in the borough. The Panel will receive an update on the issue of child sexual exploitation in Tameside and the ongoing work that has been undertaken to combat it.	This review supported the corporate priority 'People' by protecting the most vulnerable and supporting families to care for their children safely.	Children and Families	Panel
<b>Homelessness and the Demand for Temporary Accommodation</b>	The review looked at the levels and causes of homelessness in Tameside and how the Council and partners are working to prevent and reduce the severity and incidence of homelessness in the borough. The Panel will receive an update on the outcomes of the recommendations and work that is being undertaken to reduce homelessness and the demand for temporary accommodation in the borough.	This review supported the corporate priority 'People' by helping people to live independent lifestyles supported by responsible communities.	Healthy and Working	Panel

<b>Subject of Review</b>	<b>Rationale for Review</b>	<b>Links to the Council's Corporate Plan Priorities</b>	<b>Executive Member</b>	<b>Suggested By</b>
<b>School Readiness</b>	The review considered the approach taken by the Council, schools and partners to improve school readiness outcomes in the borough. The Panel will receive an update on performance across Tameside and the ongoing work that has been undertaken to address school readiness outcomes in the borough.	This review supported the corporate priority 'People' by working with families to ensure children are ready for school.	Life Long Learning	Panel

## Place and External Relations Scrutiny Panel

### Work Programme 2016/17

#### In-depth Policy Reviews

Subject of Review	Rationale for Review	Links to the Council's Corporate Plan Priorities	Executive Member	Suggested By
<p><b>Impact of Bin Swap and Delivering Future Improvements to Recycling</b></p>	<p>With an ongoing commitment to improve recycling rates and reduce the amount of costly waste being sent to Landfill the Council made significant efforts to transform services and introduce a brand new recycling scheme 'Bin Swap'.</p> <p>In November 2013 Tameside's Bin Swap pilot was introduced across four areas, with wider roll out of the scheme from January 2015.</p> <p>Bin Swap is a key component of the Council's 'Greening the Borough' initiative by improving recycling rates. A clear plan was created to communicate key messages and engage residents with the changes ahead, with a clear reference to the opportunity cost of not undertaking the improvements.</p> <p>The review will look at the overall performance of Bin swap to date, paying particular attention to recycling improvements for each area of the borough. Work will also be undertaken to look at further options the service has to improve recycling rates and collection methods.</p>	<p>This review will support the corporate priority 'Place' by reducing our carbon footprint, both in energy and waste, and promoting cleaner, greener and safer neighbourhoods.</p>	<p>Clean and Green</p>	<p>Panel</p>

Subject of Review	Rationale for Review	Links to the Council's Corporate Plan Priorities	Executive Member	Suggested By
<b>Improving Tameside's Affordable Housing Offer</b>	<p>Addressing a range of affordable housing needs has become a major concern for local authorities across the country, as the gap between local income levels and the cost of living and housing continues to widen.</p> <p>New affordable homes are additional housing units (or bed spaces) provided to specified eligible households whose needs are not met by the market. Affordable housing is the sum of social rent, affordable rent, intermediate rent and affordable home ownership.</p> <p>Over recent years the Council has worked closely and collaboratively with housing partners in order to meet the needs of the borough. The review will look at Tameside's current position with regards to affordable housing needs and the strategies in place to deliver a sustainable and evenly distributed supply of affordable homes for current and future generations.</p>	<p>This review will support the corporate priority 'Place' by improving housing choice.</p>	<p>Healthy and Working</p>	<p>Panel</p>
<b>Supporting Local and Businesses Employment</b>	<p>It is important that existing businesses are supported and an appealing local offer is developed to attract and retain new industries to the area. Tameside is well positioned within the geography of Greater Manchester and a large amount of work has been undertaken over recent years to improve connectivity and transport links both to and from the borough.</p> <p>In 2015 the Council put forward plans to implement the Business Enterprise Grant, Trade Grant and Inward Investment Grant schemes to provide additional support for local businesses.</p>	<p>This review will support the corporate priority 'Place' by strengthening the local business community and our town centres, and growing levels of inward investment.</p>	<p>Healthy and Working</p>	<p>Panel</p>

<b>Subject of Review</b>	<b>Rationale for Review</b>	<b>Links to the Council's Corporate Plan Priorities</b>	<b>Executive Member</b>	<b>Suggested By</b>
	The review will look at ways to strengthen and expand Tameside's business community and the development of an offer which promotes the formation of business partnerships across the region, providing an opportunity for large and small businesses to receive support to continue growing.			

