Report to: **AUDIT PANEL**

Date: 4 June 2019

Reporting Officer: Kathy Roe – Director of Finance

Tom Wilkinson – Assistant Director of Finance

Subject: **ACCOUNTING POLICIES 2018/19**

Report Summary: In March 2019, Audit Panel received a report setting out:

- the proposed accounting policies;
- the critical judgements made in applying the accounting policies;
- assumptions made about the future and other major sources of estimated uncertainty within the accounts.

This report provides the Audit Panel with details of changes made to the accounting policies in respect of the adoption of the new International Financial Reporting Standards (IFRS), specifically IFRS9 (Financial Instruments) and IFRS15 (revenue from contracts with customers) .

Recommendations: The Panel is asked to:

- approve the amendments to section 4 of the accounting policies detailed at **Appendix 1** to this report (Amendments highlighted in *italic text).*

Corporate Plan: The Corporate Plan helps determine the priorities for Council spending, which will be reported using the policies referred to in this report

Policy Implications: There are no wider policy implications arising from this report.

Financial Implications: (Authorised by the statutory Section 151 Officer & Chief Finance Officer) There are no direct financial implications arising from this report.

The accounting policies determine how the income and expenditure, and assets and liabilities of the Council are reported and represented in the Council's financial statements.

Legal Implications: (Authorised by the Borough Solicitor) The Council has a statutory duty to provide annual accounts – this report sets out requirements that the Council needs to comply with together with an explanation as to how certain matters are to be treated in the accounts.

Risk Management: The accounting policies will help to reduce the risk of error or misstatement within the Council's accounts by ensuring a clear framework for financial reporting, consistent with guidance.

Background Information: The background papers relating to this report and any further information can be obtained from the report writer, Heather Green, Finance Business Partner

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1 INTRODUCTION

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

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

1.3 The accounts of the Greater Manchester Pension Fund are included within the Council's Statement of Accounts document each year. However, it should be noted that this report is in relation to the Council only and that the accounting policies and estimates of the Greater Manchester Pension Fund are approved elsewhere.

1.4 As per the practice adopted in previous years, the Panel are requested to endorse the use of the policies underpinning the financial statements within the Statement of Accounts.

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

2.1 Officers have assessed the accounting policies that are deemed necessary to explain clearly and underpin the accounting treatment of transactions within the Council's Statement of Accounts for 2018/19. In undertaking this assessment a review of all accounting policies previously agreed has been undertaken to check their relevance, clarity, legislative compliance and that they are in accordance with the latest version of 'the Code' and IFRS requirements. The draft accounting policies for 2018/19 were presented to the Audit Panel in March 2019.

2.2 There are two main changes to the 2018/19 Code of Practice on Local Authority Accounting to reflect the adoption of IFRS9 (Financial Instruments) and IFRS15 (Revenue from contracts with customers). The report to Audit Panel in March 2019 informed members that the review of accounting policies in respect of these two standards was in progress, and would be concluded as part of the preparation of the statement of accounts.

2.3 As part of the preparation of the 2018/19 Statement of Accounts officers have considered the impact of IFRS9 and IFRS15, and assessed their impact as follows:

- Officers have reviewed all financial assets categorised as Financial Instruments against the requirements of IFRS9. Changes are required to the classification of financial assets and the accounting policies as a result of this change to the Code. Further details are set out below.

- A review of all revenue streams has been undertaken and it has been determined that the adoption of IFRS15 does not have any material impact on the recognition of revenue in the Council's accounts. No changes to the accounting policies are required as a result.

3 FINANCIAL INSTRUMENTS (IFRS9)

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

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

Impact on Financial Assets classification

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

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

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

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

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

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

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

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

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

3.12 Where assets are classed as FVOCI or FVPL their value is assessed at each year end. For FVOCI assets any change in value is charged to an unusable reserve – the Financial Instruments Revaluation Reserve.

3.13 Changes in value for FVPL assets are charged / credited to the income and expenditure each year end and charged to general reserves. This is a change from the current arrangements.

3.14 As at 1 April 2018 the Council has mapped the existing asset classifications to the revised classifications and transferred the existing Available for Sale reserve to the Financial Instrument Revaluation Reserve.

3.15 Assets classed as amortised cost or FVOCI (unless designated as such) have to be reviewed at each year end for impairment or credit loss. This mainly effects the long term loans to third party organisation, treated as capital expenditure. Impairment losses are initially charged to the Comprehensive Income and Expenditure Account. Any impairment on loans that were treated as capital expenditure would be reversed out of the income and expenditure account and charged to the Capital Adjustment Account. No impairment losses have been charged in 2018/19.

