# Tameside MBC

## Statement of Accounts

2018/19

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# Narrative Report and Financial Summary

This section identifies and briefly explains each part of the document and includes an overview by the Director of Finance (Section 151 Officer) on the Council's financial performance during the accounting period.

**Narrative Report and Financial Summary**

## 1) Executive Summary

The following pages present the Council's accounts for the financial year ended 31 March 2019. By producing this report, the Council aims to give all interested stakeholders – electors, local residents, Council Members, partners, local businesses and others - confidence that the public money that has been received and spent has been properly accounted for and that the financial standing of the Council is secure.

The purpose of this Narrative Report is to provide an overall explanation of the Council's financial position, including major influences affecting the accounts, and to enable readers to understand and interpret the accounting statements. It sets out in the following sections:

2) **Corporate Leadership and Strategy;**
3) **The Profile of the Borough;**
4) **The year in review: Financial Performance in 2018/19;**
5) **Financial Strategy: Outlook for 2019/20 and future years;**
6) **The Financial Statements: basis of preparation, purpose and summary; and**
7) **Significant transactions in 2018/19.**

It should be noted that although the Statement of Accounts is produced annually, the Members and Senior Officers of the Council receive monthly financial reports throughout the year on overall performance against budget for revenue budget and quarterly for capital budgets. These monthly and quarterly reports are considered by Executive Cabinet and are available on the Council's Website. The Medium Term Financial Plan (MTFP), which sets out the financial plan for the next five years, is also updated during the year and reported formally to both Members and Officers, and available on the Council's website. The figures presented in the accounts are consistent with the other reports that have been published during the year.

The effectiveness with which the Council has been able to prepare its accounts, meeting the stringent requirements of quality and timeliness that are set for us, is an important measure of the overall quality of our financial management. These accounts have been prepared in advance of the previous year, meeting the statutory deadline for the preparation and publication of draft financial statements by 31 May 2019. The external audit will take place during June and July, with audited financial statements published by 31 July 2019.

## 2) Corporate Leadership and Strategy

The Council's political leadership is responsible for delivering on priorities, and the Executive Cabinet determines where investment and resources will be allocated in line with these priorities. This process culminates in the annual Budget Report through which the Executive Cabinet recommends to the Council the overall budget. The same principles are applied to the formulation of the capital programme.

At the heart of the leadership structure is the Executive Leader, supported by the Executive Cabinet Members. In turn, they are supported by the Executive Team led by the Chief Executive. Plans drawn up for each service area identify the priorities for that area within the context of the Council's overall priorities. Alongside Executive Cabinet, the Strategic Commissioning Board, a joint Board of the Council and Tameside and Glossop Clinical Commissioning Group (CCG) Members, is the decision making body for health and social care investment within a pooled budget arrangement (Section 75).

More information on the activities, leadership structure and governance of the Council (including the Constitution, Management structure, meeting agendas and minutes) can be found on the Council's website, located at www.tameside.gov.uk. The Council's Annual Governance Statement, published alongside the Statement of Accounts, provides further information on the governance arrangements in place to ensure proper discharge of its functions.

As an organisation the Council uses its resources, such as money, people and buildings, to deliver the maximum benefit for communities in Tameside. During 2018/19, a new Corporate Plan has been developed to outline the strategic direction of the Tameside and Glossop Strategic Commission (Council and CCG) for the next seven years. A copy of the Corporate Plan 'Our People, Our Place, Our Plan' can be found on the Council's website at www.tameside.gov.uk.

The Plan covers a seven year time frame (2019-2026) and sets out the aspirations we have to deliver improved outcomes for our community. The Plan is set out across the life course and reflects the importance of a vibrant place and economy in delivering our aspirations. The Plan contains a series of statements about our vision for the people and place of Tameside and Glossop. The document also sets out a series of reform principles which underpin the delivery of the strategy and will enable our workforce and stakeholders to understand the way in which we will work.

The new Corporate Plan is underpinned by the Greater Manchester Public Reform Principles. These principles set out the way in which we will operate now, and in the future, to deliver the plan and improve outcomes for our residents and communities.

- A new relationship between public services and citizens, communities and businesses that enables shared decision making, democratic accountability and voice, genuine co-production and joint delivery of services. Do with, not to.
- An asset based approach that recognises and builds on the strengths of individuals, families and our communities rather than focussing on the deficits.
- Behaviour change in our communities that builds independence and supports residents to be in control
- A place based approach that redefines services and places individuals, families, communities at the heart.
- A stronger prioritisation of well-being, prevention and early intervention
- An evidence led understanding of risk and impact to ensure the right intervention at the right time.
- An approach that supports the development of new investment and resourcing models, enabling collaboration with a wide range of organisations.

## 3) The Profile of the Borough

The profile of the Borough in terms of its population and economy is a key driver of the scope and type of services the Council provides to local people. Set out below are some key facts which provide some detail.

**Population**

The demographic of Tameside is similar to that in the rest of England, although it has slightly more under 16's than average and slightly fewer older people than average. It is also slightly less diverse than the England average. Office for National Statistics Mid-Year Estimates for 2016 show that Tameside had a total estimated population of 223,109. Within Tameside's population:

- 44,188 were aged 0-15 years (19.82% of Tameside's population);
- 140,050 were aged 16-64 (62.71% of Tameside's population); and
- 38,951 were aged 65 or over (17.47% of Tameside's population).

Tameside has a slightly higher proportion of residents aged under 16 (19.82% compared to 19.05% England overall) and fewer people aged 65 or over (17.47% compared to 17.88% England overall). ONS Subnational Population Projection data from 2014 indicates that Tameside's population is projected to increase to around 229,070 (c.2.7%) by 2024. Much of this growth is due to projected increases in the number of people aged 65 and over; a projected 18.15% increase in this age group between 2014 and 2024. Clearly, this increase in the 65+ population will continue to increase demand for social care services in the future.

According to the 2011 Census, the majority of Tameside's residents belong to the White ethnic group (90.9% compared to 85.4% England overall). Within Tameside's population:

- Of the 90.9% of residents who belong to the White ethnic group, the majority (88.5%) are White British; and
- The second largest ethnic group in Tameside is Asian/Asian British (6.6%); of which Pakistani (2.2%) and Bangladeshi (2.0%) are the largest groups.

**Deprivation**

The Government collates a variety of economic and social measures to create indices of relative affluence and deprivation based on geographical areas. These help the Council to target services to our most vulnerable residents, as well as helping to identify areas of lesser need where early intervention will help prevent costs at a later date. According to the Indices of Deprivation 2015:

- Of the 141 areas in Tameside, 8 of these fall within the most deprived 5% nationally and a further 16 fall within the most deprived 10% nationally;
- In total, 13.4% of Tameside residents live in income-deprived households;[1]
- Of those children aged 0-15, 13.7% live in income-deprived households (Income Deprivation Affecting Children Index); and
- Of those residents aged 65 and over, 4.5% live in income-deprived households (Income Deprivation Affecting Older People Index).

[1] Based on the number of residents that fall within the most deprived 5% and 10% nationally for a particular indicator.

**Education**

- In Tameside, 64% of pupils (70% of boys and 58% of girls) met the expected standard in reading, writing and maths at Key Stage 2 in 2018 compared to 65% nationally (61% of boys and 69% of girls); and
- 62% of school children (59% of boys and 65% of girls) in Tameside achieved a standard 9-4 pass in English and Maths at GCSE level in 2018 compared to 64% nationally (61% of boys and 68% of girls).

**Economy**

- The median annual income for a full time worker in Tameside in 2017 was £24,357. This is lower than both the North West median of £26,746 and England of £29,079[2];
- The claimant count as a proportion of the working age population in Tameside in March 2018 was 2.8% (Unchanged from March 2017). This rate is higher than the England average of 2.1%. The male claimant count has remained steady at 3.5% from March 2017-18, however the female claimant count has increased slightly from 2.1% to 2.2% over the same period.[3]
- 3.6% of young people aged 16 to 18 in Tameside were not in education, training or employment (NEET) in April 2018, with the highest ward rate in Dukinfield (6.2%). The lowest ward rate was Denton West (0.9%).
- The Borough hosts over 7,586 business addresses, with a combined rateable valuation of over £147 million at 31 March 2018.

**Housing**

- There are 101,330 dwellings on the valuation list in Tameside as of the latest Housing Needs Assessment (September 2017).
- At the time of the Census in 2011 there were 94,953 households, of which 60,558 (63.8%) are privately-owned, 20,438 (21.5%) are social-rented, 12,573 (13.2%) are privately rented and 1,384 (1.5%) in shared ownership or other.
- According to the 2015 Sub-Regional Fuel Poverty Data, 11.9% of Tameside households are in fuel poverty.

**Health**

Health and wellbeing in Tameside is generally worse than England with heart disease, stroke, cancer and liver disease being significant issues.

Healthy life expectancy at birth is currently 57.6 years for females and 58.1 years for males in Tameside. This is significantly lower than the England average of 63.9 years for females and 63.3 years for males.

[2] Annual survey of hours and earnings - resident analysis (2017). The earnings information collected relates to gross pay before tax, national insurance or other deductions, and excludes payments in kind. Full-time workers are defined as those who work more than 30 paid hours per week or those in teaching professions working 25 paid hours or more per week.

[3] This experimental series counts the number of people claiming Jobseeker's Allowance plus those who claim Universal Credit and are required to seek work and be available for work and replaces the number of people claiming Jobseeker's Allowance as the headline indicator of the number of people claiming benefits principally for the reason of being unemployed. The JSA datasets have all been moved to a new Jobseeker's Allowance theme. Under Universal Credit a broader span of claimants are required to look for work than under Jobseeker's Allowance. As Universal Credit Full Service is rolled out in particular areas, the number of people recorded as being on the Claimant Count is therefore likely to rise.

Life expectancy locally is 8.6 years lower for females and 8.1 years lower for males in the most deprived areas of Tameside compared to the least deprived areas. Life expectancy at birth is currently 80.8 years for females and 77.5 years for males in Tameside. This is lower than the England average of 83.1 years for females and 79.6 for males.

Reducing the gap in life expectancy that exists between different parts of the Borough, by ensuring that all residents have the same opportunities to live and work well, is a key priority for the Council.

# 4) The Year in Review: Financial Performance in 2018/19

## REVENUE BUDGET

In February and March 2018, the Strategic Commission agreed 2018/19 budgets for the Tameside and Glossop Clinical Commissioning Group (CCG) and Tameside Council. These budgets were set in the context of continued funding cuts in local government, and significant growing demographic and demand pressures across the health economy. Children's Social Care and Continuing Health Care were identified as particularly significant pressures and budgets included significant Targeted Efficiency Programme (TEP) savings targets which needed to be delivered to achieve a balanced position by 31 March 2019.

During 2018/19, the Strategic Commission has been reporting on the financial position of the Tameside Health Economy as a whole in monthly Integrated Commissioning Fund (ICF) financial monitoring reports. These monthly reports have been supplemented by deep dive detailed service area reports on a quarterly basis.

| | Final Year End Position | | | | |
|---|---|---|---|---|---|
| **Year End Position £000's** | **Expenditure Budget** | **Income Budget** | **Net Budget** | **Net Actual** | **Net Variance** |
| Acute | 202,864 | 0 | 202,864 | 203,848 | (984) |
| Mental Health | 32,842 | 0 | 32,842 | 33,794 | (952) |
| Primary Care | 82,954 | 0 | 82,954 | 82,144 | 810 |
| Continuing Care | 14,126 | 0 | 14,126 | 15,808 | (1,681) |
| Community | 29,966 | 0 | 29,966 | 30,246 | (279) |
| Other CCG | 34,525 | 0 | 34,525 | 32,705 | 1,820 |
| CCG TEP Shortfall (QIPP) | 0 | 0 | 0 | 0 | 0 |
| CCG Running Costs | 5,209 | 0 | 5,209 | 3,941 | 1,268 |
| Adults | 82,653 | (42,172) | 40,480 | 40,449 | 31 |
| Children's Services | 46,819 | (3,051) | 43,768 | 51,810 | (8,043) |
| Education | 25,386 | (19,824) | 5,562 | 5,269 | 293 |
| Individual Schools Budgets | 120,994 | (120,994) | 0 | 0 | 0 |
| Population Health | 17,186 | (680) | 16,506 | 16,156 | 350 |
| Operations and Neighbourhoods | 76,737 | (26,448) | 50,288 | 50,870 | (582) |
| Growth | 39,894 | (34,875) | 5,020 | 6,532 | (1,512) |
| Governance | 86,438 | (77,606) | 8,832 | 7,067 | 1,765 |
| Finance & IT | 6,103 | (1,550) | 4,553 | 4,140 | 413 |
| Quality and Safeguarding | 367 | (288) | 79 | 45 | 33 |
| Capital and Financing | 13,869 | (1,360) | 12,509 | 10,587 | 1,922 |
| Contingency | 3,323 | (6,823) | (3,500) | (6,195) | 2,695 |
| Corporate Costs | 9,038 | (6,622) | 2,416 | (242) | 2,658 |
| **Integrated Commissioning Fund** | **931,292** | **(342,293)** | **589,000** | **588,974** | **26** |

| Year End Position £000's | Final Year End Position Expenditure Budget | Income Budget | Net Budget | Net Forecast | Net Variance |
|---|---|---|---|---|---|
| CCG Expenditure | 402,486 | 0 | 402,486 | 402,486 | 0 |
| TMBC Expenditure | 528,807 | (342,293) | 186,514 | 186,488 | 26 |
| **Integrated Commissioning Fund** | **931,292** | **(342,293)** | **589,000** | **588,974** | **26** |

For the 2018/19 financial year the Integrated Commissioning Fund has spent £588,974k, against a net budget of £589,000k, meeting financial control totals and delivering an under-spend of £26k. This overall underspend at a global level has only been possible as a result of non-recurrent financial interventions and it should be noted that contained within this position are several directorates with significant overspend, including Children's Services which has spent £8,043k in excess of budget.

The 2018/19 budget required delivery of a significant number of savings. Whilst there has been some success, a number of planned savings were not delivered which required other non-recurrent measures or unplanned savings in other areas. The 2018/19 budget had already assumed the use of reserves of £12.5m including £11.6m to support Children's Services, and the small underspend has only been delivered through additional income, one-off savings and early delivery of some savings planned for future years.

The revenue budget structure reflects the Strategic Commission's organisation and management structure for the delivery of services. The Expenditure and Funding Analysis Note 1 provides a reconciliation between the surplus of £0.026m on the Revenue Budget and the net deficit on the provision of services reported on the face of the Comprehensive Income and Expenditure Statement (CIES). The CIES includes a number of non-cash items which are required under accounting standards but are not costs that can be charged to Council Tax Payers.

## COLLECTION FUND

| Collection Fund 2018/19 Outturn Position £000s | Budget | | Outturn | | Variation | |
|---|---|---|---|---|---|---|
| | Council Tax | NDR | Council Tax | NDR | Council Tax | NDR |
| | £000s | £000s | £000s | £000s | £000s | £000s |
| Total Income | (104,481) | (55,850) | (104,529) | (56,569) | 48 | 719 |
| Total Expenditure | 106,229 | 60,827 | 102,576 | 57,164 | 3,653 | 3,663 |
| **(Surplus)/deficit for the year** | **1,748** | **4,977** | **(1,953)** | **594** | **3,701** | **4,383** |
| | | | | | | |
| Balance brought forward | (15,050) | 63 | (15,050) | 63 | | |
| (Surplus)/deficit for the year | 1,748 | 4,977 | (1,953) | 594 | 3,701 | 4,383 |
| **Balance carried forward** | **(13,302)** | **5,040** | **(17,003)** | **657** | **3,701** | **4,383** |
| | | | | | | |
| Share of (surplus)/deficit | | | | | | |
| The Council | (11,355) | 4,989 | (14,472) | 651 | 3,117 | 4,339 |
| Central Government | | | | | | |
| Mayoral Police and Crime Commissioner | (1,401) | | (1,821) | | 421 | |
| GM Fire and Rescue Authority | (546) | 50 | (709) | 7 | 163 | 44 |
| **Total (Surplus)/Deficit** | **(13,302)** | **5,040** | **(17,003)** | **657** | **3,701** | **4,383** |

The 2018/19 outturn position on the Collection Fund is better than originally forecast due to income from Business Rates exceeding initial forecasts, and the level of provision required for non-collection of Council Tax and appeals against Business Rates are both lower than originally anticipated.

The budget assumed an in year deficit on both Council Tax and Business Rates. Due to the key factors identified above, there is an in year surplus on Council Tax and the deficit on Business Rates is significantly lower than originally anticipated.

The cumulative deficit on Business Rates will be funded from the NNDR deficit reserve in 2019/20. The cumulative surplus on Council Tax will be transferred to earmarked reserves in 2019/20, and the Medium Term Financial Plan assumes that this surplus will be used to support the budget over the next five years.

Both the level of Business Rates and Council Tax income has been closely monitored during the financial year and collection rates have remained strong. The in-year Council Tax collection rate was 93.41% against a target of 93.5%. Cumulative collection rates after six years exceed 98%. The in-year Business Rates collection rate was 96.83% against a target of 96.6%. Cumulative collection rates after six years average 97.5%.

## ADULTS SERVICES

| Year End Position £000's | Final Year End Position | | | | |
|---|---|---|---|---|---|
| | Expenditure Budget | Income Budget | Net Budget | Net Actual | Net Variance |
| Adults | 82,653 | (42,172) | 40,480 | 40,449 | 31 |

The outturn position in Adults services is net of a number of variances within the service, including significant variations from budget for Nursing and Residential care placements, with additional expenditure being partly offset by additional income.

Adult Services provides a wide variety of functions and services including assessment and care management, direct provision of services and a commissioning and contract monitoring function. The service employs approximately 570 staff to deliver these services.

Approximately 70% of all direct provision services are commissioned in the independent sector – this includes residential and nursing care, home care services, 24 supported accommodation services for people with learning disabilities and extra care housing. Services are delivered for older people, people with learning disabilities, mental health issues and physical disabilities.
Key Achievements and Successes 2018/19 include:

- Reablement and Shared Lives services were rated as 'Good' by the Care Quality Commission (CQC).
- Services continued to support people to live independently in their own homes.
- The first phases of the new Support at Home model were implemented and have already started to see good outcomes for people.
- Improved quality across local residential and nursing homes as recognised by CQC inspections
- An increase in the number of people with learning disabilities in paid employment.
- A reduction in the number of younger people being placed in out of area residential placements
- Services were delivered within the allocated budget, though this was supported with additional funding via non recurrent improved Better Care Fund (iBCF)
- The allocation of winter pressures funding has been undertaken in collaboration with the whole health and care system i.e. Integrated Care Foundation Trust (ICFT) and the voluntary and community sector.
- At the end of 2018 Adult Services were helping 2,844 service users to remain in their own homes with some service users receiving more than one type of service - 4,706 services provided.
- Early help prevention based services are supporting 6,502 people outside the social care system including: Community Response Service - 2,765 people, grant funded services - 1,848, Health and Wellbeing services - 934 and new Integrated Urgent Care Team users who are signposted to low level services - 955.
- 91.4% of people completing reablement leave the service with either no package or a reduced package of care; an increase of 5% points on the previous year.
- Improvements were made in all of the seven national indicators that measure social care user's experience and satisfaction with our services. Overall satisfaction of the care and support received by service users improved by 4% points to 64% narrowing the gap to 1% point with the England average.
- Significant improvement has been made in helping adults with learning disabilities into paid employment (6.8%) and is now above the England average (6%).

## CHILDREN'S SERVICES – SOCIAL CARE

| Year End Position £000's | Final Year End Position Expenditure Budget | Income Budget | Net Budget | Net Actual | Net Variance |
|---|---|---|---|---|---|
| Children's Social Care | 46,819 | (3,051) | 43,768 | 51,810 | (8,043) |

The Council continues to experience extraordinary increases in demand for Children's Social Care Services, placing significant pressures on staff and resources. The number of Looked after Children has continued to increase during 2018/19 from 612 at 31 March 2018 to 655 at 31 March 2019. The number of Looked after Children in April 2016 was 435.

Despite the additional financial investment in the service in 2017/18 and 2018/19, the expenditure has exceeded the approved budget due primarily to additional placement costs. It should be noted that the 2018/19 placements budget was based on the level of Looked After Children at December 2017 (585), which was thought to be a peak in the cycle; an increase of 70 (12%) against the plan. The implementation and development of the Looked After Children Reduction Strategy is a key priority for the service which should improve outcomes for Children whilst also reducing financial pressures.

The Council has allocated significant additional investment to the directorate budget provision over recent years to support the necessary service improvements. Recurrent budget increases have been supplemented with £24m of additional one-off investment from reserves over the period 2017/18 to 2020/21 (£2.3m in 2017/18, £11.6m in 2018/9, £6.3m in 2019/20 and £3.8m in 2021/21). A further £6m of reserves was approved for investment in Children's Services over the two year period 2019/20 and 2020/21 as part of the 2019/20 budget. Whilst requesting additional investment from reserves, the medium term financial plan assumes that spending reductions can be achieved in Children's Services in the medium term as the number of placements reduces. Delivery within budget is essential to ensure the financial sustainability of the Council.

Children's Services has a responsibility to:

- work with partners to promote prevention and early intervention and offer early help so that emerging problems are dealt with before they become more serious.
- promote effective and caring corporate parents for looked after children, with key roles in improving their educational attainment, providing stable and high quality placements and proper planning for when they leave care;
- providing services for children involved in the youth justice system (including those leaving custody), secure the provision of education for young people in custody and ensure that safeguarding responsibilities are effectively carried out.
- understand local need and secure provision of services taking account of the benefits of prevention and early intervention and the importance of co- operating with other agencies to offer early help to children, young people and families.

Services provided include Out of hours emergency support; A multi-agency "front door" access point; Statutory assessments of need; Assessment, planning, intervention and review for children in need, child protection and looked after children including care leavers; A range of early help assessment and support; Youth Offending services; and one of three key partners in local safeguarding arrangements.

Performance of the Children's Social Care Services is currently judged as inadequate by the regulator. Since this judgement in November 2016, slow but notable improvements have been made, but whilst much more of our activity is now judged to be requires improvement or good, there remains significant inconsistency.