### Ongoing Monitoring

<b>Subject of Review</b>	<b>Rationale for Review</b>	<b>Links to the Council's Corporate Plan Priorities</b>	<b>Executive Member</b>	<b>Frequency</b>
<b>Bin Swap</b>	The Panel will receive updates on the roll out of the Bin Swap scheme across the borough, including the impact on recycling rates and reduction in landfill charges.	This will support the corporate priority 'Place' by promoting cleaner, greener and safer neighbourhoods and reduce our carbon footprint both in energy and waste.	Clean and Green	Annually
<b>Police and Fire Services</b>	The Panel will meet with representatives of "responsible authorities" to discuss initiatives and activity.	This will support the corporate priority 'People' and 'Place' by protecting the most vulnerable and promoting safer neighbourhoods.	Deputy Executive Leader	Annually
<b>Employment and Skills</b>	The Panel will receive an update on the work and actions carried out by the Council's Employment and Skills team to deliver better outcomes for Tameside businesses, residents and the local economy.	This will support the corporate priority 'Place' by strengthening the local business community and town centres and work with businesses to create economic opportunities for residents.	Healthy and Working	Annually
<b>Town Centres</b>	The Panel will receive updates on work taking place in Tameside town centres such as the development and impact of the Tameside Loyalty Card Scheme and the implementation and progress of the Big Tidy Up.	This will support the corporate priority 'Place' by strengthening the local business community and town centres, promoting cleaner, greener and safer neighbourhoods and support a cultural offer that attracts people to the borough.	Deputy Executive Leader	Annually

<b>Subject of Review</b>	<b>Rationale for Review</b>	<b>Links to the Council's Corporate Plan Priorities</b>	<b>Executive Member</b>	<b>Frequency</b>
<b>Transport and Infrastructure</b>	The Panel will receive an update on the progress of the Ashton Pinchpoint scheme and plans for the Transport Interchange.	This will support the corporate priority 'Place' by improving transport infrastructure.	Clean and Green	Annually
<b>Vision Tameside</b>	The Panel will receive an update on the Vision Tameside programme and development of the council offices, retail and college buildings.	This will support the corporate priority 'Place' by strengthening the local business community and town centres and support a cultural offer that attracts people to the borough.	First Deputy (Performance and Finance)	Annually

### Performance Monitoring

<b>Subject of Review</b>	<b>Rationale for Review</b>	<b>Links to the Council's Corporate Plan Priorities</b>	<b>Frequency</b>
<b>People and Place Scorecard</b>	The Scrutiny Panel will receive performance monitoring information on the People and Place scorecard measures relating to the remit and will:- <ul style="list-style-type: none"> <li>i. scrutinise performance against direction of travel and comparator areas;</li> <li>ii. request information from partner organisations where relevant to particular People and Place Scorecard measures; and</li> <li>iii. expect partner organisations to consider and respond to scrutiny recommendations concerning the measures relevant to their organisation.</li> </ul>	This performance monitoring exercise supports the Council's vision to maximise the wellbeing of the people of the borough as outlined in the Corporate Plan.	Quarterly

### Evaluation of Review Outcomes

(An evaluation of the implementation of the Scrutiny Panel's recommendations)

<b>Subject of Review</b>	<b>Rationale for Review</b>	<b>Links to the Council's Corporate Plan Priorities</b>	<b>Executive Member</b>	<b>Suggested By</b>
<b>Food Poverty</b>	The review looked at the strategies in place to improve the skills levels in the borough, including the collaborative work that takes place with key partners. The Panel will receive an update on performance across Tameside and the actions that have been taken since the review was carried out.	This review supported the corporate priority 'People' through increasing educational attainment and skills levels.	Healthy and Working	Panel

<b>Subject of Review</b>	<b>Rationale for Review</b>	<b>Links to the Council's Corporate Plan Priorities</b>	<b>Executive Member</b>	<b>Suggested By</b>
<b>Victim Based Crime</b>	<p>The review aimed to determine the causes of the rise in victim based crimes since 2014, and look at the actions being taken to combat victim based crime in Tameside.</p> <p>The Panel will receive an update on the levels of victim based crime in Tameside to ascertain the impact that strategies by Police and partners have had.</p>	This review supported the corporate priority 'Place' by promoting cleaner, greener and safer neighbourhoods.	Deputy Executive Leader	Panel

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