3.16 The changes identified above do not have any impact on the usable reserves of the Council.

4 RECOMMENDATIONS

4.1 As set out on the front of the report.

APPENDIX 1:
STATEMENT OF ACCOUNTING POLICIES FOR 2018/19

STATEMENT OF ACCOUNTING POLICIES FROM 1 APRIL 2018

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

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

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

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

1. ACCOUNTING PRINCIPLES

a) Going Concern

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

b) **Accruals Concept**

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

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

c) **Cost of Services**

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

d) Value Added Tax (VAT)

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

e) Changes in Accounting Policy

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

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

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

f) Previous Year Adjustments

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

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

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

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

g) Events after the Balance Sheet Date

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

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

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

h) **Exceptional and Extraordinary Items**

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

i) **Contingent Assets and Liabilities**

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

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

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

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

2. CAPITAL ACCOUNTING

a) **Recognition**

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

Capital expenditure includes:

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

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

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

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

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

b) **Measurement**

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

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

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

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

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

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

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

c) **Revaluation**

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

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

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

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of the reserves formal implementation. Gains arising before that date were subsequently consolidated into the Capital Adjustment Account. Movements in the valuations of non-current assets do not impact on General Fund Balances and are not a charge or credit to council tax levies.

d) **Disposals**

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

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

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

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

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

e) **Heritage Assets**

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

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

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

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

- Statues and Other Monuments.

f) **Investment Properties**

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

g) **Intangible Assets**

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

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

h) **Depreciation / Amortisation Methodology**

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

- In accordance with the Service Reporting Code of Practise, all buildings (but not their land) are depreciated over their remaining useful lives. A land and building split has been determined by the Council's external valuers. Estimates of the useful life are determined for each property and where material for components of those properties as part of the valuation process. These estimates of economic life may vary considerably from property to property.

- Investment Properties are not depreciated, rather an annual review is undertaken of the fair carrying value. Any changes to these values are charged to the Provision of Services within the Comprehensive Income and Expenditure Statement in the period that they occur.

- Infrastructure is depreciated over a 40 year period.

- Vehicles, Plant, and Equipment is depreciated over 10 years or less depending on the nature of the asset.

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

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

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

- Depreciation attributable to the assets used by the relevant service

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

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

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

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

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

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

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

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

l) **Capital Receipts**

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

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

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

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

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

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

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

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

- For borrowing taken up on or after 1 April 2015, MRP is to be provided for based upon the average expected useful life of the assets funded by borrowing in the previous year. The debt will be repaid on a straight-line basis over the average useful life calculated, meaning the debt will be fully extinguished at the end of period. If the Council elects to make additional voluntary MRP then the annual charge will be adjusted accordingly.

- For certain investment projects it may be deemed more prudent to use the asset life annuity method in order to calculate MRP. In this case the Council will use the annuity method, with the MRP based on the prevailing PWLB interest rate for a loan with a term equal to the estimated life of the project. If the Council uses capital receipts to repay borrowing for the year then the value of MRP which would have otherwise been set aside to repay borrowing will be reduced by the this amount. The level of capital receipts to be applied to redeem borrowing will be determined annually by the Section 151 Officer, taking into account forecasts for future expenditure and the generation of further receipts.

- For any finance leases and any on-balance sheet Public Finance Initiative (PFI) schemes, the MRP charge will be equal to the principle repayment during the year, calculated in accordance with proper practices.

- There will be no MRP charge for any cash backed Local Authority Mortgage Scheme (LAMS) that the Council operates. As for this type of scheme, any future debt liability would be met from the capital receipt arising from the deposit maturing after a five year period. Any repossession losses for this type of scheme would be charged to a LAMS reserve.

- The Council has considered the Statutory Guidance, which recommends a 25 year repayment charge for loans to third parties, and concluded that this provision is not necessary where there is a realistic expectation that the loan will be repaid. The Council considers an MRP charge is not necessary in respect of any loans made to third parties as the debt liability is covered by the existence of a debtor; typically long term depending on the life of the loan. The only expenditure consequence of a loan for an authority is the interest on its cash shortfall whilst the loan is outstanding, so provision for the principal amount would be over-prudent until such time as the assumption has to be made that the loan will not be repaid.

n) **Capital Grants and Contributions**

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

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

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

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

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

o) **Capital Reserves**

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

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

p) **Leases**

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

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

q) Defining a Finance Lease

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

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

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

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

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

r) **Defining an Operating Lease**

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

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

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

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

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

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

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

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

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

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

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

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

PFI credits are treated as general revenue government grants.