Following the appointment a permanent Director of Children's Services, Assistant Director of Children's Services and a number of new permanent posts, performance through 2018/19 has been on a slow, but the upward trajectory of many key indicators showing a positive direction of travel, including a reduction in referrals for statutory services, reduced numbers of children's subject to a child protection intervention/ plan, or requiring statutory support as a Child in Need. A new operating mode – Signs of Safety - has been successfully launched and significant progress has been made in developing a locality based early help offer.

The service continues to face both long term challenges over Social Worker and first line manager recruitment and retention, and a more recent acute shortage of locum Social Workers across the region. Recruitment and retention of a stable workforce therefore remains a key priority for 2019/20

Quality audits show that whilst the large majority of casework meets standards that are either Requires Improvement or Good, some casework remains Inadequate, although a relentless focus upon driving up standards does mean that this is reducing, this remains a priority for 2019/20.

The implementation of a Multi Agency Safeguarding Hub (MASH) incorporated within an overarching and locality based operational model spanning Early Help and Social Care, has the aim of protecting and safeguarding the most vulnerable children from harm, neglect and abuse by taking a more holistic view of the needs and situation of those most vulnerable. We anticipate fully embedding this model in 2019/20.

The number of Looked After Children remains high and this a priority for 2019/20 to ensure that only those children who need to enter care, and that once in care, plans for permanency are both agreed and implemented in good time.

## EDUCATION AND SCHOOLS

| | Final Year End Position | | | | |
|---|---|---|---|---|---|
| **Year End Position £000's** | **Expenditure Budget** | **Income Budget** | **Net Budget** | **Net Actual** | **Net Variance** |
| Education | 25,386 | (19,824) | 5,562 | 5,269 | 293 |
| Individual Schools Budgets | 120,994 | (120,994) | 0 | 0 | 0 |

The Education outturn variance is a net position, with pressures on Special Educational Needs transport due to an increase in children eligible for statutory support and an increase in statutory work regarding Education Healthcare Plans (EHCP) Assessments, being offset by budget savings due to proactive management action including significant vacancy management.
The Education Service has the following key functions:

- Early Years – to ensure sufficient provision is available and that the quality is either good or outstanding
- School Improvement – to ensure that all education provision is either good or outstanding
- Place Planning & Admissions – to ensure we have sufficient school places and that children all have fair access to our schools
- Special Educational Needs – to ensure that all children's needs are accurately assessed at the first opportunity and they receive education provision that meets their needs and helps them to achieve their potential
- Alternative Provision– to deliver provision for children who are too ill to attend school and those who have been permanently excluded from school
- Virtual School – to fulfil our corporate parenting responsibility for children in care
- Specialist Services – to manage resources, governor services, school attendance service, elective home education, children missing education, music service

The statutory functions for which the Directorate is responsible are set out in paragraph 91 of Schools Revenue Funding 2017 to 2018. As outlined in the Schools Strategy the Council is committed delivering more assertive and systematic leadership in order to deliver these key functions. To do this well we will be a credible, effective and responsive partner for schools and central government and have an effective and engaged relationship with all our schools. Our success is dependent on mutual co-operation. Achievements and successes in 2018/19 include:

- Improved service capacity and the stability of our workforce.
- Re-established key partnerships with school leaders and key external partners.
- Brought heightened rigour, structure and systematic analysis to our school improvement function
- Increase in proportions of pupils at the expected standard at KS1 and KS2.
- Increase in the proportions of pupils achieving strong passes in English and maths at KS4.
- A big increase in the number of pupils attending good or outstanding secondary schools
- Increase in EET and Participation rates.
- EHC plans maintained by Tameside is 1339, 977 in 2017 and 828 in 2016.
- The volume of plans completed in the 2018 calendar year was 343, (2017 -166) (2016- 76.)
- 88% of young people were placed in their 1st choice secondary school. 98% of young people were placed in one of their preferences.
- 86% of children were placed in their 1st choice primary school. 96% were placed in one of their preferences.
- 85% of 2 year olds are benefitting from universal funded early education places – up from 73% in 2016.
- 98% of 3 and 4 year olds are benefitting from universal funded early education places

## POPULATION HEALTH

| | Final Year End Position | | | | |
|---|---|---|---|---|---|
| **Year End Position £000's** | **Expenditure Budget** | **Income Budget** | **Net Budget** | **Net Actual** | **Net Variance** |
| Population Health | 17,186 | (680) | 16,506 | 16,156 | 350 |

The net variation reflects a number of underspends and pressures across the service, including £284k due to vacant posts across the directorate during the year together with a £34k saving in quarter four relating to the vacant consultant of Population Health post.

Population health is an approach to health that aims to improve the health of the entire population and to reduce health inequities among population groups. In order to reach these objectives, it looks at and acts upon the broad range of factors and conditions that have a strong influence on our health.

Population health signals a change in the way health care is accessed, provided and utilized — a move away from reactive responses to an individual's health needs. The concept marks a fundamental shift towards outcomes-based, proactive approaches to a given population with attention directed toward larger, socially grouped needs and prevention efforts while reducing disparity and variation in care delivery.

The Council has a duty to take such steps as it considers appropriate for improving the health of the people in its area. The funding is provided to discharge population health responsibilities that are summarised as:

- Improve significantly the health and wellbeing of local populations;

- Carry out health protection and health improvement functions delegated from the Secretary of State Reduce health inequalities across the life-course, including within hard to reach groups
- Ensure the provision of population healthcare advice.

In addition to services commissioned via the popultion health budget the Directorate has responsibility for the commissioning and management of the Active Tameside management agreement and capital programme, and population health leadership for Starting Well and Early Years provision across the Borough delivering priority objectives as set out in the Corporate Plan. Key achievements and successes in 2018/19 include:

- Agreed business cases for the Population Health Investment Fund to include support for children and families, long term conditions and mental health
- Support and implementation of the Early Help integrated neighbourhood model
- The development, launch and implementation of a new Sex and Relationships Curriculum for Tameside Schools in preparation for statutory duties come September 2019.
- Transformation funding secured for Babyclear, smokefree pregnancy and reducing Alcohol Exposed pregnancies
- Smoking prevalence reduced from 22.1% to 17.6%
- Creation of a Food Strategy group to drive food system transformation work
- Sexual health service launched new digital offer, review of Emergency Hormonal Contraception and participation in GM HIVE to eradicate new cases of HIV in a generation
- Age-Friendly Tameside programme developed including ‘take a seat’ project.
- Secured funding from Sport England and a bid to the Design Council to co-design a local plan.

## OPERATIONS AND NEIGHBOURHOODS

| | Final Year End Position | | | | |
|---|---|---|---|---|---|
| **Year End Position £000's** | **Expenditure Budget** | **Income Budget** | **Net Budget** | **Net Actual** | **Net Variance** |
| Operations and Neighbourhoods | 76,737 | (26,448) | 50,288 | 50,870 | (582) |

The net variation reflects a number of underspends and pressures across the service. Underspends are largely due to vacancies which have arisen due to retirements and difficulties in recruitment in Cultural & Customer Services, Design & Delivery, Environmental Services (Public Protection), Operations & Greenspace, and Highways & Transport. These under-spends are reducing the level of overspend which has occurred due to:

- Increases and a late adjustment to the Waste Levy and Passenger Transport Levy
- Additional costs and a reduction in income on both new and existing car parks.
- Operations & Greenspace have had a continued shortfall in income from Ashton Market due to the on-going development works in Ashton Town Centre.
- There continues to be additional waste disposal costs within the street cleansing service, however this method of disposal is better value for the Council.
- Waste Management have incurred expenditure on caddy liners to encourage recycling of food waste, however there is no budget provision for this until 19/20.
- Winter maintenance (gritting) has overspent as a result of the weather conditions experienced. Additional budget provision will be allocated in 19/20.

The Directorate delivers services such as refuse, highways, engineering, regulatory services, culture, libraries, parks, green spaces and the local street scene which enhance people’s lives and improve the health & wellbeing of residents. In addition, customer services, welfare rights, homelessness services and the emergency on-call service help residents with a wide range of problems from minor issues to major, life-changing crises. The bereavement service helps residents through the end of their lives. Operations and Neighbourhood Services provide fundamental and essential front-line services which affect every Tameside resident of every age, every day of their lives. Key Achievements and successes in 2018/19 include:

- Supporting the Residents in a number of high profile and life threatening situations including the Micklehurst Floods, Saddleworth Fire, Ray Mill Collapse.
- Extraction from the Waste PFI contract and shaping future Waste Disposal Contract
- Delivery of a new libraries operating model including self-service, increased online offer and increased access - Open + Libraries.
- Maintaining recycling levels well above the national average and in the upper quartile of GM performance, whilst generating the lowest levy across GM.
- Implementation of Single Regulatory Service – Integration of INS, CCTV, Planning, Waste, Fire and Highways enforcement.
- Establishment of a new Community Safety Partnership.
- Delivery of new homelessness model with innovative solutions and new GM partnerships including A Bed for Every Night
- Supporting the establishment of the Neighbourhood Forum
- Portland Basin Museum awarded Excellent by Trip Advisor
- Delivery of high profile event programme Establishment of Events Panel and the delivery of the programme Theatre in the Park
- Achieved DfT Incentive Fund Band 3, successful bid for DfT funding for A670 Road Safety Fund for 2019/20
- Implementation new Highway Risk Management Inspection Policy and Winter Maintenance Policy in accordance with revised national Code of Practice
- Delivery of year two of four year TAMP investment
- Successful external audit on Transport Operator Licence Compliance Achieved 100% external HGV/PSV testing pass rate
- Investment in fleet cleaning facilities.
- Develop a National Database for revoked and refused Drivers in partnership with NAFN and the IOL.
- Deliver on the AGMA Better Regulation Agenda with the appointment of an officer to lead on this work.
- Brought the highway weed-spraying back in-house which has improved quality and reduced cost.
- The design of a bespoke ‘STRIVE’ course for frontline manual staff.
- Prevented homelessness through debt advice and county court representation with a 99% success rate
- Achieved a positive outcome at 76% of welfare benefit appeals through benefits advice and tribunal

## GROWTH

| | Final Year End Position | | | | |
|---|---|---|---|---|---|
| **Year End Position £000's** | **Expenditure Budget** | **Income Budget** | **Net Budget** | **Net Actual** | **Net Variance** |
| Growth | 39,894 | (34,875) | 5,020 | 6,532 | (1,512) |

The net variation reflects a number of underspends and pressures across the service. The total overspend is being reduced by underspends on staffing costs due to vacancies across the service, and a delay in expenditure on the Local Plan. The Directorate has experienced a number of budget pressures in 2018/19 due to:

- Additional costs incurred due to fees charged by PwC relating to the liquidation of Carillion, and non-delivery of forecast savings. Following the liquidation of Carillion the appointed liquidator PwC managed the contracts to enable the smooth transfer to other providers. The costs of this service were not budgeted for, and continued to be incurred until the end of July 2018.
- Forecast savings from the re-provision of the Additional Services contract with the Local Education Partnership (LEP) have not been realised in 2018/19.
- Estates budget pressures relate to a shortfall in income due to a number of factors. Income is no longer being received on properties that have been sold and other income is not being realised because facilities are being used for Council purposes. Forecast savings following the proposed purchase of the Plantation Industrial Estate have not been realised. The purchase is complex and is not currently being progressed. Additional security costs at Plantation Industrial Estates have also been incurred following a fire.
- Within the Planning Service, Building Control income is less than budget due to a reduction in the number of applications. Development and Control income is under budget. As a result of delays recruiting surveyors there were fewer chargeable hours and income has reduced.

The Growth Directorate delivers a number of services which have significant impact on the borough and its residents. Services include:

- Estates Management of the Council's Investment property portfolio, land and buildings.
- Development and Investment, including regeneration, investment and capital projects, economic and housing growth.
- Employment and Skills, supporting residents into employment.
- Strategic Infrastructure, working closely with the Greater Manchester Combined Authority and housing partners across Tameside.
- Environmental Development, including property management and Corporate Landlord.
- Planning, including development management, building control and planning policy.

Key Achievements and successes in 2018/19 include:

- Negotiating with the Ministry of Justice to secure land for the development of the Tameside Interchange
- Designing and negotiating with TfGM and Partners for the bus re-routing plans to enable the Public Realm work to progress around Vision Tameside
- Continuing to assist Highways England with plans for the Mottram Bypass
- Adult Community Education built on the Ofsted 'good' judgement of the service in February 2018 by recording improvements in outcomes for the first time in 3 years, addressing a decline and seeing excellent performance in English and maths.
- Tameside celebrated 300 job starts on the Working Well family of programmes since their launch in 2014, Working Well works with some of our most vulnerable residents with health problems acting as barriers to work.
- Creating a stronger Planning Service significantly improving performance and response times on planning applications
- Working with colleagues to substantially reduce the Greenbelt requirement by over 50% compared to previously proposed figures as part of the GMSF
- The remobilisation of the Vision Tameside programme following the collapse of Carillion
- Successful first stage £10M HIF bid from Homes England for the proposed Godley Green Garden Village development
- Securing funding and planning permission for Ashton Old Baths (Phase 3) Data Centre for Tameside MBC and NHS

## GOVERNANCE

| | Final Year End Position | | | | |
|---|---|---|---|---|---|
| **Year End Position £000's** | **Expenditure Budget** | **Income Budget** | **Net Budget** | **Net Actual** | **Net Variance** |
| Governance | 86,438 | (77,606) | 8,832 | 7,067 | 1,765 |

The under-spend against budget reflects a number of savings and additional income across the Directorate. Employee related expenditure (including training) is under budget due to vacant posts not being recruited to throughout the year, the service is currently in the process of a review/redesign across a number of areas and this will result in an additional cost pressures in the future. Budget identified for savings in 19/20 has delivered further under-spends and additional income has been received across all services areas from the Clinical Commissioning Group, Trade Union and Secondments within the HR Service.

Responsibility for the council's corporate functions sits within the Governance & Pensions Directorate ensuring that all decisions made by the council are carried out in accordance with the council's governance framework. The directorate provides support and guidance to services within the council on legal, human resources and policy and communications issues. This internal support to frontline service ensures that they are able to deliver the aims of the Council's Corporate Plan.

Exchequer and the Registration Service both provide customer facing services. Exchequer provides support to residents and businesses in relation to council tax, business rates, housing benefit and payment of invoices. Whilst the Registration Service registers all births and deaths within the borough, take notice of intended marriages and civil partnerships and conduct all civil marriages and partnerships that take place in the borough's registered venues.

Democratic Services and Executive Support has responsibility for running all local and national elections within the borough along with public votes on specific issues such as the EU Referendum ensuring that all are run correctly and in adherence with the law. Democratic Services and Executive Support provide support to 57 elected members and the senior management team within the council in addition to the corporate support to Tameside and Glossop Clinical Commissioning Group (CCG).

People and Workforce Development provide support to the organisation to have a suitably skilled and knowledgeable workforce in place to ensure delivery of our organisational priorities and objectives. This includes: supporting the employment aspects of the Single Commissioning function; supporting the further development of alternative service delivery models to ensure they are fit for purpose and affordable; enabling the organisation to attract and recruit the best employees and have a workforce that is representative of the community; supporting and developing our workforce to meet career aspirations and fulfil potential; reward and retain our employees, ensuring their contributions are recognised and celebrated; inspire and support strong leadership and management to enable a vibrant, innovative and inclusive culture; enable a flexible and agile workforce that is able to work across service and organisational boundaries; and encourage and support a healthy, engaged and productive workforce and environment.

Policy, Performance and Communications works across the Strategic Commission (Tameside Council and Tameside and Glossop CCG) to support policy and strategy development, including the development of the Corporate Plan and delivery Plan; provides support to the Executive Leader; Engagement and Consultation, including support and advice to service managers and commissioners undertaking service redesign; internal and external communications; and performance management, intelligence and insight.

## FINANCE AND IT

| | Final Year End Position | | | | |
|---|---|---|---|---|---|
| **Year End Position £000's** | **Expenditure Budget** | **Income Budget** | **Net Budget** | **Net Actual** | **Net Variance** |
| Finance & IT | 6,103 | (1,550) | 4,553 | 4,140 | 413 |

The net variance reflects a number of underspends and pressures including savings on staffing costs due to vacancies and timing of recruitment. Additional income has also been received. Pressures have also been experienced due to additional year on year Corporate Costs increasing including additional Microsoft Licenses, increase in back up costs, Wireless access point maintenance and increased security products and costs in relation to managed services.

**Finance, Audit and Risk Management**

Financial Management aims to deliver consistently high quality financial support and advice to the strategic commission and our external customers and ensure that the key outcomes of an effective, efficient and economic financial management service are delivered.

The service plays a vital part in delivering some of the Strategic Commission's key Governance outcomes; the annual capital and revenue budgets and Medium Term Financial Plan update, the production of the annual accounts monthly monitoring and forecasting and treasury management are just a few examples.

The Internal Audit service provides the statutory obligation to have an effective internal audit regime for the Council and is a key part of ensuring that the Council assets and processes are adequately safeguarded. National Anti-Fraud Network (NAFN) – is a national service hosted by Tameside and offers service to all LAs in UK on a subscription basis.

The coming together of the Council and CCG finance teams, who co-located at the start of the calendar year, has enabled the integration of financial reporting to the Executive Cabinet and Strategic Commissioning Board on a consistent basis, allowing the analysis of over £900m of spend, ensuring greater visibility as to the effectiveness of the spending decisions to maximise outcomes for residents. This has resulted in expanding the Integrated Care Fund to include all Council and CCG spending amounting to over £900m a year. Integration of the workforce continues with staff working across both Council and CCG, and with both teams learning from each other. The embedding of new staffing structures has been successful, turnover has been stabilised and vacancies gradually filled. Sickness rates are low. All senior graded staff have been supported in studying for the CIPFA Finance Business Partnering certificate, and there are 7 members of staff being supported in some way to gain professional accountancy qualifications, as we continue to drive up professional standards.

Both sets of statutory accounts were produced on time, with the Council being required to have published their accounts a month earlier than before, with the external audit concluded a month earlier than the previous year, reducing the whole process by 2 months. The financial accounts were both given an unqualified opinion. There was a qualified value for money opinion due to the Council's Inadequate Ofsted judgement for Children's Social Services. Significant progress has been made in the development of a robust budget process, which saw the introduction of star chambers and consideration of the strategic commission's budget position over a 5 year period. Capital business cases have been introduced to ensure the transparent allocation of scarce capital resources, further prioritisation criteria is also being developed to further enhance this.

Work with schools has seen a marked improvement in relationships between the Council and school colleagues. The review of PFI accounting has resulted in over £2.5m been handed back to schools to support their bottom line. More robust challenge and monitoring is also taking place to support those schools who are in deficit, and in preventing further schools from entering into deficit.

September saw the Council enter into a shared service with STAR procurement, who will support the Council in itself procurement activity of its £240m of controllable third party spending, and to help drive significant savings through slicked procurement and contract management.

The finance team has been instrumental in dealing with the aftermath of the Carillion collapse, helping to ensure that services continued to be delivered and supporting the transfer of staff to a new provider, as well as ensuring the flag building project of Vision Tameside continued, meaning that 12 months after the collapse of Carillion, keys were handed to the college with the Council and CCG moving to their new offices by the end of the financial year.

The internal audit plan was successfully delivered, alongside the rolling out of GDPR training to all staff. NAFN continues to grow and develop its service offer.

**ICT**

ICT underpins and supports the strategic objectives of the organisation and its partnerships. Technology is vital to the everyday operations of services and has a fundamental role to play in improving efficiency, and reducing cost across the organisation. It is also a crucial part of service evolution and transformation, providing the infrastructure to support shared services, underpinning transformational change programmes and keeping pace with changing needs and expectations. Services include:

- Service desk and associated support.
- Build and deployment of user devices including phones.
- System commissioning, deployment, management and support/maintenance/security.
- Data centre commissioning, management and support/maintenance/security.
- Networks deployment, management and support/maintenance/security.
- Website commissioning and support/maintenance/security.

Key Achievements and Successes in 2018/19:

- Datawell proof concept complete (data sharing to support health and social care integration)
- Ace training suite equipment (60 devices) replaced with modern Windows 10 devices and monitors.
- Significant enhancements to way devices are built and deployed including system installations on those devices.
- 8 completely new systems including Skype for Business and UkMail iMail
- 4 system replacements, including Anti-Virus and VPN
- 29 System upgrades completed to January 2019 with 24 in progress including significant upgrades to information@Work, iTrent and Agresso.
- Replacement of the Councils Cyber Security infrastructure and WAN and LAN networks.
- Consolidation of Council websites into new CMS system.
- Successful delivery of DCMS Local Full Fibre project

## QUALITY AND SAFEGUARDING

| | Final Year End Position | | | | |
|---|---|---|---|---|---|
| **Year End Position £000's** | **Expenditure Budget** | **Income Budget** | **Net Budget** | **Net Actual** | **Net Variance** |
| Quality and Safeguarding | 367 | (288) | 79 | 45 | 33 |

The Quality and Safeguarding Directorate is responsible for ensuring that the health economy meets its statutory functions to prevent, recognise and respond to all elements of abuse of all vulnerable groups. (Care Act 2014: Children Act1989:2004). The key objectives of the teams are to assure the Strategic Commission about the ongoing quality of health and care services commissioned on behalf of the Tameside and Glossop population. The Strategic Commission is supported by the quality and safeguarding teams to effectively discharge its statutory duty to commission, design and procure high quality services on behalf of the local population. The small underspend in 2018/19 is due to vacant posts.