3. REVENUE ACCOUNTING

a) Recognition of Revenue Expenditure

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

b) Employee Costs

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

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

<u>Short Term Employee Benefits</u>

- Salaries and Wages – The total salary and wages earned by employees during the financial year are charged to the Comprehensive Income and Expenditure Statement. Where the amount accrued exceeds the amount paid at the 31 March, a creditor will be reflected in the accounts.

- Leave Owed, Accumulating Absences – The Council allows employees to earn time off in one period with the resulting cost to the Council in a later period when that time is either taken off or paid to the employee. Examples of this accumulating leave are annual leave, flexi-time and time off in lieu.

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

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

- Non-accumulating Absences – are periods of leave that cannot be carried forward for use in future periods. Examples include Maternity Leave, Special Leave, Sick Leave and Jury Service. The Council does not recognise non-accumulating compensated absences until the time that the absence occurs.

- Non-monetary Benefits – Where employees have non-monetary benefits (e.g. retirement benefits or life insurance), the associated cost of providing that benefit has been charged to the Comprehensive Income and Expenditure Statement.

Termination benefits

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

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

Pensions Costs

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

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

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

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

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

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

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

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

  Service cost comprising:

  1. Current service cost – the increase in liabilities as a result of years of service earned

this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.

2. Past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years will be debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.

3. Net interest on the net defined benefit liability i.e. net interest expense for the Council - the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period, taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.

   Re-measurement comprising:

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

5. Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

   In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the Pension Fund in the year, not the amount calculated according to the relevant accounting standards. Adjustments are therefore made in the Movement in Reserves Statement.

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The debit balance on the Pensions Reserve therefore shows a shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

Early Retirement, Discretionary Payments

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

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

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

d) **Revenue Grants and Contributions**

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

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

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

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

Once the recognition criteria above have been satisfied, capital grants are recognised as income in the Comprehensive Income and Expenditure Statement.
In order to not impact on the level of Council Tax, the Council removes the credit from the General Reserves through the Movement in Reserves Statement, and makes a credit to the Capital Grants Unapplied Reserve.

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

e) **Provisions**

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

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

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

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

f) **Revenue Reserves**

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

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

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

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

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

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

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

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

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

h) **Inventories and Work in Progress**

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

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

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

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

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

4. TREASURY MANAGEMENT

a) Financial Instruments

Financial Assets

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

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

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

Amortised Cost

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

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

Fair Value through Other Comprehensive Income (FVOCI)

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

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

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

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

Fair Value through Profit and Loss (FVPL)

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

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

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

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

Credit loss

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

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

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

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

Financial Liabilities

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

Charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability multiplied by the effective rate of interest for the instrument. (The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised).

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

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

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

Gains and losses on the repurchase or early settlement of borrowing are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase or settlement. However if the repurchase takes place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is deducted from or added to the amortised cost of the new or modified loan. In this scenario the write down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts (amounts paid or received on the rescheduling of a loan) have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact of premiums on the General Fund balance to be spread over the longer of the outstanding period of the replaced loan or the period of the replacement loan or any other shorter period that the Council wishes to choose. Discounts are required to be credited to revenue over a maximum period equal to the outstanding term of the replaced loan or ten years (if shorter). The difference between the amount charged to the Comprehensive Income and Expenditure Statement and the net charge against the General Fund balance is transferred to or from the Financial Instruments Adjustment Account in the Movement of Reserves Statement.

b) **Cash and cash equivalents**

Cash equivalents are short term investments that are of a highly liquid nature. The Council has deemed that deposits held within money market funds are categorised as cash equivalents.

c) **Interests in Companies and Other Entities**

Where the Council has material interests in companies and other entities that have the nature of subsidiaries, associates and joint arrangements, it is required to prepare group accounts. In the Council's own single-entity accounts, the interests in companies and other entities are recorded as investments, i.e. at cost, less any provision for losses. The Council has identified Inspired Spaces Tameside as an associate but group accounts have not been prepared on the grounds of materiality. Information on financial transactions between the Council and this associate are disclosed as related party transactions.