## CORPORATE BUDGETS

| | Final Year End Position | | | | |
|---|---|---|---|---|---|
| **Year End Position £000's** | **Expenditure Budget** | **Income Budget** | **Net Budget** | **Net Actual** | **Net Variance** |
| Capital and Financing | 13,869 | (1,360) | 12,509 | 10,587 | 1,922 |
| Contingency | 3,323 | (6,823) | (3,500) | (6,195) | 2,695 |
| Corporate Costs | 9,038 | (6,622) | 2,416 | (242) | 2,658 |

In addition to service budgets, there are corporate budgets which are held to pay for corporate costs such as levies, loan debt etc. as well as the means to cope with in-year volatility. The net outturn position for Corporate budgets is primarily due to:

- The 2018/19 budget for capital and financing costs did not include any amounts for investment income on the Manchester Airport Shareholder Loan, which was negotiated and advanced during the year. Additional investment income was received in respect of this. In addition the Council has taken the proactive decision not to borrowduring the year, resulting in a saving on interest costs.
- Corporate Costs budgets include dividend income from the Council's shareholding in Manchester Airport Group. Total dividends are not guaranteed and in 2018/19 were in excess of the budget. This additional income will be used to offset overspends in other service areas but is one-off in nature and cannot be guaranteed in future years.
- Additional Adult Social Care grant was notified after the 2018/19 budget was set. The grant has been allocated to contingency. Also included within corporate costs are savings in respect of contributions to AGMA, savings relating to Pension Increase Act Contributions and saving on the audit contract.
- The outturn on Contingency includes additional section 31 grant received in year relating to business rates reliefs, and the release of contingency provisions to support service pressures across the council.

## CAPITAL PROGRAMME

A three year capital programme was approved in October 2017 and since then a number of changes have been approved by Executive Cabinet to add additional schemes to the programme. Capital Investment in 2017/18 was £51,385k with forecast and planned investment over the period 2018/19 to 2020/21 of £158,723k. Future investment plans are subject to available resources and the realisation of available capital receipts, however the current plans would see investment in excess of £200million over the four year period 2017 to 2021.

A Capital Programme Review was presented at Executive Cabinet on 25 July 2018 which outlined how the proposed programme, along with additional emerging pressures, needed to be reprioritised in line with current available resources. A reprioritisation exercise has been completed in order to determine which schemes that have been earmarked but not fully approved should proceed, and which should be temporarily placed on hold. On 26 March 2019, Executive Cabinet approved the prioritisation of the capital programme, to enable the high priority earmarked schemes to proceed. There remains a shortfall in resources to fund all earmarked schemes meaning that a number of earmarked schemes cannot progress until additional resources are identified.

Service areas have spent £51.545m on capital investment in 2018/19, which is £5.899m less than the current capital budget for the year. This slippage is spread across a number of areas, and is in part due project delays now being experienced as a result of the temporary pause on the capital programme and the liquidation of Carillion who, through the Local Education Partnership (LEP) were delivering or managing a number of key projects.

There are no significant variances where project spend is expected to significantly exceed budgeted resources, although there are some minor variations across a number of schemes. A number of variations have arisen where projected outturn is less than budget due to slippage in the delivery of the capital programme, resulting in a number of requests for re-profiling into the 2019/20 financial year.

| CAPITAL OUTTURN STATEMENT 2018/19 | | | |
|---|---|---|---|
| | 2018/19 Budget | Outturn | Outturn Variation |
| | £000s | £000s | £000s |
| **Growth** | | | |
| Vision Tameside | 17,696 | 15,434 | 2,262 |
| Investment & Development | 2,634 | 2,112 | 522 |
| Estates | 624 | 0 | 624 |
| **Operations and Neighbourhoods** | | | |
| Engineers | 11,412 | 10,369 | 1,043 |
| Environmental Services | 431 | 286 | 145 |
| Transport (Fleet) | 362 | 247 | 115 |
| Corporate Landlord | 227 | 341 | (114) |
| Stronger Communities | 35 | 4 | 31 |
| **Children's** | | | |
| Education | 4,768 | 4,170 | 598 |
| Children | 50 | 47 | 3 |
| **Finance & IT** | | | |
| Finance | 11,300 | 11,278 | 22 |
| Digital Tameside | 3,345 | 2,818 | 527 |
| **Population Health** | | | |
| Active Tameside | 4,350 | 4,417 | (67) |
| **Adults** | | | |
| Adults | 200 | 22 | 178 |
| **Governance** | | | |
| Exchequer | 10 | 0 | 10 |
| **Total** | **57,444** | **51,545** | **5,899** |

**Vision Tameside:** The most significant capital project within the Growth directorate is Vision Tameside. This project is £2.262m less than budgeted resource in 2018/19. This is due to delays in the construction of Tameside One which has resulted spending less than budget in this financial year. Expenditure will be incurred in 2019/20 as the project comes to a conclusion including retentions, and relocation costs for buildings such as Ashton Old Library. Expenditure on Vision Tameside Public Realm has been incurred in excess of budget in 2018/19 due to work commencing on the Public Realm earlier than anticipated. Regular detailed reports on progress with the Vision Tameside project are considered by the Strategic Planning and Capital Monitoring Panel.

**Engineers:** The most significant element of the Operations and Neighbourhoods Capital Investment Programme is the Engineers department. Expenditure is £1.043m less than budgeted resource. This variation has arisen due to road work being impacted by restricted contractor numbers and a limit to the number of roads that can be restricted at any one time. There have been delays on the retaining walls project due to land negotiations, new procurement systems and a lack of immediate resources to commence by the contractor. Work is expected to be completed by June 2019.

**Education:** Regular detailed reports on progress with the Education Capital Programme are considered on the Strategic Planning and Capital Monitoring Panel agenda. The Education Capital Programme is £0.598m less than budgeted resources. This is due to a combination of delay on a number of schemes and some unallocated funding. Re-profiling of £0.598m of budget into 2019/20 has been requested.

**Finance and IT:** The £11.3m Strategic Investment in Manchester Airport was completed in 2018/19. This investment will generate a 10% return for the Council which can be used to support ongoing revenue expenditure.

**Active Tameside:** Regular detailed reports on progress with the Active Tameside capital programme are considered on the Strategic Planning and Capital Monitoring Panel agenda. The most significant scheme is the Denton Wellness Centre which is on track for completion in 2019/20.

## 5) Financial Strategy: Outlook for 2019/20 and beyond

Financial performance is reported to Councillors quarterly and up to date financial information is available to Officers throughout the year. Additionally, the Medium Term Financial Plan (MTFP) is regularly updated and reported to Councillors and Officers. Reports are available to the public via the Council's website. The MTFP supports the Council's medium term policy and financial planning processes. Fundamentally the plan is designed to help provide a stable financial base to support savings planning. The MTFP also fits within a wider system of corporate planning.

The Medium Term Financial Plan (MTFP) is routinely refreshed throughout the year to update forecasts for known and anticipated cost pressures, savings, and funding changes. Emerging pressures are also identified through the in-year budget monitoring process and factored into future year budget forecasts.

A detailed review of all budget assumptions and pressures took place over the summer of 2018. This process identified cost pressures across the services which have been reviewed and challenged by senior officers. Services have also been asked to identify efficiencies which have again been subject to review and scrutiny to ensure plans are realistic and achievable.

In 2016 the Government offered any council that wished to take it up, a four year funding settlement to 2019/20, making a commitment to provide minimum funding allocations for each year of the Spending Review period. This offer was subject to the Council choosing to accept the offer and publishing an efficiency plan by October 2016, which the Council chose to comply with.

The four year funding settlement provides the Council with greater certainty over its funding allocations to the end of 2019/20. However, the position beyond 2020 falls outside of this four year settlement and no indicative information is yet available for future periods. Prudent assumptions have therefore been made about assumed further reductions in central government funding, increasing costs and demands for services to 2023/24.

In March 2017, Executive Cabinet approved an advance payment of pension contributions which is expected to generate a benefit of £0.8 million per annum over the three year period 2017/18 to 2019/20. As an existing shareholder of Manchester Airport Group (MAG), the Council has also entered into a shareholder loan to support the MAG transformation programme which will see significant investment in Manchester Airport. This loan will generate a revenue benefit for the Council in future years.

The Council is able to borrow for its capital investment programme so long as it is able to afford the cost of interest and loan repayments from its revenue budget. The Council's cash position has meant that it can delay the taking up of new borrowings, thereby avoiding interest costs, and instead using available cash. Currently the Council is under-borrowed by £69.5m. The assumption in the medium term financial plan will be that some limited borrowing will take place but overall there will still be an under-borrowed position throughout the five year planning period, which minimises the capital financing costs of the Council.

Whilst the budget proposals for 2019/20 present a balanced position (after Council tax increases) the projected gap for 2020/21 and beyond is significant. This is due in part to the expected funding reductions and significant uncertainty around the allocation of Local Government Funding after 2019, but is also driven by forecast demographic and other cost pressures, particularly in Adults and Children's services. The scale of this budget gap in future years requires immediate action to ensure transformational changes can be achieved.

| | 2019/20 '£000 | 2020/21 '£000 | 2021/22 '£000 | 2022/23 '£000 | 2023/24 '£000 |
|---|---|---|---|---|---|
| **Proposed total budget** | **196,803** | **204,847** | **206,294** | **210,037** | **215,089** |
| **Total forecast resources** | **(196,803)** | **(189,000)** | **(183,857)** | **(183,870)** | **(184,045)** |
| Previous year's gap | - | - | 15,847 | 22,437 | 26,167 |
| Current year gap | - | 15,847 | 6,590 | 3,730 | 4,877 |
| **Cumulative gap** | **-** | **15,847** | **22,437** | **26,167** | **31,044** |
| Planned Reductions in Children's Services Spend (Cumulative) included in budget above | - | 4,300 | 9,300 | 9,300 | 9,300 |
| **Cumulative gap without planned reduction in Children's Services Spend** | **-** | **20,147** | **31,737** | **35,467** | **40,344** |

The Council, together with Tameside and Glossop CCG, faces a number of significant challenges and uncertainties in 2019/20 and future years. We continue to pursue a range of initiatives to improve outcomes and deliver vital services for residents. These challenges and initiatives include:

- **Children's Social Care:** The financial pressures in this area are the single greatest risk facing currently facing the Council. The significant cost pressures in Children's services are driven primarily by the cost of placements for Looked After Children. The implementation and development of the Looked After Children Reduction Strategy is a key priority for the service which should improve outcomes for Children whilst also reducing financial pressures. Whilst requesting additional investment from reserves, the medium term financial plan assumes that spending reductions can be achieved in Children's Services in the medium term. Delivery within budget is essential to ensure the financial sustainability of the Council.

- **Education**: We are experiencing some growing pressures in Local Authority funded areas including Home to School Transport and Pupil Support Services. National trends in SEN provision indicate that these pressures may well increase in future years, resulting in further financial pressures.

- **Adults Services:** The Council continues to face significant demographic and other cost pressures which present a significant challenge for future years. The five year forecast plan includes costs pressures in excess of £18million for Adults Services and any notable variation in demographic forecasts and contractual assumptions could have significant financial implications for the Council.

- **Highways risk management**: Changes to the highways risk management inspection regime, driven in part by a new national code and Greater Manchester Framework, has resulted in a significant increase in the number of highways inspections and consequently led to a significant increase in the number of defects identified and work required. The Council has previously approved significant Capital Investment in highways and additional grant funding has been made available in 2018/19 and 2019/20, however it is not clear whether increased levels of external funding will be sustained.

- **Fair Funding and Business Rates Reset**: Government have committed to a 'fair funding' review for Local Government resourcing for 2020 and beyond, which includes review of business rates, however timescales for the outcome of that review remain unclear. The Ministry of Housing, Communities and Local Government have stated that indicative figures will be available by 'mid-2019' however the quantum of funding available is yet to be determined by the Treasury. In the context of such a significant level of uncertainty over future funding levels, prudent assumptions have been made about further reductions to funding allocations in 2020/21 and future years. This lack of certainty makes planning beyond 2019/20 extremely difficult.

## INTEGRATED COMMISSIONING FUND

The Strategic Commission (formerly Single Commission) of Tameside MBC and Tameside and Glossop CCG has managed resource allocations relating to health and social care integration within an Integrated Commissioning Fund (ICF) since 1 April 2016. The ICF has included the total annual (CCG) resource allocation and the Council has included budget allocations for Adult Services, Children's Social Care and Population Health.

From 1 April 2018, the ICF has been expanded to include all Council and CCG budgets. The Integrated Commissioning Fund, subject to the restrictions of current legislation, aims to include the total annual CCG resource allocation and Council budgets so far as legally possible. The creation of a single fund has resulted in a number of benefits including:

- Streamlined governance and decision making
- Strengthening of cohesive Strategic Commission budget leadership
- Single Strategic Commission budget resource reporting
- Single accountable body for the ICF – the Council is currently the lead accountable organisation for the ICF.
- Rationalisation of any existing joint funding arrangements between the Council and CCG
- Provision of support to strategic place based service provision priorities
- Alignment to the Strategic Leadership structure
- All health and Council service resource decisions are intrinsically linked to the corporate strategic priorities.

Since the beginning of 2018/19 the Integrated Commissioning Fund reporting arrangements have been supported by a single economy wide monthly monitoring report. This single consolidated report will continue in 2019/20.

### Reserves

The Council is in a strong financial position with regard to reserves which it has managed to accumulate over a period of time. However, whilst the Council's current level of reserves is strong, many of these are to meet known or expected liabilities and for planned investment. Council reserves are expected to fall below £50m by 2022. A substantial part of this reduction is due to planned Capital Investment which is to be funded from reserves to the value of £70m. The 2018/19 budget approved the planned use of £22.5m of reserves into Children's Social Care between 2017 and 2021, and a further £6m of investment is proposed in the 2019/20 and 2020/21.

As part of the budget setting for 2019/20, the Council adopted a reserves strategy, which established categories of reserve and parameters for annual review. This reserves strategy set out the following classifications for reserves:

| Category | Description |
|---|---|
| **Accounting reserves** | This will include two sub categories:<br>1) Unusable reserves - those reserves required by proper accounting practice that are not resource backed.<br>2) General Accounting Reserves - reserves established as good accounting practice for specific accounting purposes (such as the PFI smoothing reserves and Leasing reserves) |
| **Grants and Contributions** | Reserves to hold unspent grants and contributions received from external sources. |
| **Liabilities and Risk** | Reserves held to mitigate against known and anticipated liabilities and risks. This will include for example self insurance reserves. |
| **Capital Reserves** | Capital Receipts, Capital Grants and Reserves earmarked for capital purposes. These reserves are used to finance the capital programme. |
| **Schools Reserves** | Reserves for Schools and Education expenditure, including the ring fenced schools balances. |
| **Budget Resilience Reserves** | Reserves held for planned revenue investment in services, for example reserves set aside for planned investment in Children's Services, and to provide resilience for specific services not covered by general fund balances such as the waste levy reserve. |
| **Strategic Priorities Reserves** | Reserves held for planned or intended investment in Strategic Priorities. This will include reserves such as the Care Together Reserve. |

As at 31 March 2019, the Council has usable reserves of £169,837k (£199,995k at 31 March 2018). The reduction in reserves over this 12 month period is due to the planned use of reserves to support Children’s Services and to finance Capital Expenditure. A further review of reserve levels and intended use will be undertaken during 2019.

## 6) The Financial Statements: basis of preparation, purpose and summary

### BASIS OF PREPARATION

The accounts that follow have been prepared to be:

- **Relevant:** The accounts provide information about the Council’s financial performance and position that is useful for assessing the stewardship of public funds and for making economic decisions.
- **Reliable:** The financial information: Has been prepared so as to reflect the reality or substance of the transaction and activities underlying them; Is free from deliberate or systematic bias; Is free from material error; Is complete within the bounds of materiality.

- **Comparable:** The CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 ('the Code') establishes proper practice to be followed with regard to consistent financial reporting in Local Government. The financial statements have been prepared to be compliant with the code, and therefore aid comparability with other local authorities.
- **Understandable:** These accounts are based on accounting concepts, treatments and terminology that require reasonable knowledge of accounting and Local Government. However, every effort has been made to use plain language and where technical terms are unavoidable they have been explained in the glossary of terms.

## UNDERLYING ASSUMPTIONS

The financial statements adopt the following underlying assumptions:

**Accruals Basis**

- The financial statements, other than the cash flow, are prepared on an accruals basis. Income and expenditure is recognised in the accounts in the period in which it is earned or incurred not as the cash is received or paid.

**Going Concern**

- The accounts have been prepared on a going concern basis, on the assumption that the Council will continue in existence for the foreseeable future.

**Materiality**

- Throughout the financial statements consideration has been given to the materiality (significance) of an item. Information is considered to be material if omitting it or misstating it could influence decisions that users make on the basis of the financial information.

## PURPOSE AND SUMMARY

The accounting statements have been prepared to comply with the requirements of the International Financial Reporting Standards (IFRS). The main statements are shown on pages 37-41, and further detailed information is presented in the accompanying notes.

### Comprehensive Income and Expenditure Statement (CIES)

This statement sets out the Council's day to day revenue income and expenditure. It shows the cost of providing services in the year in accordance with IFRS, rather than the amount funded from Council Tax, and the cost of other activities of the Council.

The statement shows that the Council's gross expenditure on services in 2018/19 was £469.256m, but after income is included the Net Cost of Services was £171.842m. Once other items of Operating Expenditure such as Precepts and Levies, as well as Financing and Investment Income and Expenditure and Taxation and Non-specific Grant Income are taken into account, the Council's Deficit on the Provision of Services was £30.788m.

The deficit on the provision of Services arises because the accounts must contain a number of non-cash items in order to comply with proper accounting practice that do not need to be included in the Council's budget plans. The accounts include significant charges arising from revaluations and impairments of non-current assets charged to services, net of a reduction in service expenditure as a result of savings. The service lines within the Cost of Services section of the CIES represent the full cost of providing that service and include the non-cash items. Therefore, it should be noted that a large movement between years does not necessarily represent an increase or reduction in the level of spending in that area.

Note 1 to the CIES, the Expenditure and Funding Analysis (EFA), demonstrates to council tax payers how the funding available to the authority (i.e. government grants, rents, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Council's directorates, and provides a reconciliation between the net expenditure reported to officers and management (£186.488m) and the Net Cost of Services in the CIES (£171.842m).

**Movement in Reserves Statement (MiRS)**

This statement sets out the movements in the main reserves and balances of the Council. It distinguishes between unusable reserves (which are necessary under proper accounting practice, but which cannot be spent) from usable reserves (which are cash backed and can be spent). Usable reserves are further divided into General Fund Balances, Schools Balances, Earmarked Reserves (earmarked to specific objectives), Capital Grants Unapplied, and Capital Receipts Unapplied. It is a requirement placed on all councils that the level of reserves is regularly reviewed by the Director of Finance (Section 151 Officer) and due consideration is given to all local financial risks and liabilities when doing so (this is also reported in the Budget Report presented to Full Council each year).

At the 31 March 2019, the MiRS shows that the Council retained General Fund Balances of £17.295m. This amount includes general unallocated amounts and includes a core level of working balances set at £17m to provide for truly unexpected liabilities.

Also shown within usable reserves are £7.389m of Schools Balances. These amounts accrue from unspent school budgets, and are allocated to be spent in future years. The use of these amounts is determined by schools' governing bodies. This is a net balance and includes some deficit balances.

Finally, £127.268m of Earmarked Reserves are also included. These earmarked amounts are allocated to specific purposes or liabilities. Significant amounts within the earmarked reserves include reserves required legally (such as the £2.605m reserve for Health Equalities created from the unspent element of the Public Health Grant) as well as amounts set aside for future liabilities including the £16.287m Capital Investment Reserve (set aside to contribute to the capital programme), the Medium Term Financial Strategy Reserve (£22.3705m) set aside to fund future pressures and risks, Unspent Revenue Grants and Contributions (£8.146m), and the Care Together Reserve (£10.8m). A large number of the Earmarked Reserves relate to specific liabilities that individual services have identified (such as Winter Gritting). The full detail of these is set out in Note 11.

**Balance Sheet**

The Balance Sheet summarises the financial position of the Council at 31 March 2019 and shows the net worth of the Council's assets and liabilities of £88.902m. It includes balances and reserves, and all assets and liabilities employed in the Council's operations. It shows that the Council has non-current assets (mainly Property, Plant and Equipment) with carrying values in the accounts of £592.095m, an increase of £37.071m from 31 March 2018.

Current Assets have reduced in year. Cash and Cash Equivalents, and Short Term Investments, have both reduced significantly, largely as a result of cash balances being used to fund the capital expenditure and the use of reserves to support expenditure on Children's Services.

Usable reserves have reduced in line with expectations as the Council has utilised the Capital Investment Reserve to fund capital expenditure and investment in Children's Services during 2018/19.

The notes to the accounts provide detailed explanations of the movements on all items within the Balance Sheet. Section 7 below provides further detail on significant transactions and balances.

**Cash Flow Statement**

This summarises the total movement on Cash and Cash Equivalents during the year for revenue and capital purposes. Notes 31 to 33 provide further detail on the cash movements during the year. The overall cash balance of the Council (and the balance of short term investments) has reduced over the course of 2018/19 due to the use of reserves to fund the Capital Programme and to invest in Children's services.

**Collection Fund**

The Collection Fund is a fund administered by the Council that shows the transactions of the billing authority (the Council), in relation to the collection from taxpayers of Council Tax and Non-Domestic Rates (NDR) and how the income from these sources has been distributed to precepting authorities, Central Government and the Council's General Fund Balances. The Collection Fund is maintained separately, as a statutory requirement.

The Collection Fund shows that the balances to carry forward as at 31 March 2019 were a £17.003m surplus relating to Council Tax (£15.050m surplus in 2017/18) and a £0.657m deficit on NDR (£0.063m deficit in 2017/18).

**Greater Manchester Metropolitan Debt Administration Fund (GMMDAF)**

At the winding up of the Greater Manchester County Council in 1986, some accumulated debt remained outstanding. This was then legally transferred to the successor councils, including Tameside. The debt will be fully redeemed in 2022. The accounts for GMMDAF are included in the Statement of Accounts for the Council because the Council has the lead responsibility for GMMDAF on behalf of the other Greater Manchester Councils.

This shows that net income and expenditure for the year was zero. The total debt outstanding as at 31 March 2019 is £48.765m (31 March 2018 £76.543m), and this is represented by the assets and liabilities of the Fund. The Fund has no long term assets (such as land or buildings) as it exists purely to administer the settlement over time, as set out in the statutory instrument.

**Greater Manchester Pension Fund (GMPF)**

The accounts of the GMPF are included in the Statement of Accounts of the Council because the Council administers the GMPF. The Fund is administered separately from the Council and has independent governance arrangements. The Accounts show the net assets of the Fund were £23.843bn at 31 March 2019 (£22.497bn at 31 March 2018), an increase of £1.346bn during the financial year.

**Accompanying Statements Included in the Statement of Accounts**

The purpose of the various accompanying statements included in the accounts is set out below:

- The **Statement of Responsibilities** sets out the respective responsibilities of the Council and the Chief Financial Officer for the accounts.
- The **Annual Governance Statement** gives a public assurance that the Council has proper arrangements in place to manage all of its affairs. It summarises the Council's responsibilities in the conduct of its business, the purpose and key elements of the system of internal control and the processes applied in maintaining, reviewing and developing the effectiveness of those control systems.

## 7) Significant transactions and balances

**Academy conversions**

During the year six schools converted to academy status. On conversion, the Council derecognises the assets relating to these schools as they transfer to the Academy for nil consideration. Losses on the de-recognition of assets are set out in Note 2. Disposals and de-recognitions included in note 12 include the following Academy conversions which took place during 2018/19:

- Greenside Primary School £3.171m
- Yew Tree Community Primary £1.646m
- Poplar Street Primary £2.764m
- Canon Johnson C of E Primary £0.262m (land only)
- Parochial C of E Primary £0.192m (land only)
- Rosehill Methodist Community Primary £3.350m

**Non-Current Assets**

As set out in section 4 above, the Council has incurred Capital Expenditure in excess of £50m during 2018/19. The most significant items include spend of £17m on Vision Tameside and £11m on Highways, that are both included in Property, Plant and Equipment, and an £11m Investment in Manchester Airport that is included within Long Term Investments.

Note 12 provides an analysis of movements in the value and categorisation of Property Plant and Equipment. In addition to capital expenditure reflected as 'additions' in note 12, significant movements include:

- upward revaluations of Land and Buildings, mainly driven by increases in the value of schools valued on a replacement cost basis;
- revaluation losses on administrative Land and Buildings including Tameside One and a number of leisure facilities;
- de-recognition and disposal of Land and Buildings to reflect the transfer of six schools to Academy status; and
- reclassification of the Tameside One building from Assets under Construction to Land and Buildings on completion.

**Reserves**

Planned use of reserves during 2018/19 has resulted in the Council's overall reserve levels being significantly lower at 31 March 2019 than the previous year. This planned use included £11.6m investment in Children's Services and £38m to fund Capital Expenditure. Further information on reserve movements is included in Note 11.

The overall reduction in earmarked reserves during 2018/19 is £33.295m which is net of both use of reserves and contributions to reserves. The significant movements in reserves during 2018/19 reflect:

- **BSF Reserves –** Planned use of reserves in accordance with the PFI accounting models. This is a smoothing reserve and will reduce to nil over the life of the PFI contracts.
- **Capital Investment Reserve –** planned use to fund the Capital Programme in 2018/19. The remaining balance on this reserve is expected to be fully utilised in 2019/20.
- **Insurance reserves** – amounts have been moved from the insurance provision to the reserve following an actuarial insurance review in 2019/20. The level of provision and reserve reflects the advice of the independent insurance expert.

- **Medium Term Financial Strategy Reserve** – planned use to fund additional investment in Children's Services (with the balance coming from the Children's Services reserve) and Strategic Investment in Manchester Airport.
- **School Funding Reserve** – Planned use of grants ring fenced for Schools and Education.
- **Collection Fund Reserves** – Contributions to this reserve reflect additional business rates income arising from the 100% retention pilot and additional section 31 grants relating to business rates reliefs.
- **Children's Services** – planned use of the reserve to support additional investment in Children's Services during 2018/19 (with the balance being funded from the Medium Term Financial Strategy Reserve). Planned use of reserves for Children's services in 2019/20 and 2020/21 will need to be funded from the Medium Term Financial Strategy Reserve.

**Borrowing and Other Long Term Liabilities**

At 31 March 2019 the Council held borrowing with the PWLB and market lenders with a carrying value of £131.736m. These balances relate to borrowing that was used to finance capital expenditure in previous years. The majority of the Council's borrowing is with the Public Works Loans Board which offers concessionary rates to Local Government. These PWLB loans have fixed rates of interest and varying maturity profiles. The Council paid £5.151m in interest on its borrowings during 2018/19. Further information on borrowing can be found in notes 19 and 20.

Other long term liabilities relate mainly to the Pensions Liability (covered below) and the Private Finance Initiative (PFI) liability. PFI arrangements are a form of finance lease where responsibility for making available the property, plant and equipment passes to a PFI contractor. The Council has three PFI contracts in relation to various schools across the borough. The Council recognises the schools as assets on the balance sheet (on the same basis as other non-current assets) and a long term liability is recognised to reflect the capital cost of the asset which is repaid to the contractor over the life of the contract. Further information on the PFI schemes can be found in note 28.

**Manchester Airport Group (MAG)**

The Council holds a 3.22% shareholding in Manchester Airport Holdings Ltd (part of the Manchester Airport Group). The shares in this group are not traded and an external valuation is obtained on behalf of all the Greater Manchester Authorities. This valuation uses an earnings based method, which takes the profitability of the company, assessing its historic earnings and arriving at a view of 'maintainable' or 'prospective' earnings. The valuers have advised of an increase in the fair value of the Council's shareholding during the accounting period from £51.9m at 31 March 2018 to £52.7m at 31 March 2019.

In 2018/19 the Council received dividend income of £5.6m from this shareholding investment. The shareholding was transferred to the Council on the winding up of the Greater Manchester Council in 1986, and is held for strategic reasons rather than to trade. The income is also a key item in the Council's MTFP and as such the Council does not expect to dispose of this shareholding.

During 2018/19, the Council entered into a shareholder loan with MAG, to the value of £11.3m which is reflected in Long Term Debtors on the balance sheet. This loan will earn a return of 10% per annum which will be used to fund ongoing revenue expenditure.

**Pensions Liability and Advance Payment of Contributions**

The actuarial valuation of the Council's Local government Pension Scheme liabilities has increased from £258m at 31 March 2018 to £345m at 31 March 2019. This is primarily due to changes to the financial assumptions used by the pension fund Actuary (Hymans Robertson). Small changes to the financial assumptions can have a significant impact on the liabilities. These assumptions are determined by the Actuary based on professional judgement and reflect the market conditions at the reporting date.

The Council relies and places assurance on the professional judgement of the Actuary and the assumptions used to calculate this actuarial valuation. The pensions liability is calculated on an accounting basis and different methods are used in the three yearly valuation of the Fund. Both annual and tri-annual valuations consider the whole life of the fund and a horizon of 20-25 years. In this context, minor changes in assumed rates for inflation or interest can have a significant impact on the valuation of the scheme in the long term. Note 30 provides further information on the assumptions used by the actuary, including sensitivity analysis which illustrates the impact of small changes in assumptions.

**Accounting Standards**

There are two main changes to the 2018/19 Code of Practice on Local Authority Accounting to reflect the adoption of IFRS15 (Revenue from contracts with customers) and IFRS9 (Financial Instruments). As part of the preparation of the 2018/19 Statement of Accounts a review of all revenue streams has been undertaken and it has been determined that the adoption of IFRS15 does not have any material impact on the recognition of revenue in the Council's accounts.

Changes are required to the classification of financial assets and the accounting policies as a result of IFRS9. The revised accounting standard IFRS9 relates to the treatment of financial assets that are classed as financial instruments. These include cash, debtors (both long and short term), investments and shareholdings. Excluded from the definition are debtors that relate to taxation (e.g. VAT, business rates and council tax). This accounting standard requires the Council to review its financial assets and map them against new categories. Based on the assets the Council currently holds there is no impact on the Council's bottom line. In making decisions on the classification of these assets the holding of investments for strategic reasons and not primarily to trade has been the key consideration. Assets have also been reviewed and consideration given as to whether there is any impairment (i.e. reduction in value) where there is a risk the loan will not be repaid. Further details on the impact of IFRS 9 can be found in note 41(Accounting Policies) and note 19 (Financial Instruments).

**Review of provisions**

As part of the regular review of general provisions and provisions for the non-collection of debtor balances, there have been some significant changes to the value of provisions in the financial statements. These changes relate to:

- The provision for non-collection of housing benefit has been reviewed and recovery of bad debts is better than originally assessed, meaning that £1.083m has been released from this provision as it is no longer required. The impact of this change is to increase the balance on housing benefit overpayment debtors included within short term debtors, and reduce the net expenditure for the Director of Governance.
- General provisions have been reviewed and an additional provision of £4.028m made in 2017/18 was not required and has been written back to reserves.
- The provision for Business Rate appeals has increased to £8.939m (£6.958m at 31 March 2018) to reflect additional provision required for forecast losses on business rates as result of appeals.

**Greater Manchester 100% Business Rates Retention Pilot**

Greater Manchester is one of the regions piloting the full retention of Business Rates from 1 April 2017. The purpose of this Pilot is to develop and trial approaches to manage risk and reward, and to finance from additional Business Rates income new responsibilities and/or existing funding streams including those that support economic growth.

Being part of the Greater Manchester Pilot provides the Council and the Greater Manchester region with potential financial benefits with the guarantee that Authorities will not be worse off as a result of the Pilot. The 'No Detriment' agreement will guarantee that the resources available to the Council under the 100% Pilot will be the same as the 50% retention scheme that exists for non-pilot authorities.

As a result of the Pilot the Council did not receive the Revenue Support Grant or Public Health Grant from Government in 2018/19. Instead the Council retains 99% of its Non Domestic (Business) Rates income with 1% distributed to GMFRA. Further information on amounts credited to the CIES are set out in Note 4.

**Acknowledgements**

The production of the Statement of Accounts would not have been possible without the hard work of Members and Officers across the Council. I would like to express my gratitude to all colleagues who have assisted in the preparation of this document, and for their support during the financial year.

**Further Information**

Further information about these accounts is available from the Director of Finance (Section 151 Officer). If you require further clarification or information about any of the items included in the accounts, please contact me at the address below.

Signed:

28 May 2019

Kathy Roe
Director of Finance (Section 151 Officer)

Tameside Metropolitan Borough Council

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

# Statement of Responsibilities

This is a signed statement by the Director of Finance (Section 151 Officer) certifying that the accounts comply with requirements and ‘present a true and fair view’ of the Council’s financial position as at 31 March 2019.

## Statement of Responsibilities

### The Council's Responsibilities

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to ensure that one of its Officers has the responsibility for the administration of those affairs. In this Council, that Officer is the Director of Finance (Section 151 Officer);
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- Approve the Statement of Accounts.

### The Director of Finance (Section 151 Officer) Responsibilities

The Director of Finance (Section 151 Officer) is responsible for the preparation of the Council's Statement of Accounts and those of the Greater Manchester Pension Fund in accordance with proper practices as set out in the CIPFA *Code of Practice on Local Authority Accounting in the United Kingdom 2018/19*.

**In preparing this Statement of Accounts, the Director of Finance (Section 151 Officer) has:**

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the International Financial Reporting Standards (IFRS).

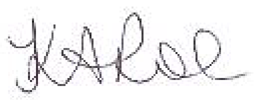
**The Director of Finance (Section 151 Officer) has also:**

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

### Director of Finance (Section 151 Officer) Certificate

I certify that the Statement of Accounts presents a true and fair view of the financial position of the Council and Greater Manchester Pension Fund at 31 March 2019, and its income and expenditure for the year ended 31 March 2019.

Signed: Date: 28 May 2019



***Kathy Roe***
*Director of Finance (Section 151 Officer)*

# Financial Statements

Financial Statements are applicable to all local authorities and comprise:

1. Comprehensive Income and Expenditure Statement (CIES)
2. Movement in Reserves Statement (MiRS)
3. Balance Sheet (Statement of Financial Position)
4. Cash Flow Statement

## Comprehensive Income and Expenditure Statement for the year ended 31 March 2019

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation.

| | | 2018/19 | | | 2017/18 | | |
|---|---|---|---|---|---|---|---|
| | Note | Gross Expenditure £000 | Gross Income £000 | Net Expenditure £000 | Gross Expenditure £000 | Gross Income £000 | Net Expenditure £000 |
| Children's Social Care | | 56,884 | (2,753) | 54,131 | 48,665 | (3,128) | 45,537 |
| Education | | 159,823 | (146,073) | 13,750 | 159,240 | (147,897) | 11,343 |
| Adults' Social Care | | 89,115 | (44,556) | 44,559 | 91,401 | (41,877) | 49,524 |
| Population Health | | 18,319 | (129) | 18,190 | 18,762 | (145) | 18,617 |
| Quality & Safeguarding | | 355 | (277) | 78 | 0 | 0 | 0 |
| Operations & Neighbourhoods | | 32,633 | (2,031) | 30,602 | 31,220 | (2,885) | 28,335 |
| Growth | | 22,962 | (23,299) | (337) | 18,470 | (22,441) | (3,971) |
| Finance & IT | | 6,580 | (400) | 6,181 | 4,609 | (783) | 3,826 |
| Governance | | 83,527 | (75,716) | 7,811 | 92,154 | (86,754) | 5,400 |
| Corporate Costs | | (942) | (2,180) | (3,122) | 8,453 | (880) | 7,573 |
| **Cost Of Services** | 1 | **469,256** | **(297,414)** | **171,843** | **472,974** | **(306,790)** | **166,184** |
| Other Operating Income and Expenditure | 2 | 42,204 | (550) | 41,654 | 49,342 | (4,336) | 45,006 |
| Financing and Investment Income and Expenditure | 3 | 34,400 | (21,174) | 13,226 | 34,597 | (18,397) | 16,200 |
| Taxation and Non-Specific Grant Income | 4 | 0 | (195,935) | (195,935) | 0 | (209,092) | (209,092) |
| **(Surplus) or Deficit on Provision of Services** | | **545,860** | **(515,073)** | **30,788** | **556,913** | **(538,615)** | **18,298** |
| Other Comprehensive Income and Expenditure | | | | | | | |
| Revaluation Gains | 10 | | | (12,772) | | | (1,800) |
| Remeasurement of Net Defined Benefit Liability | 10 | | | 53,458 | | | (28,591) |
| (Surplus)/Deficit on Revaluation of Financial Instruments | 10 | | | (467) | | | (8,200) |
| | | | | **71,007** | | | **(20,293)** |

**The service area headings above are those used for management reporting during the 2018/19 financial year. The 2017/18 comparatives have been restated where applicable to reflect this reporting structure.*

## Movement in Reserves Statement as at 31 March 2019

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

| Restated | General Fund Balances £000 | Schools Balances £000 | Earmarked Reserves £000 | Total General Fund Balance £000 | Capital Receipts Unapplied Account £000 | Capital Grants and Other Contributions Unapplied Reserve £000 | Total Usable Reserves £000 | Unusable Reserves £000 | Total Reserves £000 |
|---|---|---|---|---|---|---|---|---|---|
| **Balance at 31 March 2017 *** | **(17,295)** | **(4,476)** | **(188,520)** | **(210,292)** | **(3,556)** | **(15,199)** | **(229,045)** | **89,427** | **(139,617)** |
| (Surplus) or Deficit on the Provision of Services ** | 18,298 | 0 | 0 | **18,298** | 0 | 0 | 18,298 | 0 | 18,298 |
| Other Comprehensive Income and Expenditure ** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (38,591) | (38,591) |
| **Total Comprehensive Income and Expenditure** | **18,298** | **0** | **0** | **18,298** | **0** | **0** | **18,298** | **(38,591)** | **(20,293)** |
| Adjustments between accounting basis & funding basis under regulations *** | 9,932 | 0 | 0 | 9,932 | 3,554 | (2,733) | 10,753 | (10,753) | 0 |
| **Net (increase)/decrease before transfers to Earmarked Reserves** | **28,230** | **0** | **0** | **28,230** | **3,554** | **(2,733)** | **29,051** | **(49,342)** | **(20,293)** |
| Transfers to/(from) Earmarked Reserves and Schools Balances **** | (28,229) | 271 | 27,958 | 0 | 0 | 0 | 0 | 0 | 0 |
| **(Increase)/decrease in year** | **1** | **271** | **27,958** | **28,230** | **3,554** | **(2,733)** | **29,051** | **(49,342)** | **(20,293)** |
| **Balance at 31 March 2018 *** | **(17,295)** | **(4,205)** | **(160,562)** | **(182,062)** | **(2)** | **(17,932)** | **(199,994)** | **40,085** | **(159,910)** |
| (Surplus) or Deficit on the Provision of Services ** | 30,788 | 0 | 0 | 30,788 | 0 | 0 | 30,788 | 0 | 30,788 |
| Other Comprehensive Income and Expenditure ** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 40,220 | 40,220 |
| **Total Comprehensive Income and Expenditure** | **30,788** | **0** | **0** | **30,788** | **0** | **0** | **30,788** | **40,220** | **71,008** |
| Adjustments between accounting basis & funding basis under regulations *** | (678) | 0 | 0 | (678) | (535) | 583 | (630) | 630 | 0 |
| **Net (increase)/decrease before transfers to Earmarked Reserves** | **30,110** | **0** | **0** | **30,110** | **(535)** | **583** | **30,158** | **40,850** | **71,008** |
| Transfers to/(from) Earmarked Reserves and Schools Balances **** | (30,110) | (3,184) | 33,295 | 0 | 0 | 0 | 0 | 0 | 0 |
| **(Increase)/decrease in year** | **(0)** | **(3,184)** | **33,295** | **30,110** | **(535)** | **583** | **30,158** | **40,850** | **71,008** |
| **Balance at 31 March 2019 *** | **(17,295)** | **(7,389)** | **(127,268)** | **(151,952)** | **(537)** | **(17,350)** | **(169,837)** | **80,935** | **(88,902)** |

* Net worth of the Council at that date. Reconciles to Net Assets/ (Liabilities) and Total Reserves shown in the Balance Sheet.
** Taken directly from the CIES.
*** Adjustments needed to convert the Surplus or Deficit on the Provision of Services to the movement on General Fund Balances as defined by statutory provisions. See Note 8 for a full breakdown of the adjustments required to comply with proper accounting practice.
**** A further breakdown of the Council's Earmarked Reserves can be seen in Note 11.

## Balance Sheet as at 31 March 2019

The Balance Sheet shows the value of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council.

| | Note | 31 March 2019 £000 | 31 March 2018 £000 |
|---|---|---|---|
| Property, Plant and Equipment | 12 | 448,979 | 433,969 |
| Heritage Assets | 13 | 12,471 | 12,471 |
| Investment Properties | 14 | 31,207 | 30,700 |
| Intangible Assets | 15 | 33 | 33 |
| Long Term Debtors | 18 | 28,056 | 17,581 |
| Long Term Investments | 19 | 71,349 | 60,270 |
| **Non-current Assets** | | **592,095** | **555,024** |
| Cash and Cash Equivalents | 23 | 36,476 | 40,258 |
| Short Term Investments | 19 | 63,321 | 88,206 |
| Inventories | 21 | 572 | 425 |
| Short Term Debtors | 22 | 49,693 | 47,485 |
| Assets Held for Sale (<1yr) | 12d | 1,230 | 1,230 |
| **Current Assets** | | **151,292** | **177,604** |
| Short Term Borrowing | 19 | (20,546) | (20,788) |
| Short Term Creditors | 24 | (43,479) | (40,239) |
| Short Term Provisions | 26 | (8,939) | (6,958) |
| Other Short Term Liabilities | 25 | (2,750) | (2,872) |
| Receipts In Advance (Grants and Contributions) | | (3,078) | (1,919) |
| **Current Liabilities** | | **(78,792)** | **(72,776)** |
| Long Term Borrowing | 19 | (112,093) | (112,687) |
| Long Term Provisions | 26 | (2,340) | (9,300) |
| Other Long Term Liabilities | 25 | (461,260) | (377,956) |
| **Non-current Liabilities** | | **(575,693)** | **(499,943)** |
| | | | |
| **Net Assets / (Liabilities)** | | **88,902** | **159,909** |
| Usable Reserves | 9 | (169,837) | (199,995) |
| Unusable Reserves | 10 | 80,935 | 40,086 |
| **Total Reserves** | | **(88,902)** | **(159,909)** |

The notes to the financial statements on pages 42-111 form part of this account. The financial statements on pages 30-34 were authorised for issue by the Director of Finance (Section 151 Officer) on 28 May 2019.

Kathy Roe
28 May 2019
Director of Finance (Section 151 Officer)

## Cash Flow Statement as at 31 March 2019

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

| | Note | 2018/19 £000 | 2017/18 £000 |
|---|---|---|---|
| (Surplus) or Deficit on the Provision of Services | | 30,788 | 18,298 |
| Adjustment to Surplus or Deficit on the Provision of Services for Non-cash Movements | 31a | (68,355) | (59,966) |
| Adjust for Items Included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities | 31b | 11,750 | 20,435 |
| **Net Cash Flows from Operating Activities** | | **(25,816)** | **(21,232)** |
| Net Cash Flows from Investing Activities | 32 | 26,185 | 19,228 |
| Net Cash Flows from Financing Activities | 33 | 3,414 | 4,500 |
| Pension contributions advanced payment | 32 | | 27,957 |
| **Net (Increase) or Decrease in Cash and Cash Equivalents** | | **3,782** | **30,454** |
| Cash and Cash Equivalents at the Beginning of the Reporting Period | 23 | 40,258 | 70,711 |
| **Cash and Cash Equivalents at the End of the Reporting Period** | 23 | **36,476** | **40,258** |

# Notes to the Financial Statements

The Notes to the Financial Statements are shown together, as required by International Financial Reporting Standards, after the Financial Statements.

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## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT (CIES) NOTES

### 1. Expenditure and Funding Analysis

The objective of the Expenditure and Funding Analysis is to demonstrate to council tax payers how the funding available to the Council (i.e. government grants, rents, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Council's departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

| 2018/19 | As reported for financial mangement £000 | Adjustment to arrive at the net amount chargeable to the General Fund (Note 1a) £000 | Net Expenditure chageable to the General Fund £000 | Adjustments between Funding and Accounting Basis (Note 1a) £000 | Net Expenditure in the Comprehensive Income and Expenditure Statement £000 |
|---|---|---|---|---|---|
| Children's Social Care | 51,810 | 705 | **52,515** | 1,616 | 54,131 |
| Education | 5,269 | 1,583 | **6,852** | 6,897 | 13,749 |
| Adults' Social Care | 40,449 | 1,965 | **42,414** | 2,147 | 44,561 |
| Population Health | 16,156 | (118) | **16,038** | 2,152 | 18,190 |
| Quality & Safeguarding | 45 | 8 | **53** | 25 | 78 |
| Operations & Neighbourhoods | 50,870 | (30,957) | **19,913** | 10,690 | 30,603 |
| Growth | 6,532 | (15,835) | **(9,303)** | 8,965 | (337) |
| Finance & IT | 4,140 | 136 | **4,276** | 1,904 | 6,180 |
| Governance | 7,067 | (280) | **6,787** | 1,024 | 7,811 |
| Corporate Costs | 4,150 | (7,767) | **(3,617)** | 493 | (3,124) |
| **Net costs of services** | **186,488** | **(50,560)** | **135,928** | **35,913** | **171,842** |
| Other income and expenditure | (186,514) | 50,560 | **(135,954)** | (5,099) | (141,053) |
| **(Surplus) or deficit** | **(26)** | **0** | **(26)** | **30,814** | **30,789** |

| | |
|---|---|
| Opening General Fund | (17,295) |
| Add Surplus on General Fund Balance in Year | (26) |
| Less Transfer to Earmarked Reserves | 26 |
| Less Contribution to General Fund | 0 |
| **Closing General Fund Balance at 31 March 2019** | **(17,295)** |

| 2017/18 | As reported for financial mangement £000 | Adjustment to arrive at the net amount chargeable to the General Fund (Note 1a) £000 | Net Expenditure chageable to the General Fund | Adjustments between Funding and Accounting Basis (Note 1a) £000 | Net Expenditure in the Comprehensive Income and Expenditure Statement £000 |
|---|---|---|---|---|---|
| Children's Social Care | 43,801 | 36 | **43,837** | 1,700 | 45,537 |
| Education | 2,887 | 288 | **3,175** | 8,168 | 11,343 |
| Adults' Social Care | 43,642 | 3,485 | **47,127** | 2,396 | 49,523 |
| Population Health | 16,527 | 538 | **17,065** | 1,552 | 18,617 |
| Quality & Safeguarding | 0 | 0 | **0** | 0 | 0 |
| Operations & Neighbourhoods | 48,421 | (28,414) | **20,007** | 8,329 | 28,336 |
| Growth | 6,175 | (14,582) | **(8,407)** | 4,437 | (3,970) |
| Finance & IT | 3,530 | (297) | **3,233** | 594 | 3,827 |
| Governance | 4,681 | (243) | **4,438** | 962 | 5,400 |
| Corporate Costs | 4,390 | 2,796 | **7,186** | 384 | 7,570 |
| **Net costs of services** | **174,054** | **(36,393)** | **137,661** | **28,523** | **166,184** |
| Other income and expenditure | (177,396) | 36,393 | **(141,003)** | (6,883) | (147,886) |
| **(Surplus) or deficit** | **(3,342)** | **0** | **(3,342)** | **21,640** | **18,298** |

| | |
|---|---|
| Opening General Fund | (17,295) |
| Add Surplus on General Fund Balance in Year | (3,342) |
| Less Transfer to Earmarked Reserves | 3,342 |
| Less Contribution to General Fund | 0 |
| **Closing General Fund Balance at 31 March 2018** | **(17,295)** |

**The service area headings above are those used for management reporting during the 2018/19 financial year. The 2017/18 comparatives have been restated where applicable to reflect this reporting structure.*

## 1a. Note to the Expenditure and Funding Analysis

| 2018/19 | Transfers to/(from) reserves at Directorate level £000 | Capital expenditure charged against the General Fund balances £000 | Adjustments for Other Operating Income and Expenditure £000 | Adjustments for Financing and Investment Income and Expenditure £000 | Adjustments for Taxation and Non-Specific Grant Income £000 | Total to arrive at amount charge to general fund £000 | Adjustment for Capital Purposes £000 | Net change for the Pensions Adjustment £000 | Other Differences £000 | Total Adjustment Between funding and Accounting Basis £000 |
|---|---|---|---|---|---|---|---|---|---|---|
| Children's Social Care | 705 | 0 | 0 | 0 | 0 | **705** | 22 | 1,638 | (45) | **1,616** |
| Education | 1,583 | 0 | 0 | 0 | 0 | **1,583** | 3,346 | 4,085 | (533) | **6,897** |
| Adults' Social Care | 2,685 | 0 | 0 | 0 | (720) | **1,965** | 10 | 2,199 | (62) | **2,147** |
| Population Health | 0 | (118) | 0 | 0 | 0 | **(118)** | 2,081 | 74 | (2) | **2,152** |
| Quality & Safeguarding | 8 | 0 | 0 | 0 | 0 | **8** | 0 | 26 | (1) | **25** |
| Operations & Neighbourhoods | (1,554) | (1,352) | (28,051) | 0 | 0 | **(30,957)** | 8,632 | 2,115 | (57) | **10,690** |
| Growth | (3,807) | (100) | (1,605) | (10,323) | 0 | **(15,835)** | 8,616 | 359 | (10) | **8,965** |
| Finance & IT | 136 | 0 | 0 | 0 | 0 | **136** | 1,490 | 426 | (12) | **1,904** |
| Governance | (280) | 0 | 0 | 0 | 0 | **(280)** | 0 | 1,053 | (30) | **1,024** |
| Corporate Costs | 17,697 | (34,973) | (31) | (4,762) | 14,302 | **(7,767)** | 9 | 28 | 456 | **493** |
| **Net costs of services** | **17,173** | **(36,543)** | **(29,687)** | **(15,085)** | **13,582** | **(50,560)** | **24,206** | **12,003** | **(296)** | **35,913** |
| Other income and expenditure | (17,173) | 36,543 | 29,687 | 15,085 | (13,582) | **50,560** | (24,206) | (12,003) | 31,111 | **(5,098)** |
| **Total** | 0 | 0 | 0 | 0 | 0 | **0** | 0 | 0 | 30,815 | **30,815** |

| 2017/18 | Transfers to/(from) reserves at Directorate level £000 | Capital expenditure charged against the General Fund balances £000 | Adjustments for Other Operating Income and Expenditure £000 | Adjustments for Financing and Investment Income and Expenditure £000 | Adjustments for Taxation and Non-Specific Grant Income £000 | Total to arrive at amount charge to general fund £000 | Adjustment for Capital Purposes £000 | Net change for the Pensions Adjustment £000 | Other Differences £000 | Total Adjustment Between funding and Accounting Basis £000 |
|---|---|---|---|---|---|---|---|---|---|---|
| Children's Social Care | 36 | 0 | 0 | 0 | 0 | **36** | 46 | 1,687 | (33) | **1,700** |
| Education | 288 | 0 | 0 | 0 | 0 | **288** | 3,775 | 3,970 | 423 | **8,168** |
| Adults' Social Care | 4,644 | 0 | 0 | 0 | (1,159) | **3,485** | 58 | 2,386 | (47) | **2,396** |
| Population Health | 644 | (106) | 0 | 0 | 0 | **538** | 1,458 | 97 | (2) | **1,552** |
| Quality & Safeguarding | 0 | 0 | 0 | 0 | 0 | **0** | 0 | 0 | 0 | **0** |
| Operations & Neighbourhoods | 1,217 | (1,763) | (27,868) | 0 | 0 | **(28,414)** | 6,103 | 2,271 | (44) | **8,329** |
| Growth | (1,804) | 23 | (1,177) | (11,624) | 0 | **(14,582)** | 4,020 | 424 | (7) | **4,437** |
| Finance & IT | (297) | 0 | 0 | 0 | 0 | **(297)** | 164 | 438 | (8) | **594** |
| Governance | (243) | 0 | 0 | 0 | 0 | **(243)** | 4 | 978 | (20) | **962** |
| Corporate Costs | 24,127 | (28,798) | (31) | (7,093) | 14,591 | **2,796** | 0 | 31 | 353 | **384** |
| **Net costs of services** | **28,612** | **(30,644)** | **(29,076)** | **(18,717)** | **13,432** | **(36,393)** | **15,628** | **12,281** | **614** | **28,523** |
| Other income and expenditure | (28,612) | 30,644 | 29,076 | 18,717 | (13,432) | **36,393** | (15,628) | (12,281) | 21,026 | **(6,883)** |
| **Total** | 0 | 0 | 0 | 0 | 0 | **0** | 0 | 0 | 21,640 | **21,640** |

### 1b. Expenditure and Income Analysed by Nature

| Expenditure | 2018/19 £000 | 2017/18 £000 |
|---|---|---|
| Employee benefits expenses | 196,298 | 198,893 |
| Other service expenses | 257,764 | 272,665 |
| Depreciate amorisation and impairment | 23,807 | 14,858 |
| Loss on disposal of non-current assets | 11,094 | 14,501 |
| Interest payments | 23,646 | 25,491 |
| Precepts and levies | 33,251 | 30,505 |
| | **545,860** | **556,913** |
| **Income** | | |
| Customer and Client Receipts | (41,195) | (41,999) |
| Income from Council tax and Business Rates | (175,672) | (184,581) |
| Government Grant Income | (265,877) | (269,813) |
| Other Grants Reimbursements and Contributions | (9,240) | (22,096) |
| Interest Income | (8,707) | (8,455) |
| Other Income | (14,382) | (11,670) |
| | **(515,073)** | **(538,615)** |
| **Surplus/Deficit on provision of services** | **30,787** | **18,298** |

### 2. Other Operating Income and Expenditure

| | 31 March 2019 | | | 31 March 2018 | | |
|---|---|---|---|---|---|---|
| | 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 | 31 | 0 | 31 |
| Levies | 30,529 | 0 | 30,529 | 30,474 | 0 | 30,474 |
| (Gains)/losses on derecognition/ disposal of non-current assets | 11,644 | (550) | 11,094 | 18,837 | (4,336) | 14,501 |
| | **42,204** | **(550)** | **41,654** | **49,342** | **(4,336)** | **45,006** |

### 3. Financing and Investment Income and Expenditure

| | 31 March 2019 | | | 31 March 2018 | | |
|---|---|---|---|---|---|---|
| | Gross Exp-enditure £000 | Gross Income £000 | Net Exp-enditure £000 | Gross Exp-enditure £000 | Gross Income £000 | Net Exp-enditure £000 |
| Interest Payable and Similar Charges | 16,184 | 0 | 16,184 | 18,363 | 0 | 18,363 |
| Net Interest on the Net Defined Benefit Liability (Asset) | 7,331 | 0 | 7,331 | 8,012 | 0 | 8,012 |
| Interest receiveable and similar income | 0 | (711) | (711) | 0 | (638) | (638) |
| Other investment income | 0 | (8,041) | (8,041) | 0 | (6,335) | (6,335) |
| Trading Services | 7,707 | (8,566) | (859) | 5,612 | (6,994) | (1,382) |
| Income and expenditure in relation to Investment Properties and changes in their fair value | 3,179 | (3,856) | (677) | 2,611 | (4,430) | (1,819) |
| | **34,400** | **(21,174)** | **13,227** | **34,597** | **(18,397)** | **16,200** |

## 4. Taxation and Non-Specific Grant Income

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

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

The Council credited the following to the Taxation and Non Specific Grant Income line in the CIES:

| | 2018/19 £000 | 2017/18 £000 |
|---|---|---|
| Council Tax Income | (89,185) | (86,473) |
| Revenue Support Grant | 0 | 0 |
| Retained Business Rates | (49,894) | (52,440) |
| Business Rates Top Up | (36,593) | (45,636) |
| New Homes Bonus Grant | (1,721) | (3,307) |
| Education Services Grant | 0 | (673) |
| Section 31 - Business Rates Grants | (7,813) | (7,450) |
| Other Non Ringfenced Government Grants | (1,868) | 0 |
| Other Capital Grants and Contributions | (8,861) | (13,113) |
| | **(195,935)** | **(209,092)** |

## 5. Grants

*Grants are recognised as income at the date that the Council has satisfied the conditions of entitlements and there is reasonable assurance that the monies will be received. Any grant received before these recognition criteria were satisfied would be held as a creditor (receipt in advance). Any grant which had met the recognition criteria but had not been received would be shown as a debtor.*

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

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

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

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

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

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

The Council credited the following, excluding the Capital Grants and Contributions, to Cost of Services in the CIES:

| | 2018/19 £000 | 2017/18 £000 |
|---|---|---|
| Dedicated Schools Grant | (126,154) | (126,543) |
| Housing Benefit Subsidy Grant | (70,947) | (79,299) |
| Housing and Council Tax Benefit Administration Grant | (893) | (998) |
| Public Health Grant | 0 | 0 |
| Private Finance Initiative (PFI) Grant | (14,196) | (14,196) |
| Improved Better Care Fund | (3,299) | (5,364) |
| Better Care Fund | (16,446) | (11,948) |
| Adult Social Care Grant | (721) | (1,159) |
| Winter Pressures Grant | (1,154) | 0 |
| Pupil Premium Grant | (8,022) | (8,562) |
| Physical Education & Sport Grant | (1,079) | (890) |
| Pot Hole Funding Grant | (1,114) | (164) |
| Universal Infant Free School Meals | (1,983) | (2,159) |
| Troubled Families Grant | (516) | (1,288) |
| Other Grants | (8,330) | (6,757) |
| **Total Revenue Grants credited to Cost of Services** | **(254,854)** | **(259,327)** |
| **Capital Grants and Contributions** | | |
| Schools Basic Need | 0 | (4,883) |
| Local Full Fibre Network Funding | (1,975) | (2,257) |
| Highways Maintenance Grant | (2,514) | (1,678) |
| Other Capital Grants and Contributions | (4,372) | (4,294) |
| **Total Capital Grants and Contributions (credited to Taxation and Non-Specific Grant Income)** | **(8,861)** | **(13,113)** |

## 6. Dedicated Schools Grant (DSG)

The Council's expenditure on schools is funded primarily by grant monies provided by the Education and Skills Funding Agency. The DSG is ring fenced and can only be applied to meet expenditure properly included in the schools budget, as defined in the School Finance and Early Years (England) Regulations 2018. Detail of the deployment of the DSG received is as follows:

| | Central Expenditure £000 | Individual Schools Budget £000 | Total £000 |
|---|---|---|---|
| Final DSG for 2018/19 before Academy recoupment | | | 196,024 |
| Academy figure recouped for 2018/19 | | | (70,226) |
| **Total DSG after Academy recoupment** | | | **125,798** |
| Brought forward from 2017/18 | | | 3,881 |
| Less: Carry forward to 2019/20 agreed in advance | | | 2,632 |
| **Agreed budget distribution for 2018/19** | **17,965** | **109,081** | **127,047** |
| In year adjustments | 357 | 0 | 357 |
| **Final budget distribution for 2018/19** | **18,322** | **109,081** | **127,403** |
| Actual central expenditure | 17,671 | | 17,671 |
| Actual ISB deployed to schools | | 109,137 | 109,137 |
| **Carry forward to 2019/20** | **651** | **(55)** | **3,228** |

## 7. Trading Services

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

| | 2018/19 | | | 2017/18 | | |
|---|---|---|---|---|---|---|
| | Expen-diture £000 | Turnover £000 | (Surplus)/ Deficit £000 | Expen-diture £000 | Turnover £000 | (Surplus)/ Deficit £000 |
| Cemeteries and Crematorium | 1,337 | (2,302) | (965) | 1,171 | (2,365) | (1,194) |
| Commercial Refuse Collection | 414 | (874) | (459) | 275 | (841) | (566) |
| Vehicle Maintenance | 0 | 0 | 0 | 202 | (308) | (106) |
| Civil Engineering | 5,096 | (5,231) | (135) | 3,268 | (3,325) | (57) |
| Community Buildings | 687 | (76) | 611 | 564 | (68) | 496 |
| Building Control | 172 | (83) | 89 | 132 | (87) | 45 |
| **Total** | **7,707** | **(8,566)** | **(859)** | **5,612** | **(6,994)** | **(1,382)** |

## MOVEMENT IN RESERVES STATEMENT (MiRS) NOTES

### 8. Adjustments Required to Comply with Proper Accounting Practice

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

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

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

***Revenue expenditure funded from Capital under Statute***

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

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

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

*For 2018/19 the Council has adopted the following policy in relation to calculating the Minimum Revenue Provision:*

*Borrowing taken up prior to 1 April 2015 will be provided for using a straight-line method of calculating MRP. £185.215m will be provided for in equal instalments over 50 years, which will result in an annual charge of £3.704m. The debt will be extinguished in full by 31 March 2065. If the Council elects to make additional voluntary MRP then the annual charge will be adjusted accordingly.*

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

*For certain investment projects it may be deemed more prudent to use the asset life annuity method in order to calculate MRP. In this case the Council will use the annuity method, with the MRP based on the prevailing PWLB interest rate for a loan with a term equal to the estimated life of the project. If the Council uses capital receipts to repay borrowing for the year then the value of MRP which would have otherwise been set aside to repay borrowing will be reduced by 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.*

| 2018/19 | General Fund Balances £000 | Capital Receipts Unapplied Account £000 | Capital Grants and Other Contributions Unapplied Reserve £000 | Movement in Unusable Reserves £000 |
|---|---|---|---|---|
| | Usable Reserves | | | |
| **Adjustments to Capital Adjustment Account:** | | | | |
| Reversal of items debited or credited to the CIES: | | | | |
| Charges for depreciation of non-current assets | (10,956) | 0 | 0 | 10,956 |
| Revaluation losses on Property Plant and Equipment (PPE) | (18,698) | 0 | 0 | 18,698 |
| Revaluation gains on PPE (used to reverse previous revaluation losses) | 5,847 | 0 | 0 | (5,847) |
| Movements in the market value of Investment Properties | 663 | 0 | 0 | (663) |
| Amortisation of Intangible Assets | 0 | 0 | 0 | 0 |
| Capital grant and contributions received in year | 11,196 | 0 | (2,807) | (8,389) |
| Revenue expenditure funded from Capital under Statute | (2,733) | 0 | 0 | 2,733 |
| Amounts of non-current assets written off on disposal or sale as part of the gains/loss on disposal to the CIES | (11,644) | 0 | 0 | 11,644 |
| Insertion of items not debited or credited to the CIES: | 0 | 0 | 0 | 0 |
| Statutory provision for the financing of capital investment: | 0 | 0 | 0 | 0 |
| - Minimum Revenue Provision (MRP) for capital financing | 6,768 | 0 | 0 | (6,768) |
| - GM and Lancashire debt repayment | 984 | 0 | 0 | (984) |
| Capital expenditure charged against General Fund Balances | 36,561 | 0 | 0 | (36,561) |
| Capital grant and contributions received in previous years - applied | 0 | 0 | 3,389 | (3,389) |
| Use of the Capital Receipts Unapplied Account to finance capital expenditure | 0 | 0 | 0 | 0 |
| **Adjustments to Capital Receipts Unapplied Account:** | | | | |
| Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES | 550 | (550) | 0 | 0 |
| 4% disposal cost allowance | (18) | 18 | 0 | 0 |
| Contribution from the Capital Receipts Unapplied Account to finance the payments to the Government Capital Receipts Pool | 0 | 0 | 0 | 0 |
| **Adjustments to Deferred Capital Receipts Reserve:** | | | | |
| Transfer to Capital Receipts Unapplied Account upon receipt of cash | 0 | (3) | 0 | 3 |
| **Adjustments to Financial Instruments Adjustment Account:** | | | | |
| Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements | (101) | 0 | 0 | 101 |
| **Adjustments to Pensions Reserve:** | | | | |
| Reversal of items relating to retirement benefits debited or credited to the CIES | (37,897) | 0 | 0 | 37,897 |
| Employer's pensions contributions and direct payments to pensioners payable in the year | 18,563 | 0 | 0 | (18,563) |
| **Adjustments to Collection Fund Adjustment Account:** | | | | |
| Amount by which Council Tax and NDR income credited to the CIES is different from Council Tax and NDR income calculated for the year in accordance with statutory requirements | (520) | 0 | 0 | 520 |
| **Adjustment to Accumulating Compensated Absences Adjustment Account:** | | | | |
| Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | 757 | 0 | 0 | (757) |
| **Total Adjustments** | **(678)** | **(535)** | **583** | **630** |

| 2017/18 | Usable Reserves General Fund Balances £000 | Capital Receipts Unapplied Account £000 | Capital Grants and Other Contributions Unapplied Reserve £000 | Movement in Unusable Reserves £000 |
|---|---|---|---|---|
| **Adjustments to Capital Adjustment Account:** | | | | |
| Reversal of items debited or credited to the CIES: | | | | |
| Charges for depreciation of non-current assets | (13,966) | 0 | 0 | 13,966 |
| Revaluation losses on Property Plant and Equipment (PPE) | (1,084) | 0 | 0 | 1,084 |
| Revaluation gains on PPE (used to reverse previous revaluation losses) | 192 | 0 | 0 | (192) |
| Movements in the market value of Investment Properties | 1,773 | 0 | 0 | (1,773) |
| Amortisation of Intangible Assets | 0 | 0 | 0 | 0 |
| Capital grant and contributions received in year | 15,806 | 0 | (5,608) | (10,198) |
| Revenue expenditure funded from Capital under Statute | (3,464) | 0 | 0 | 3,464 |
| Amounts of non-current assets written off on disposal or sale as part of the gains/loss on disposal to the CIES | (18,837) | 0 | 0 | 18,837 |
| Insertion of items not debited or credited to the CIES: | 0 | 0 | 0 | 0 |
| Statutory provision for the financing of capital investment: | 0 | 0 | 0 | 0 |
| - Minimum Revenue Provision (MRP) for capital financing | 6,482 | 0 | 0 | (6,482) |
| - GM and Lancashire debt repayment | 947 | 0 | 0 | (947) |
| Capital expenditure charged against General Fund Balances | 30,808 | 0 | 0 | (30,808) |
| Capital grant and contributions received in previous years - applied | 0 | 0 | 2,875 | (2,875) |
| Use of the Capital Receipts Unapplied Account to finance capital expenditure | 0 | 7,727 | 0 | (7,727) |
| **Adjustments to Capital Receipts Unapplied Account:** | | | | |
| Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES | 4,336 | (4,336) | 0 | 0 |
| 4% disposal cost allowance | (163) | 163 | 0 | 0 |
| Contribution from the Capital Receipts Unapplied Account to finance the payments to the Government Capital Receipts Pool | 0 | 0 | 0 | 0 |
| **Adjustments to Deferred Capital Receipts Reserve:** | | | | |
| Transfer to Capital Receipts Unapplied Account upon receipt of cash | 0 | 0 | 0 | 0 |
| **Adjustments to Financial Instruments Adjustment Account:** | | | | |
| Proportion of premiums incurred in previous financial years to be | (102) | 0 | 0 | 102 |
| **Adjustments to Pensions Reserve:** | | | | |
| Reversal of items relating to retirement benefits debited or credited to the CIES | (38,302) | 0 | 0 | 38,302 |
| Employer's pensions contributions and direct payments to pensioners payable in the year | 18,009 | 0 | 0 | (18,009) |
| **Adjustments to Collection Fund Adjustment Account:** | | | | |
| Amount by which Council Tax and NDR income credited to the CIES is different from Council Tax and NDR income calculated for the year in accordance with statutory requirements | 7,753 | 0 | 0 | (7,753) |
| **Adjustment to Accumulating Compensated Absences Adjustment Account:** | | | | |
| Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | (256) | 0 | 0 | 256 |
| **Total Adjustments** | **9,932** | **3,554** | **(2,733)** | **(10,753)** |

## 9a Usable Reserves

*Usable Reserves are those reserves that can be applied to fund expenditure or reduce local taxation. Further details can be found in the MiRS and below.*

| | 2018/19 £000 | 2017/18 £000 |
|---|---|---|
| General Fund Balances | (17,295) | (17,295) |
| Schools Balances | (7,389) | (4,205) |
| Earmarked Reserves | (127,267) | (160,562) |
| Capital Receipts Unapplied Account | (536) | (1) |
| Capital Grants and Other Contributions Unapplied Reserve | (17,350) | (17,932) |
| **Total** | **(169,837)** | **(199,995)** |

## 9b Capital Receipts Unapplied Account

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

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

| | 2018/19 £000 | 2017/18 £000 |
|---|---|---|
| **Balance at 1 April** | **(2)** | **(3,556)** |
| Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES | (550) | (4,337) |
| Use of the Capital Receipts Unapplied Account to finance new capital | 0 | 7,728 |
| Transfer from the Deferred Capital Receipts Reserve upon receipt of cash | (3) | 0 |
| 4% disposal cost allowance | 18 | 163 |
| **Balance at 31 March** | **(537)** | **(2)** |

## 9c Capital Grants and Other Contributions Unapplied Reserve

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

## 10. Unusable Reserves

*Unusable Reserves are those reserves that are held for accounting purposes and that the Council is not able to utilise to provide services.*

*As a result of changes to IFRS9 (Financial Insrutments), Financial Assets previously classified as Available for Sale have been re-categorised as Financial Assets held at Fair Value through Other Comprehensive Income. The Available for Sale Financial Instruments Reserve has been replaced with the Financial Instruments Revaluation Reserve. Further information on accounting for Financial Instruments can be found in Notes 19 and 20, and in the accounting policies in note 41.*

| | 2018/19 £000 | 2017/18 £000 |
|---|---|---|
| Revaluation Reserve | (46,138) | (37,083) |
| Financial Instruments Revaluation Reserve | (42,153) | 0 |
| Capital Adjustment Account | (174,604) | (152,316) |
| Pensions Reserve | 359,396 | 286,604 |
| Available For Sale Financial Instruments Reserve | 0 | (41,686) |
| Collection Fund Adjustment Account | (13,811) | (14,332) |
| Short Term Accumulating Compensated Absences Account | 3,220 | 3,977 |
| Holding in Manchester Airport Group | (5,702) | (5,701) |
| Financial Instruments Adjustment Account | 734 | 633 |
| Deferred Capital Receipts | (7) | (10) |
| **Total** | **80,935** | **40,086** |

### 10a Revaluation Reserve

*The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:*

- *Revalued downwards or impaired and the gains are lost;*
- *Used in the provision of services and the gains are consumed through depreciation; or*
- *Disposed of and the gains are realised.*

| | 2018/19 £000 | 2017/18 £000 |
|---|---|---|
| **Balance at 1 April** | **(37,083)** | **(37,231)** |
| Upward revaluation of assets | (16,742) | (1,961) |
| Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services | 3,969 | 161 |
| Surplus or deficit on revaluation of non-current assets posted to the Surplus/Deficit on the Provision of Services | **(12,772)** | **(1,800)** |
| Difference between fair value and historical cost depreciation | 532 | 449 |
| Accumulated gains on assets sold or scrapped | 3,185 | 1,499 |
| Amount written off to the Capital Adjustment Account | **3,717** | **1,948** |
| **Balance at 31 March** | **(46,138)** | **(37,083)** |

### 10b Financial Instruments Revaluation Reserve

*The Financial Instruments Revaluation Reserve contains the gains made by the authority arising from increases in the value of its investments that are measured at fair value through other comprehensive income. The balance is reduced when investments with accumulated gains are:*

- *revalued downwards or impaired and the gains are lost*
- *disposed of and the gains are realised.*

| | 2018/19 £000 | 2017/18 £000 |
|---|---|---|
| **Balance at 1 April** | **0** | **0** |
| Transfer from Available For Sale Financial Instruments Reserve | (41,686) | 0 |
| Revaluation of investment in Manchester Airport Group (MAG) | (800) | 0 |
| Revaluation of investment in Inspiredspaces Tameside (Holdings 1& 2) Ltd | 333 | 0 |
| Surplus on revaluation of Financial Instrument Revaluation Reserve | **(467)** | **0** |
| **Balance at 31 March** | **(42,153)** | **0** |

### 10c Capital Adjustment Account

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

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

| | 2018/19 £000 | 2017/18 £000 |
|---|---|---|
| **Balance at 1 April** | **(152,316)** | **(126,718)** |
| *Reversal of items debited or credited to the CIES:* | | |
| Charges for depreciation of non-current assets | 10,956 | 13,966 |
| Revaluation losses on Property, Plant and Equipment | 18,698 | 1,084 |
| Revaluation gains on Property, Plant and Equipment (used to reverse previous revaluation losses) | (5,847) | (192) |
| Amortisation of Intangible Assets | 0 | 0 |
| Revenue expenditure funded from capital under statute | 2,733 | 3,464 |
| Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES | 11,644 | 18,838 |
| | **38,184** | **37,160** |
| Adjusting amounts written out of the Revaluation Reserve | (3,717) | (1,948) |
| Net written out amount of the cost of non-current assets consumed in the year | **34,467** | **35,212** |
| *Capital financing applied in the year:* | | |
| Use of the Capital Receipts Unapplied Account to finance new capital expenditure | 0 | (7,728) |
| Capital grants and contributions credited to the CIES that have been applied to capital financing | (8,389) | (10,199) |
| Application of grants to capital financing from the Capital Grants and Other Contributions Unapplied Account | (3,389) | (2,875) |
| Statutory provision for the financing of capital investment charged against the General Fund | (7,753) | (7,429) |
| Capital expenditure charged against the General Fund and Reserves | (36,561) | (30,808) |
| | **(56,092)** | **(59,038)** |
| Movements in the market value of Investment Properties debited or credited to the CIES | (663) | (1,772) |
| **Balance at 31 March** | **(174,604)** | **(152,316)** |

### 10d Pensions Reserve

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

| | 2018/19 £000 | 2017/18 £000 |
|---|---|---|
| **Balance at 1 April** | **286,604** | **294,902** |
| Remeasurement of net defined benefit liability | 53,458 | (28,591) |
| Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES | 37,897 | 38,302 |
| Employer's pensions contributions and direct payments to pensioners payable in the year | (18,563) | (18,009) |
| **Balance at 31 March** | **359,396** | **286,604** |

### 10e Available For Sale Financial Instruments Reserve

*The Available for Sale Financial Instruments Reserve contains the gains made by the Council arising from the increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:*

- *Revalued downwards or impaired and the gains are lost;*
- *Disposed of and the gains are realised;*
- *Revalued downwards or impaired and the gains are lost; or*
- *Disposed of and the gains are realised.*

| | 2018/19 £000 | 2017/18 £000 |
|---|---|---|
| **Balance at 1 April** | **(41,686)** | **(33,486)** |
| Revaluation of investment in Manchester Airport Group (MAG) | 0 | (8,200) |
| Transfer to Financial Instruments Revaluation Reserve under IFRS 9 | 41,686 | 0 |
| **Balance at 31 March** | **0** | **(41,686)** |

### 10f Collection Fund Adjustment Account

*The Collection Fund Adjustment Account manages the differences arising from the recognition of Council Tax income and NDR income in the CIES as it falls due from Council Tax payers and NDR payers compared with the statutory arrangements for paying across amounts to General Fund Balances from the Collection Fund.*

| | 2018/19 £000 | 2017/18 £000 |
|---|---|---|
| **Balance at 1 April** | **(14,332)** | **(6,579)** |
| Amount by which Council Tax income and NDR income credited to the CIES is different from Council Tax income and NDR income calculated for the year in accordance with statutory requirements | 520 | (7,753) |
| **Balance at 31 March** | **(13,811)** | **(14,332)** |

### 10g Short Term Accumulating Compensated Absences Account

*The Short Term Accumulating Compensated Absences Account absorbs the differences that would otherwise arise on General Fund Balances from accruing for compensated absences earned but not taken in the year e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on General Fund Balances is neutralised by transfers to or from the Account.*

| | 2018/19 £000 | 2017/18 £000 |
|---|---|---|
| **Balance at 1 April** | **3,977** | **3,720** |
| Settlement or cancellation of accrual made at the end of the preceding year | (3,977) | (3,720) |
| Amounts accrued at the end of the current year | 3,220 | 3,977 |
| Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | **(757)** | **257** |
| **Balance at 31 March** | **3,220** | **3,977** |

### 10h Financial Instruments Adjustment Account

*The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Account is used to manage premiums paid on the early redemption of loans.*

| | 2018/19 £000 | 2017/18 £000 |
|---|---|---|
| **Balance at 1 April** | **633** | **531** |
| Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements | 101 | 102 |
| **Balance at 31 March** | **734** | **633** |

### 10i Deferred Capital Receipts Reserve

*The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.*

| | 2018/19 £000 | 2017/18 £000 |
|---|---|---|
| **Balance at 1 April** | **(10)** | **(11)** |
| Transfer to the Capital Receipts Unapplied Account on receipt of cash | 3 | 1 |
| **Balance at 31 March** | **(7)** | **(10)** |

### 10h Holding in Manchester Airport Group (MAG)

This reserve represents the value of shares at the point of transfer to the Council on the winding up of Greater Manchester Council.

## 11. Transfers to/from Earmarked Reserves

*Transfers to/from Earmarked Reserves are the net amounts set aside from General Fund Balances in earmarked reserves to provide financing for future expenditure plans, and the amounts posted back from earmarked reserves to meet General Fund expenditure in the accounting period.*

| | Balance at 1 April 2018 £000 | Net Movement 2018/19 £000 | Balance at 31 March 2019 £000 | Balance at 1 April 2017 £000 | Net Movement 2017/18 £000 | Balance at 31 March 2018 £000 | Purpose of the Earmarked Reserve |
|---|---|---|---|---|---|---|---|
| Building Schools for the Future (BSF) Affordability Reserve | (9,703) | 1,888 | (7,815) | (8,452) | (1,251) | (9,703) | For further information please see Note 28. |
| Capital Investment Reserve | (39,952) | 23,665 | (16,287) | (69,210) | 29,258 | (39,952) | To be used to finance the Council's Capital Investment Programme. |
| Corporate Initiatives Reserve | (871) | 0 | (871) | (871) | 0 | (871) | To fund the implementation of projects that support the Council's cross-cutting corporate initiatives. |
| Early Exit Costs Reserve | (5,069) | 0 | (5,069) | (5,069) | 0 | (5,069) | To assist in meeting future years additional pension costs. |
| Earmarked Reserves with a balance at 31 March 2019 under £0.500m | (4,865) | 337 | (4,528) | (4,821) | (44) | (4,865) | Various |
| Hard Facilities Management Service Contract Reserve | (703) | 36 | (668) | (738) | 35 | (703) | To fund the affordability gap within the Facilities Management service. |
| Hattersley Reserve | (1,812) | 0 | (1,812) | (1,812) | 0 | (1,812) | To finance highway improvements and regeneration initiatives in Hattersley. |
| Health Equalities Reserve | (3,005) | 399 | (2,605) | (3,005) | 0 | (3,005) | Ringfenced Public Health reserve per section 10 of the Department of Health Grant determination. |
| Health Integration Reserve | (3,348) | (632) | (3,980) | (3,782) | 433 | (3,348) | To support the development and implementation of the Care Together Programme. |
| Insurance Reserves | (6,228) | (4,003) | (10,231) | (6,382) | 154 | (6,228) | An estimate of claims incurred but not reported. Includes element to cover any expenditure for insurance claims. |
| Medium Term Financial Strategy Reserve | (37,375) | 15,005 | (22,370) | (31,025) | (6,351) | (37,375) | To support the delivery of the Medium Term Financial Strategy. |
| PFI Reserve | (3,222) | (33) | (3,255) | (3,183) | (39) | (3,222) | For further information please see Note 28. |
| School Funding Reserve | (4,294) | 999 | (3,295) | (4,771) | 477 | (4,294) | Balance of Education grants to be utilised on Education and School related services. |
| Transport Replacement Fleet Reserve | (2,412) | (236) | (2,648) | (2,382) | (31) | (2,412) | To fund future maintenance of vehicles procured via Prudential Borrowing. |
| Unspent Revenue Grant and Contribution Reserve | (8,487) | 341 | (8,146) | (4,567) | (3,920) | (8,487) | Unspent revenue grant, with no conditions attached. IFRS require these grants to be classed as reserves. |
| Waste PFI Reserve | (6,515) | 0 | (6,515) | (7,810) | 1,294 | (6,515) | To smooth the impact of future years levy increases and associated managed collection costs. |
| Winter Gritting Reserve | (26) | 26 | 0 | (517) | 491 | (26) | To fund additional winter maintenance costs in future years. |
| Collection Fund Reserve | (3,472) | (7,398) | (10,871) | (4,125) | 652 | (3,472) | Additional business rates income from the 100% retention pilot and a contingency balance to smooth the impact of unexpected deficits |
| Care Together | (10,800) | 0 | (10,800) | (15,000) | 4,200 | (10,800) | To assist any funding risks of the implementation of the Care Together Programme |

| | Balance at 1 April 2018 £000 | Net Movement 2018/19 £000 | Balance at 31 March 2019 £000 | Balance at 1 April 2017 £000 | Net Movement 2017/18 £000 | Balance at 31 March 2018 £000 | Purpose of the Earmarked Reserve |
|---|---|---|---|---|---|---|---|
| Service Improvement | (5,000) | (500) | (5,500) | (5,000) | 0 | (5,000) | To support one off service improvements in future to allow services to balance budgets. |
| Children's Services | (3,400) | 3,400 | 0 | (6,000) | 2,600 | (3,400) | To support if required future demands on Children's Services and delivery of the Children's Services Improvement Plan. |
| **Total** | **(160,562)** | **33,295** | **(127,267)** | **(188,521)** | **27,958** | **(160,562)** | |

## BALANCE SHEET NOTES

NON-CURRENT ASSETS (INCLUDING FINANCIAL INSTRUMENTS)

### 12. Property, Plant and Equipment

***Recognition***

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

*Capital expenditure includes:*

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

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

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

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

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

***Measurement***

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

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

- *Other Land and Buildings **

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

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

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

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

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

***Disposals***

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

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

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

***Depreciation / Amortisation***

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

*All buildings (but not their land) are depreciated over their remaining useful lives. A land and building split has been determined by the Council's external valuers. Estimates of the useful life are determined for each property and where material for components of those properties as part of the*

*valuation process. These estimates of economic life may vary considerably from property to property.*
*Investment Properties are not depreciated, rather an annual review is undertaken of the fair carrying value. Any changes to these values are charged to the Provision of Services within the Comprehensive Income and Expenditure Statement in the period that they occur.*
*Infrastructure is depreciated over a 40 year period.*
*Vehicles, Plant, and Equipment is depreciated over 10 years or less depending on the nature of the asset.*

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

***Impairment of Non-current Assets***

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

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

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

***Revaluations***

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

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

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

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

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

*The Cost of Services includes the following amounts to record the real cost of holding non-current assets throughout the year:*

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

*The Council does not raise council tax to cover depreciation, impairment loss or amortisations. The Council does, however, make an annual provision from revenue to reduce its borrowing requirement, (see note 8). Depreciation, impairment losses, amortisation and gains or losses on the disposal of non-current assets are therefore written out in the Movement in Reserves Statement, by way of an adjusting transaction within the Capital Adjustment Account.*

12a. Details of movements in Property, Plant and Equipment in 2018/19:

| | Land and Buildings £000 | Vehicles, Plant and Equipment £000 | Infrastructure £000 | Community Assets £000 | Surplus Assets £000 | Assets Under Construction £000 | Total Property, Plant and Equipment £000 | PFI Assets Included in Property, Plant and Equipment £000 |
|---|---|---|---|---|---|---|---|---|
| **Cost or Valuation** | | | | | | | | |
| At 1 April 2018 | 263,246 | 37,856 | 140,447 | 18,308 | 5,017 | 47,716 | 512,589 | 78,432 |
| Additions | 4,221 | 2,895 | 9,157 | 37 | 0 | 21,191 | 37,501 | 106 |
| Upward revaluation of assets recognised in the Revaluation Reserve | 12,992 | 0 | 0 | 0 | 48 | 0 | 13,040 | 10,369 |
| Upward revaluation of assets reversing prior year loss to Surplus/Deficit on the Provision of Services | 3,854 | 0 | 0 | 0 | 55 | 0 | 3,909 | 133 |
| Revaluation losses recognised in the Revaluation Reserve | (5,750) | 0 | 0 | 0 | (23) | 0 | (5,774) | (340) |
| Revaluation losses recognised in the Surplus/Deficit on the Provision of Services | (23,381) | 0 | 0 | 0 | (124) | 0 | (23,504) | 0 |
| Derecognition/disposal of non-current assets | (12,204) | (165) | 0 | 0 | 0 | 0 | (12,369) | 0 |
| Assets reclassified in year | 52,356 | (1,759) | 1,835 | 16 | 0 | (52,458) | (11) | 0 |
| Other movements | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **At 31 March 2019** | **295,333** | **38,827** | **151,439** | **18,361** | **4,973** | **16,449** | **525,380** | **88,701** |
| **Accumulated Depreciation and Impairment** | | | | | | | | |
| At 1 April 2018 | (23,342) | (22,357) | (29,202) | (3,590) | (128) | 0 | (78,618) | (4,152) |
| Depreciation charge | (5,688) | (1,637) | (3,631) | 0 | 0 | 0 | (10,956) | (1,211) |
| Upward revaluation of assets written out to the Revaluation Reserve | 3,702 | 0 | 0 | 0 | 0 | 0 | 3,702 | 2,799 |
| Upward revaluation of assets written out to the Surplus/Deficit on the Provision of Services | 1,938 | 0 | 0 | 0 | 0 | 0 | 1,938 | 0 |
| Revaluation losses recognised in the Revaluation Reserve | 1,805 | 0 | 0 | 0 | 0 | 0 | 1,805 | 0 |
| Revaluation losses recognised in the Surplus/Deficit on the Provision of Services | 4,806 | 0 | 0 | 0 | 0 | 0 | 4,806 | 0 |
| Derecognition/disposal of non-current assets | 759 | 165 | 0 | 0 | 0 | 0 | 924 | 0 |
| **At 31 March 2019** | **(16,020)** | **(23,829)** | **(32,833)** | **(3,590)** | **(128)** | **0** | **(76,399)** | **(2,564)** |
| **Net Book Value** | | | | | | | | |
| **At 31 March 2019** | **279,313** | **14,998** | **118,606** | **14,771** | **4,845** | **16,449** | **448,980** | **86,136** |
| **At 31 March 2018** | **239,905** | **15,499** | **111,245** | **14,718** | **4,889** | **47,716** | **433,971** | **74,281** |
| **Nature of asset owned at 31 March 2019** | | | | | | | | |
| Owned | 193,175 | 14,998 | 118,606 | 14,771 | 4,845 | 16,449 | 362,845 | 0 |
| Finance Lease | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| PFI | 86,136 | 0 | 0 | 0 | 0 | 0 | 86,136 | 86,136 |
| | **279,312** | **14,998** | **118,606** | **14,771** | **4,845** | **16,449** | **448,981** | **86,136** |

## 12b. Details of the prior year movements in Property, Plant and Equipment:

| | Land and Buildings £000 | Vehicles, Plant and Equipment £000 | Infrastructure £000 | Community Assets £000 | Surplus Assets £000 | Assets Under Construction £000 | Total Property, Plant and Equipment £000 | PFI Assets Included in Property, Plant and Equipment £000 |
|---|---|---|---|---|---|---|---|---|
| **Cost or Valuation** | | | | | | | | |
| At 1 April 2017 | 271,379 | 32,293 | 133,597 | 18,198 | 5,705 | 26,742 | 487,912 | 78,650 |
| Additions | 12,194 | 7,744 | 6,850 | 110 | 0 | 20,974 | 47,872 | 53 |
| Upward revaluation of assets recognised in the Revaluation Reserve | (197) | 0 | 0 | 0 | 823 | 0 | 626 | (270) |
| Upward revaluation of assets reversing prior year loss to Surplus/Deficit on the Provision of Services | 47 | 0 | 0 | 0 | 142 | 0 | 189 | 0 |
| Revaluation losses recognised in the Revaluation Reserve | (241) | 0 | 0 | 0 | (32) | 0 | (273) | 0 |
| Revaluation losses recognised in the Surplus/Deficit on the Provision of Services | (1,945) | 0 | 0 | 0 | (8) | 0 | (1,953) | 0 |
| Derecognition/disposal of non-current assets | (17,993) | (2,181) | 0 | 0 | (1,612) | 0 | (21,786) | 0 |
| Assets reclassified in year | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other movements | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **At 31 March 2018** | **263,244** | **37,856** | **140,447** | **18,308** | **5,017** | **47,716** | **512,587** | **78,432** |
| | | | | | | | | |
| **Accumulated Depreciation and Impairment** | | | | | | | | |
| At 1 April 2017 | (19,498) | (21,432) | (25,793) | (3,590) | (535) | 0 | (70,848) | (2,760) |
| Depreciation charge | (7,451) | (3,106) | (3,409) | 0 | 0 | 0 | (13,966) | (1,975) |
| Upward revaluation of assets written out to the Revaluation Reserve | 928 | 0 | 0 | 0 | 407 | 0 | 1,335 | 583 |
| Upward revaluation of assets written out to the Surplus/Deficit on the Provision of Services | 3 | 0 | 0 | 0 | 0 | 0 | 3 | 0 |
| Revaluation losses recognised in the Revaluation Reserve | 112 | 0 | 0 | 0 | 0 | 0 | 112 | 0 |
| Revaluation losses recognised in the Surplus/Deficit on the Provision of Services | 869 | 0 | 0 | 0 | 0 | 0 | 869 | 0 |
| Derecognition/disposal of non-current assets | 1,697 | 2,181 | 0 | 0 | 0 | 0 | 3,878 | 0 |
| **At 31 March 2018** | **(23,341)** | **(22,357)** | **(29,202)** | **(3,590)** | **(128)** | **0** | **(78,617)** | **(4,152)** |
| | | | | | | | | |
| **Net Book Value** | | | | | | | | |
| **At 31 March 2018** | 239,904 | 15,499 | 111,245 | 14,718 | 4,889 | 47,716 | 433,970 | 74,281 |
| **At 31 March 2017** | 251,881 | 10,861 | 107,804 | 14,608 | 5,170 | 26,742 | 417,064 | 75,890 |
| | | | | | | | | |
| **Nature of asset owned at 31 March 2018** | | | | | | | | |
| Owned | 165,622 | 15,499 | 111,245 | 14,718 | 4,889 | 47,716 | 359,690 | 0 |
| Finance Lease | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| PFI | 74,281 | 0 | 0 | 0 | 0 | 0 | 74,281 | 74,281 |
| | **239,903** | **15,499** | **111,245** | **14,718** | **4,889** | **47,716** | **433,971** | **74,281** |

12c. The effective date of revaluation for non-current assets is 1st April of each financial year. An analysis of the Council's rolling programme of revaluations is set our below:

| | Land and Buildings £000 | Vehicles, Plant and Equipment | Infrastructure £000 | Community Assets £000 | Surplus Assets £000 | Assets Under Construction £000 | Total £000 |
|---|---|---|---|---|---|---|---|
| **Historical Cost** | **13,156** | **38,827** | **151,439** | **18,361** | **220** | **16,449** | **238,452** |
| Fair Value at year end: | | | | | | | **0** |
| 31 March 2015 | 20,027 | 0 | 0 | 0 | 0 | 0 | **20,027** |
| 31 March 2016 | 26,172 | 0 | 0 | 0 | 0 | 0 | **26,172** |
| 31 March 2017 | 53,097 | 0 | 0 | 0 | 0 | 0 | **53,097** |
| 31 March 2018 | 12,639 | 0 | 0 | 0 | 0 | 0 | **12,639** |
| 31 March 2019 | 170,241 | 0 | 0 | 0 | 0 | 0 | **170,241** |
| **Total Cost or Valuation** | **295,333** | **38,827** | **151,439** | **18,361** | **220** | **16,449** | **520,628** |

### 12d. Assets Held for Sale

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

## 13. Heritage Assets

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

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

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

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

| | Civic Regalia £000 | Art Collection £000 | Militaria £000 | Statues and Other Monuments £000 | Total Heritage Assets £000 |
|---|---|---|---|---|---|
| **Cost or Valuation** | | | | | |
| At 31 March 2018 | 578 | 9,507 | 1,475 | 911 | 12,471 |
| At 31 March 2019 | 578 | 9,507 | 1,475 | 911 | 12,471 |

### 14. Investment Properties

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

The following items of income and expense have been accounted for in the Comprehensive Income and Expenditure Statement.

| | 2018/19 £000 | 2017/18 £000 |
|---|---|---|
| Rental income from investment property | (625) | (1,888) |
| Direct operating expenses arising from investment property | 899 | 1,841 |
| Gains in fair value of investment property | (2,014) | (2,542) |
| Losses in the fair value of investment property | 1,351 | 770 |
| **Net position** | **(389)** | **(1,819)** |

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

| | 2018/19 £000 | 2017/18 £000 |
|---|---|---|
| **Balance at start of the year** | **30,700** | **29,534** |
| Additions | 32 | 50 |
| Movements in the fair value of investment property | 663 | 1,773 |
| Derecognition/disposal of non-current assets | (198) | (657) |
| Assets reclassified in year | 11 | 0 |
| **Balance at end of the year** | **31,207** | **30,700** |

### 15. Intangible Assets

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

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

| | 2018/19 £000 | 2017/18 £000 |
|---|---|---|
| Gross carrying amount | 1,963 | 1,963 |
| Accumulated amortisation | (1,930) | (1,930) |
| **Balance at start of the year** | **33** | **33** |
| In year amortisation | 0 | 0 |
| **Balance at end of the year** | **33** | **33** |

### 16. Capital Expenditure and Capital Financing

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

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

| | 2018/19 £000 | 2017/18 £000 |
|---|---|---|
| **Opening CFR plus PFI added in Year** | **285,138** | **292,789** |
| | | |
| Capital Investment | | |
| Property, Plant and Equipment | 37,501 | 47,872 |
| Investment Properties | 32 | 50 |
| Revenue Expenditure Funded from Capital under Statute | 2,733 | 3,464 |
| Other Long Term Investments | 11,278 | 0 |
| | | |
| Sources of Finance | | |
| Capital Receipts | 0 | (7,728) |
| Government Grants and Other Contributions | (11,778) | (13,073) |
| Capital expenditure charged against General Fund Balances | (36,561) | (30,808) |
| | | |
| Minimum Revenue Provision | (7,753) | (7,429) |
| **Closing CFR** | **280,590** | **285,138** |

Explanation of movements in year:

| | 2018/19 £000 | 2017/18 £000 |
|---|---|---|
| Change in Underlying Need to Borrow | (1,673) | (5,063) |
| Principal Element of Finance Lease Repayments | (4) | (4) |
| Principal Element of PFI Lease Repayments | (2,871) | (2,584) |
| **Increase / (decrease) in CFR** | **(4,548)** | **(7,651)** |

### 17. Capital Commitments

At the Balance Sheet date, the Council had two contractual commitments for the construction or enhancement of Property, Plant and Equipment in 2019/20 and future years which are shown below:

| | 31 March 2019 £000 |
|---|---|
| Tameside Wellness Centre | 10,584 |
| Vision Tameside | 791 |
| **Total** | **11,375** |

### 18. Long Term Debtors

*Long Term Debtors comprise amounts owed to the Council that are not investments and that are not expected to be realised within 12 months of the Balance Sheet date.*

| | 2018/19 £000 | 2017/18 £000 |
|---|---|---|
| Inspiredspaces Tameside (Holdings 1) Ltd | 1,765 | 1,796 |
| Inspiredspaces Tameside (Holdings 2) Ltd | 3,134 | 3,224 |
| Manchester Airport | 19,955 | 8,677 |
| Tameside Sports Trust | 3,074 | 3,751 |
| Other Long Term Debtors | 128 | 134 |
| **Total** | **28,056** | **17,581** |

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

Manchester Airport – The Council's share of loan debt relating to the construction of Terminal 2 and the Council's share of debt owing to the Greater Manchester Metropolitan Debt Administration Fund by the Airport. The Airport pays annual fixed interest of 12% on both and will repay the loans by 2055. During 2018/19, the Council entered into a shareholder loan with MAG, to the value of £11.3m which is reflected in the increased balance above. This loan will earn a return of 10% per annum.

Tameside Sports Trust – Loans to finance the purchase of equipment and the refurbishment of three leisure centres. The Trust reimburses the Council with the full cost of servicing this debt. This is due to be repaid by 2025.

### 19. Financial Instruments

*A Financial Instrument is defined as "any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another". Although this covers a wide range of items, the main implications are in terms of investments and borrowings.*

*As reflected in 'the Code', accounting standards on Financial Instruments IFRS9, IAS 32 and IFRS7 cover the concepts of recognition, measurement, presentation and disclosure. The adoption of IFRS9 in 2018/19 results in some changes to the treatment of financial assets that are classed as financial instruments.*

*A financial asset or liability should be recognised in the Balance Sheet when, and only when, the holder becomes a party to the contractual provision of the instrument.*

*Financial liabilities and assets are initially measured at fair value less transaction costs and carried at their amortised cost. Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable and willing parties in an arm's length transaction. Annual charges to the Comprehensive Income and Expenditure Statement for interest payable and receivable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For the borrowings and investments of the Council, this means that the amount included in the Balance Sheet is the outstanding principal repayable plus accrued interest to the end of the financial year. Interest charged to the Comprehensive Income and Expenditure Statement is the effective amount payable for the year in the loan agreement (which is not necessarily the cash amount payable).*

*When long term borrowing is reviewed for rescheduling opportunities, the early repayment results in gains and losses (discounts and premiums) which are credited or debited to the Comprehensive Income and Expenditure Statement. If the Council decides to write off these gains or losses on early repurchase/settlement then this can be done over ten years or over the life of the new loan or over a shorter more prudent time scale. The Comprehensive Income and Expenditure Statement is charged with one year related costs with the rest being taken to the Financial Instruments Adjustment Account in the Balance Sheet via the Movement in Reserves Statement. The accounting policy is to charge gains and losses to Net Operating Expenditure in the year of repurchase/settlement.*

- **Financial Instrument Balances**

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

| | 31 March 2019 | | 31 March 2018 | |
|---|---|---|---|---|
| | Long Term £000 | Current £000 | Long Term £000 | Current £000 |
| Financial Liabilities Principal Amount | 111,359 | 19,491 | 111,692 | 19,351 |
| Adjustment for Amortised Cost | 734 | 1,055 | 995 | 1,437 |
| Financial Liabilities at amortised cost | 112,093 | 20,546 | 112,687 | 20,788 |
| **Total Borrowing** | **112,093** | **20,546** | **112,687** | **20,788** |
| Loans and Receivables Principal Amount | 16,500 | 88,806 | 6,000 | 121,081 |
| Adjustment for amortised cost | 78 | 325 | 1 | 205 |
| Amounts treated as Cash Equivalents | 0 | (25,810) | 0 | (33,081) |
| Loans and Receivables at amortised cost | **16,578** | **63,321** | **6,001** | **88,206** |
| Other Investments | 43 | 0 | 8 | 0 |
| Available for Sale | | | | |
| Inspiredspaces Tameside (Holdings 1) Ltd | 0 | 0 | 852 | 0 |
| Inspiredspaces Tameside (Holdings 2) Ltd | 0 | 0 | 1,509 | 0 |
| Manchester Airport Group (MAG) | 0 | 0 | 51,900 | 0 |
| Fair Value through Other Comprehensive Income | | | | |
| Inspiredspaces Tameside (Holdings 1) Ltd | 722 | 0 | 0 | 0 |
| Inspiredspaces Tameside (Holdings 2) Ltd | 1,306 | 0 | 0 | 0 |
| Manchester Airport Group (MAG) | 52,700 | 0 | 0 | 0 |
| **Total Investments** | **71,349** | **63,321** | **60,270** | **88,206** |

There are material changes to the Fair Values disclosed in these notes, some based on the category of their initial valuation:

• Level 1 Inputs – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date.
• Level 2 Inputs – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
• Level 3 Inputs – unobservable inputs for the asset or liability.

Some of the authority's financial assets are measured in the balance sheet at fair value on a recurring basis and are described in the following table, including the valuation techniques used to measure them. There have been no transfers between valuation levels, additions, disposals or recognised gains or losses.

**Financial Assets Measured at Fair Value**

| Recurring fair value measurements | Input level | Valuation Technique | 31 March 2019 £'000 | 31 March 2018 £'000 |
|---|---|---|---|---|
| **Available for Sale** | | | | |
| Inspiredspaces Tameside (Holdings 1) Ltd | Level 3 | Discounted cash flow (see below) | 0 | 852 |
| Inspiredspaces Tameside (Holdings 2) Ltd | Level 3 | Discounted cash flow (see below) | 0 | 1,509 |
| Manchester Airport Group (MAG) | Level 2 | Market Value | 0 | 51,900 |
| **Fair Value through Other Comprehensive Income** | | | | |
| Inspiredspaces Tameside (Holdings 1) Ltd | Level 3 | Discounted cash flow (see below) | 722 | 0 |
| Inspiredspaces Tameside (Holdings 2) Ltd | Level 3 | Discounted cash flow (see below) | 1,306 | 0 |
| Manchester Airport Group (MAG) | Level 2 | Market Value | 52,700 | 0 |
| **Total** | | | **54,728** | **54,261** |

With the adoption of IFRS9 the 'Available for Sale Financial Asset' category is no longer available. The new standard requires that investments in equity are reclassified as fair value through profit and loss unless there is an irrevocable election to designate the asset as fair value through other comprehensive income. The Council has elected to reclassify its holdings in Inspiredspaces Tameside and Manchester Airport group to Fair Value Through Other Comprehensive Income. As a result of this any changes will have no impact on the revenue budget and any gains or losses in the value of the shareholding will be transferred to the Financial Instrument Revaluation Reserve.

Inspiredspaces Tameside (Holdings1) Ltd and Inspiredspaces Tameside (Holdings2) Ltd – The Council's external valuers have advised of a decrease of £0.333 m in the fair value of this shareholding during the accounting period. This change in fair value is recognised in the Financial Instruments Revaluation Reserve.

MAG – The Council's shareholding in Manchester Airport Group (MAG) remains at 3.22%. These shares are not traded and an external valuation is obtained on behalf of all Greater Manchester Authorities. This valuation uses an earnings based method, which takes into account the profitability of the company, assessing its historic earnings and arriving at a view of 'maintainable' or 'prospective' earnings. The valuers have advised of an increase of £0.8m in the fair value of the Council's shareholding during the accounting period from £51.9m at 31 March 2018 to £52.7m at 31 March 2019. In 2018/19 the Council received dividend income of £5.6m from this investment, which is included in Financing and Investment Income and Expenditure. The shareholding was transferred to the Council on the winding up of the Greater Manchester Council in 1986, and is held for strategic reasons rather than to trade. The income is also a key item in the Council's MTFP and as such the Council does not expect to dispose of this shareholding.

- **Fair Value of Financial Assets and Liabilities Carried at Amortised Cost**

Financial assets and liabilities represented by loans and receivables are carried on the Balance Sheet at amortised cost. Their fair value (level 2) can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

Where an instrument has a maturity of less than twelve months the fair value is taken to be the principal outstanding;

- The fair value of receivables is taken to be the invoiced or billed amount;

- Short term debtors and creditors are carried at cost.

The fair values for financial liabilities have been determined by reference to the PWLB redemption rules and prevailing PWLB redemption rates at the Balance Sheet date, and include accrued interest. The fair value of non-PWLB debt has also been calculated using the same procedures and interest rates. The fair values are as follows:

| | 31 March 2019 | | 31 March 2018 | |
|---|---|---|---|---|
| | Carrying Amount £000 | Fair Value £000 | Carrying Amount £000 | Fair Value £000 |
| PWLB Debt | 72,226 | 128,278 | 72,685 | 127,085 |
| Non PWLB Debt | 59,674 | 90,994 | 59,392 | 92,669 |
| | **131,901** | **219,272** | **132,076** | **219,755** |

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

However, the Council has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets. A supplementary measure of the additional interest that the authority will pay as a result of its PWLB commitments for fixed rate loans is to compare the terms of these loans with the new borrowing rates available from the PWLB. If a value is calculated on this basis, the carrying amount of £72.226m would be valued at £107.776m. But, if the authority were to seek to avoid the projected loss by repaying the loans to the PWLB, the PWLB would raise a penalty charge for early redemption in addition to charging a premium for the additional interest that will not now be paid. The exit price for the PWLB loans would include the penalty charge of £35.550m, principal of £71.692m and accrued interest of £0.534m, totalling £107.776m.

The Council's financial assets are as follows:

| | 31 March 2019 | | 31 March 2018 | |
|---|---|---|---|---|
| | Carrying Amount £000 | Fair Value £000 | Carrying Amount £000 | Fair Value £000 |
| Money Market Loans | | | | |
| Less Than 1 Year | 89,138 | 89,138 | 164,728 | 164,728 |
| Greater Than 1 Year | 16,578 | 16,578 | 0 | 0 |
| Long Term Debtors | 28,056 | 28,056 | 19,469 | 19,469 |
| **Total Loans and Receivables** | **133,771** | **133,771** | **184,197** | **184,197** |

- **Mark to Model Valuation for Financial Instruments**

As at 31 March the Council held £133.772m financial assets and £131.736m financial liabilities for which Level 2 valuations will apply. All the financial assets are with Money Market Funds, Local Authorities and Notice Accounts and are held at amortised cost. The financial liabilities are held with PWLB and Market lenders. All of these investments and borrowings were not quoted on an active market and a Level 1 valuation is not available. To provide a fair value which provides a comparison to the carrying amount, we have used a financial model valuation provided by Link Asset Services. This valuation applies the Net Present Value approach, which provides an estimate of the value of payments in the future in todays terms as at the balance sheet date. This is a widely accepted valuation technique commonly used by the private sector. Our accounting policy uses early repayment rates to discount the future cash flows.

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

**Key Risks**

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

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

**Overall Procedures for Managing Risk**

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

- By formally adopting the requirements of the Code of Practice;
- By the adoption of a Treasury Policy Statement and treasury management clauses within its constitution;

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

These are required to be reported and approved at or before the Council's annual budget setting meeting. These items are reported with the annual Treasury Management Strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported bi-annually to Members.

The 2018/19 Budget Report, which incorporates the prudential indicators, was approved by Council on 27 February 2018 and is available on the Council website. The key indicators were:

| Indicator | Limit | Outturn |
|---|---|---|
| Ratio of financing costs to net revenue stream | 0.05 | 0.05 |
| Capital financing requirement | £191,071,120.46 | £191,071,000.00 |
| Capital expenditure in year | £158,961,000.00 | £51,543,515.11 |
| Incremental impact on capital investment decisions | £15.68 | £0.00 |
| Authorised limit for external debt | £215,662,457.17 | £111,837,559.22 |
| Operational boundary for external debt | £195,662,457.17 | £111,837,559.22 |
| Upper limit for fixed interest rate exposure | £191,071,120.46 | £17,185,896.39 |
| Upper limit for variable interest rate exposure | £63,684,004.45 | (£75,155,437.04) |
| Upper limit for total principal sums invested for over 364 days | £30,000,000.00 | £16,500,000.00 |

These policies are implemented by the Treasury Management team. The Council maintains written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash through Treasury Management practices. These Treasury Management practices are a requirement of the Code and are reviewed periodically.

**Credit Risk**

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers.

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard and Poor Ratings Services. The Annual Investment Strategy also imposes a maximum amount and time limits in respect of each financial institution. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above. Additional selection criteria are also applied after this initial criterion is applied.

The Council applies the creditworthiness service provided by Link Asset Services. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard and Poor's. The credit ratings of counterparties are supplemented with the following overlays:

- Credit watches and credit outlooks from credit rating agencies;
- CDS spreads to give early warning of likely changes in credit ratings;
- Sovereign ratings to select counterparties from only the most creditworthy countries.

The full Investment Strategy for 2018/19 was approved by Full Council on 27 February 2018 and is available on the Council's website.
The Council's maximum exposure to credit risk in relation to its investments in banks and financial institutions of £35.800m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of recoverability applies to all of the Council's deposits, but there was no evidence at the Balance Sheet date that this was likely to crystallise.

The following analysis summarises the Council's potential maximum exposure to credit risk, based on experience of default, adjusted to reflect current market conditions.

| | Amount at 31 March 2019 £000 | Historical experience of default % | Adjustment for market conditions at 31 March 2019 % | Estimated maximum exposure to default £000 |
|---|---|---|---|---|
| | (a) | (b) | (c) | (a * c) |
| Deposits with banks and financial institutions (principal amount) | 35,800 | 0.04 | 0.04 | 15 |

No breaches of the Council's counterparty criteria occurred during the year and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits.

The Council does not generally allow credit for its trade debtors. At the Balance Sheet date a balance of £13.308m was outstanding and is analysed by age below:

| | 2018/19 £000 | 2017/18 £000 |
|---|---|---|
| Less than three months | 3,765 | 4,490 |
| Three to four months | 249 | 254 |
| More than four months | 9,295 | 7,469 |
| **Total** | **13,308** | **12,213** |

**Liquidity Risk**

The Council manages its liquidity position through the risk management procedures above, as well as through a comprehensive cash flow management system, as required by the Code. This seeks to ensure that cash is available when it is needed.

The Council has ready access to borrowings from the Money Markets to cover any day to day cash flow need, and the PWLB and Money Markets for access to longer term funds. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The maturity analysis of financial assets (principal amount) is as follows:

| | 2018/19 £000 | 2017/18 £000 |
|---|---|---|
| Less than one year | 88,806 | 121,081 |
| Greater than one year | 16,578 | 6,000 |
| **Total** | **105,384** | **127,081** |

**Refinancing and Maturity Risk**

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved prudential indicator limits for the maturity structure of debt and the limits placed on investments of greater than one year in duration are the key parameters used to address this risk.

The Council's approved Treasury Management and Investment Strategies address the main risks and the Treasury Management team address the operational risks within the approved parameters. These include:

- Monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- Monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of financial liabilities (principal amount) is as follows, with the maximum and minimum limits for fixed interest rates maturing in each period:

| | Approved maximum limits % | Approved minimum limits % | 31 March 2019 £000 | 31 March 2018 £000 |
|---|---|---|---|---|
| Less than one year | 15 | 0 | 19,491 | 19,351 |
| Between one and two years | 15 | 0 | 350 | 333 |
| Between two and five years | 30 | 0 | 4,983 | 1,941 |
| Between five and ten years | 40 | 0 | 3,550 | 6,943 |
| More than ten years | 100 | 50 | 102,475 | 102,475 |
| **Total** | | | **130,850** | **131,043** |

**Market Risk**

Interest rate risk - The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the CIES will rise;
- Borrowings at fixed rates – the fair value of the borrowing liability will fall (no impact on revenue balances);

- Investments at variable rates – the interest income credited to the CIES will rise;
- Investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances).

Borrowings are not carried at fair value on the Balance Sheet, so nominal gains and losses on fixed rate borrowings would not impact on the CIES. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the CIES and affect General Fund Balances, subject to influences from Government grants. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in the CIES.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Council's prudential indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a prudential indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposure. The Treasury Management team will monitor the market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns, similarly the drawing of longer term fixed rate borrowing would be postponed.

If all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

| | 31 March 2019 £000 | 31 March 2018 £000 |
|---|---|---|
| Decrease in the fair value of fixed rate borrowings liabilities (no impact on CIES) | 36,961 | 37,505 |

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed. These assumptions are based on the same methodology as used in Note 19 – Fair value of Financial Assets and Liabilities Carried at Amortised Cost. If using new borrowing rates rather than redemption rates, the equivalent change in fair value would be £31.947m.

Price Risk - The Council, excluding the Greater Manchester Pension Fund, does not generally invest in equity shares but does in common with all Greater Manchester Districts have a 3.22% shareholding in Manchester Airports Group (except Manchester City Council which holds 35.5%). The shares are shown in the Balance Sheet at an estimated fair value of £52.7m. Whilst this holding is generally illiquid, the Council is exposed to losses arising from movements in the price of the shares.

As the shareholding has arisen from the acquisition of a specific interest, the Council is not in a position to limit its exposure to price movements by diversifying its portfolio. Instead the Council monitors factors that might cause a fall in the value of its shareholding.

Foreign Exchange Risk - The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

CURRENT ASSETS

### 21. Inventories

*Materials or supplies that will be consumed in producing goods or providing services or will be sold or distributed as part of the Council's ordinary business. Inventories are valued at the lower of cost and net realisable value.*

| | 2018/19 £000 | 2017/18 £000 |
|---|---|---|
| Balance outstanding at start of year | 425 | 484 |
| Purchases | 1,313 | 1,310 |
| Recognised as an expense in the year | (1,165) | (1,369) |
| Balance outstanding at year end | **572** | **425** |

### 22. Short Term Debtors

*Short Term Debtors comprise amounts due to the Council that are not investments and that have not been received at the Balance Sheet date.*

*The Council maintains an allowance for bad or doubtful debts for any potential non-payment of debtors. Assessment is made based on the risk of the debtors' ability to pay future cash flows due under the contractual terms. This risk is estimated based on historical loss experience, credit rating for a debtor and other impacting factors. The allowance for bad or doubtful debts is offset against the debtor amount shown, the movement in the allowance is charged against the relevant service line in the CIES.*

| | 2018/19 £000 | 2017/18 £000 |
|---|---|---|
| Central Government Bodies | 4,960 | 5,673 |
| NHS Bodies | 59 | 459 |
| Other Local Authorities | 182 | 277 |
| Other Entities and Individuals | 56,771 | 52,700 |
| Public Corporations and Trading Funds | 0 | (51) |
| Allowance for Bad or Doubtful Debts | (15,685) | (14,715) |
| | **46,287** | **44,343** |
| Capital Debtors | 713 | 464 |
| Payments In Advance | 2,661 | 2,646 |
| Transferred Services | 32 | 32 |
| **Total** | **49,693** | **47,485** |

### 23. Cash and Cash Equivalents

*Cash and Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. The Council has deemed that deposits held within money market funds are categorised as cash equivalents.*

| | 2018/19 £000 | 2017/18 £000 |
|---|---|---|
| Cash held by the Council | 21 | 22 |
| Short Term Investments | 25,810 | 33,080 |
| Bank Current Accounts | 10,645 | 7,156 |
| Bank Overdraft | 0 | 0 |
| **Total** | **36,476** | **40,258** |

CURRENT LIABILITIES

### 24. Short Term Creditors

*Short Term Creditors comprise amounts owed by the Council for work done, goods received or services rendered, for which payment has not been received at the Balance Sheet date.*

| | 2018/19 £000 | 2017/18 £000 |
|---|---|---|
| Central Government Bodies | (6,525) | (4,613) |
| NHS Bodies | (136) | (592) |
| Other Local Authorities | (436) | (279) |
| Other Entities and Individuals | (27,639) | (23,918) |
| Public Corporations and Trading Funds | (475) | (670) |
| **Total** | **(35,211)** | **(30,072)** |
| Capital Creditors | (821) | (4,922) |
| Deposits and Receipts in Advance | (4,227) | (1,268) |
| Short Term Accumulating Compensated Absences | (3,220) | (3,977) |
| **Total** | **(43,479)** | **(40,239)** |

### 25. Other Long Term and Short Term Liabilities

*Other Long Term and Short Term Liabilities comprise amounts due to individuals or organisations which will have to be paid at some time in the future. Long term liabilities are usually payable more than one year from the Balance Sheet date.*

| | Note | Long Term £000 | Short Term £000 | Total £000 |
|---|---|---|---|---|
| **2018/19** | | | | |
| Pension Liability | 30 | (345,134) | 0 | (345,134) |
| PFI | 28 | (99,564) | (2,745) | (102,309) |
| Finance Leases | 27 | (2,605) | (5) | (2,609) |
| Former Transferred Debt | | (3,263) | 0 | (3,263) |
| Donated Assets | | (10,658) | 0 | (10,658) |
| Rent Deposit on Leased Buildings | | (37) | 0 | (37) |
| **Total** | | **(461,260)** | **(2,750)** | **(464,010)** |
| **2017/18** | | | | |
| Pension Liability | 30 | (258,092) | 0 | (258,092) |
| PFI | 28 | (102,309) | (2,872) | (105,181) |
| Finance Leases | 27 | (2,613) | 0 | (2,614) |
| Former Transferred Debt | | (4,247) | 0 | (4,247) |
| Donated Assets | | (10,658) | 0 | (10,658) |
| Rent Deposit on Leased Buildings | | (37) | 0 | (37) |
| **Total** | | **(377,956)** | **(2,872)** | **(380,829)** |

**Former Transferred Debt –** The debt associated with the non-current assets of the former Greater Manchester and Lancashire County Councils, passed to the successor authorities with debt administration being managed by the Council. Further information can be found on pages 140-144.

**Donated Assets –** Assets donated to the Council with conditions attached are recognised until any conditions cease.

## 26. Provisions

*Provision has been made in the Balance Sheet for liabilities that have been incurred by the Council, but where the amounts or dates on which they will arise are uncertain.*

*Provisions are required to be recognised when the Council has a present obligation, as a result of a past event, where it is probable that an outflow of resources embodying economic benefit or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When expenditure is incurred to which the provision relates, it is charged directly against the provision in the Balance Sheet and not against the CIES.*

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

The provision for Business Rate Appeals is required for forecast losses on business rates as a result of appeals.

An additional provision was created in 2017/18 for future liabilities arising from changes to legislation in respect of pay. This provision has been reviewed in year and the probability is now considered to be low. This provision has therefore been unwound to the Medium Term Financial Strategy reserve.

The Insurance fund mainly covers the third party and employer's liability claims that are settled for amounts less than the excess on the policy for that year. External insurers continue to cover claims for amounts above the excess. The level of insurance provision and reserve is based on an assessment undertaken by an independent external insurance actuary.

## 27. Leases

*The Council recognises a lease to be any agreement which transfers the right to use an asset for an agreed period in exchange for payment, or a series of payments. This includes; leases, hire purchase, rental, contracts of service, service level agreements and any other arrangement where the ability to use an asset is conveyed.*

**Finance Leases**

*A finance lease is where substantially all of the risks and rewards relating to ownership transfer to the lessee. Tests to give an indication of the transfer of risk and reward are:*

- *If the lessee will gain ownership of the asset at the end of the lease term (e.g. hire purchase)*

- *If the lessee has an option to purchase the asset at a sufficiently favourable price that it is reasonably certain, at the inception of the lease, that it will be exercised*
- *If the lease term is for the major part of the economic life of the asset even if the title is not transferred. Measures to identify this are:*

*• The economic life of the asset is deemed to be that which is consistent with the class of asset in the depreciation policy.*

*• The Council recognises 'major part' to be 75% of the life of the asset, unless on an individual case basis this would not give a true representation of the substance of the transaction.*

- *At the inception of the lease, the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset. Measures to identify this are:*

*• Fair value of the leased asset is assessed by a RICS qualified valuer.*

*• The present value of the minimum lease payments is calculated by discounting at the rate inherent in the lease.*

*• If this rate cannot be determined the incremental borrowing rate applicable for that year is used.*

*• The Council recognises 'substantially all' to be 75% of the value of the asset, unless on an individual case basis this would not give a true representation of the substance of the transaction.*

- *The leased assets are of such a specialised nature that only the lessee can use them without major modifications.*
- *If the lessee cancels the lease, the losses of the lessor, associated with the cancellation are borne by the lessee.*
- *Gains or losses from the fluctuation in the fair value of the residual accrue to the lessee (e.g. in the form of a rent rebate equalling most of the sales proceeds at the end of the lease).*
- *The lessee has the ability to continue the lease for a secondary period at a rent that is substantially lower than market rent.*

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

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

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

The Council had three assets under finance leases in the year. The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

| | 2018/19 £000 | 2017/18 £000 |
|---|---|---|
| Other Land and Buildings | 0 | 2 |
| **Total** | **0** | **2** |

The Council is committed to making minimum payments under these leases comprising settlement of the long term liability for the interest in the property acquired by the Council, and finance costs that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

| | 2018/19 £000 | 2017/18 £000 |
|---|---|---|
| Finance lease liabilities (net present value of minimum lease payments): | | |
| - current | (5) | (4) |
| - non-current | (2,605) | (2,609) |
| Finance costs payable in future years | (15,834) | (16,053) |
| **Minimum lease payments** | **(18,444)** | **(18,666)** |

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

| | Minimum Lease Payments 2018/19 £000 | Finance Lease Liabilities 2018/19 £000 | Minimum Lease Payments 2017/18 £000 | Finance Lease Liabilities 2017/18 £000 |
|---|---|---|---|---|
| Not later than one year | (223) | (5) | (223) | (4) |
| Later than one year and not later than five years | (892) | (23) | (892) | (21) |
| Later than five years | (17,329) | (2,582) | (17,552) | (2,588) |
| | **(18,444)** | **(2,610)** | **(18,667)** | **(2,613)** |

**Operating Leases**

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

The Council had nine assets under operating leases in the year, with typical lives of 1-5 years. The future minimum lease payments due under non-cancellable leases in future years are:

| | 2018/19 £000 | 2017/18 £000 |
|---|---|---|
| Not later than one year | 2 | 4 |
| Later than one year and not later than five years | 4 | 4 |
| | **6** | **8** |

The expenditure charged to Cost of Services in the CIES during the year in relation to these leases was:

| | 2018/19 £000 | 2017/18 £000 |
|---|---|---|
| Minimum lease payments | 11 | 12 |

**Council as Lessor**

During the year the Council continued to lease land and buildings by means of operating leases. The future minimum lease payments due under non-cancellable leases in future years are:

| | 2018/19 £000 | 2017/18 £000 |
|---|---|---|
| Not later than one year | 947 | 950 |
| Later than one year and not later than five years | 3,432 | 3,488 |
| Later than five years | 63,714 | 63,309 |
| | **68,093** | **67,747** |

### 28. Service Concession Agreements (Private Finance Initiatives (PFI) and Similar Contracts)

*PFI and similar schemes are accounted for in a manner that is consistent with the adaptation of IFRIC 12 Service Concession Arrangements. They are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. PFI and similar contracts are assessed to determine whether the risks and rewards incidental to ownership lie with the Council or the contractor.*

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

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

*PFI credits are treated as revenue grants and included in Cost of Services within the CIES.*

**General**

The Council has entered into three PFI contracts to construct, finance, maintain and operate various schools across the Borough. These contracts are:

- Hattersley Schools PFI Project;
- Inspiredspaces Tameside (Project Co 1) Ltd;
- Inspiredspaces Tameside (Project Co 2) Ltd.

## Hattersley Schools PFI Project

The Council entered into a 30 year PFI contract on 19 June 2002 to deliver new schools and facilities management services for Arundale Primary and Nursery School, Pinfold Primary School and Alder Community High School. Services commenced at the primary schools on 9 September 2002 and at the high school in April 2003.

The Council pays an annual unitary charge for the provision of accommodation and facilities management at the schools of £2.548m in 1 April 2001 prices. 44% of the unitary charge is subject to inflation at RPI which mirrors the proportion of cost base that is variable, i.e. operational costs, versus the proportion that is fixed, i.e. relating to funding / capital costs.

The Council has set up an interest bearing equalisation reserve effective for the period of the contract, to ensure that future estimated unitary charge payments are provided for over the remaining term of the contract. The affordability of future unitary charge payments will be assessed on an annual basis.

The Council does not hold an equity share in this contract.

## Inspiredspaces Tameside (Project Co 1) Ltd – Mossley Hollins & St Damians PFI Contract

The Council entered into a 25 year Building Schools for the Future (BSF) PFI agreement to deliver new schools and facilities management services for Mossley Hollins and St Damians High Schools on 4 February 2009. Services commenced at Mossley Hollins in February 2011 and St Damians in April 2011.
The Council pays an annual unitary charge for the provision of accommodation and facilities management at the schools of £5.405m in 1 April 2008 prices. 40% of the unitary charge is subject to inflation at RPIx which mirrors the proportion of cost base that is variable, i.e. operational costs, versus the proportion that is fixed, i.e. relating to funding / capital costs.

The Council has a 46% equity share in this contract.

## Inspiredspaces Tameside (Project Co 2) Ltd – Five School PFI Contract

A second 25 year BSF PFI contract was signed in April 2010, to deliver new facilities and services for Hyde Community College, Thomas Ashton School, Denton Community College, White Bridge College and Elmbridge School. The first school, White Bridge College, was completed and services commenced in September 2011, with the remaining four being completed with services commencing in January 2012.

The Council pays an annual unitary charge for the provision of accommodation and facilities management at the schools of £9.409m in 1 April 2010 prices. 27% of the unitary charge is subject to inflation at RPIx which mirrors the proportion of cost base that is variable, i.e. operational costs, versus the proportion that is fixed, i.e. relating to funding / capital costs.

The Council has a 46% equity share in this contract.

## Affordability

The affordability of the PFI contracts was tested on the basis of predetermined, sensitivities of projected budgets, inflation and interest rates as determined by HM Treasury, prior to the contracts being agreed by the Government.

The cost of the unitary charge is met by pre-agreed payments as follows:

- An annual PFI grant from the Government;

- Pre agreed capital contributions;
- Annual contributions from the schools from the Dedicated Schools Grant;
- Contributions from individual school budgets;
- Accumulation of interest, equity returns and directors fees.

However, there have been significant changes in the way that the Department for Education allocate revenue funding to schools in recent years, meaning that more and more funding is allocated to schools through a formula and there is less opportunity to provide support for individual schools. Inflation and interest rates have also been significantly different from that projected.

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

| | Pyramid Schools (Tameside) Limited £000 | Inspiredspaces Tameside (Hold Co 1) Ltd £000 | Inspiredspaces Tameside (Hold Co 2) Ltd £000 | Total £000 |
|---|---|---|---|---|
| **Cost or Valuation** | | | | |
| 1st April 2018 | 16,589 | 22,638 | 39,207 | 78,434 |
| * Adjustment to correct opening balance | (234) | 1 | (2) | (235) |
| Revised 1 April 2018 | 16,355 | 22,639 | 39,205 | 78,199 |
| Additions | 0 | 0 | 0 | 0 |
| Revaluation losses | 0 | 0 | 0 | 0 |
| **At 31 March 2019** | **16,355** | **22,639** | **39,205** | **78,199** |
| **Accumulated Depreciation and Impairment** | | | | |
| At 1st April 2018 | (690) | (1,209) | (2,254) | (4,153) |
| * Adjustment to correct opening balance | 40 | (29) | 370 | 381 |
| Revised 1 April 2018 | (650) | (1,238) | (1,885) | (3,772) |
| Depreciation charge | (353) | (453) | (784) | (1,590) |
| Revaluation losses | 0 | 0 | 0 | 0 |
| **At 31 March 2019** | **(1,003)** | **(1,690)** | **(2,669)** | **(5,362)** |
| **Net Book Value** | | | | |
| **At 31 March 2019** | 15,352 | 20,948 | 36,536 | **72,837** |
| **Adjusted1 April 2018** | 15,705 | 21,401 | 37,320 | **74,427** |
| **At 31 March 2018** | 15,899 | 21,429 | 36,953 | **74,281** |

Details of the comparative movements in PFI assets are below:

| | Pyramid Schools (Tameside) Limited £000 | Inspiredspaces Tameside (Hold Co 1) Ltd £000 | Inspiredspaces Tameside (Hold Co 2) Ltd £000 | Total £000 |
|---|---|---|---|---|
| **Cost or Valuation** | | | | |
| At 1 April 2017 | 16,536 | 22,638 | 39,477 | 78,650 |
| Additions | 53 | 0 | 0 | 53 |
| Revaluation losses recognised in the Revaluation Reserve | 0 | 0 | (270) | (270) |
| Assets reclassified in year | | | | |
| **Accumulated Depreciation and Impairment** | | | | |
| At 1 April 2017 | (338) | (770) | (1,652) | (2,760) |
| Depreciation charge | (351) | (438) | (1,185) | (1,975) |
| Revaluation losses recognised in the Revaluation Reserve | 0 | 0 | 583 | 583 |
| **At 31 March 2018** | **(690)** | **(1,209)** | **(2,254)** | **(4,153)** |
| **Net Book Value** | | | | |
| **At 31 March 2018** | **15,899** | **21,429** | **36,953** | **74,281** |
| **At 31 March 2017** | **16,198** | **21,868** | **37,825** | **75,890** |

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

| | Pyramid Schools (Tameside) Limited £000 | Inspiredspaces Tameside (Hold Co 1) Ltd £000 | Inspiredspaces Tameside (Hold Co 2) Ltd £000 | Total £000 |
|---|---|---|---|---|
| Liability outstanding at 1 April 2018 | (12,538) | (34,052) | (58,590) | (105,181) |
| Payments made During the year | 511 | 908 | 1,452 | 2,871 |
| **Liability outstanding at 31 March 2019** | **(12,027)** | **(33,144)** | **(57,138)** | **(102,310)** |
| Short term Finance Lease liability (2019-20) | (337) | (814) | (1,594) | (2,745) |
| Long term finance lease liability (Future Years) | (11,690) | (32,331) | (55,544) | (99,565) |
| | **(12,027)** | **(33,144)** | **(57,138)** | **(102,310)** |

Details of comparative movements in PFI liabilities are below:

| | Pyramid Schools (Tameside) Limited £000 | Inspiredspaces Tameside (Hold Co 1) Ltd £000 | Inspiredspaces Tameside (Hold Co 2) Ltd £000 | Total £000 |
|---|---|---|---|---|
| Liability outstanding at 1 April 2017 | (12,997) | (34,901) | (59,867) | (110,196) |
| Payments made During the year | 459 | 849 | 1,277 | 2,431 |
| **Liability outstanding at 31 March 2018** | **(12,538)** | **(34,052)** | **(58,590)** | **(107,765)** |
| Short term Finance Lease liability (2018-19) | (511) | (908) | (1,452) | (2,584) |
| Long term finance lease liability (Future Years) | (12,027) | (33,144) | (57,138) | (105,181) |
| | **(12,538)** | **(34,052)** | **(58,590)** | **(107,765)** |

The fair value of the Council's PFI liabilities can be calculated based on the prevailing PWLB new loan rates, making this a level 2 fair value calculation. The following table shows the fair value of these liabilities:

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

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

| | Payments | | | | | | Contract |
|---|---|---|---|---|---|---|---|
| | Liability | Finance | Contingent | Service | Total | Indexation | Expiry |
| **Pyramid Schools (Tameside)** | | | | | | | |
| Payments within 1 year | 337 | 1,290 | 468 | 1,530 | 3,624 | RPI | 2033 |
| Payments within 2 to 5 years | 1,777 | 4,777 | 2,194 | 6,415 | 15,163 | | |
| Payments within 6 to 10 years | 4,652 | 4,414 | 3,852 | 7,256 | 20,175 | | |
| Payments within 11 to 15 years | 5,261 | 1,472 | 3,540 | 6,681 | 16,954 | | |
| | **12,027** | **11,953** | **10,053** | **21,882** | **55,916** | | |
| **Inspiredspaces Tameside** | | | | | | | |
| Payments within 1 year | 814 | 2,991 | 605 | 2,327 | 6,738 | RPIX | 2036 |
| Payments within 2 to 5 years | 4,607 | 11,140 | 3,078 | 9,207 | 28,032 | | |
| Payments within 6 to 10 years | 8,267 | 11,153 | 5,147 | 13,598 | 38,165 | | |
| Payments within 11 to 15 years | 10,993 | 7,015 | 6,357 | 18,366 | 42,730 | | |
| Payments within 16 to 20 years | 8,464 | 1,033 | 4,044 | 8,264 | 21,804 | | |
| | **33,144** | **33,332** | **19,231** | **51,762** | **137,469** | | |
| **Inspiredspaces Tameside (ProjectCo2) Limited** | | | | | | | |
| Payments within 1 year | 1,594 | 5,675 | 611 | 2,798 | 10,678 | RPIX | 2038 |
| Payments within 2 to 5 years | 6,684 | 21,167 | 2,979 | 13,607 | 44,437 | | |
| Payments within 6 to 10 years | 12,680 | 21,793 | 5,208 | 19,626 | 59,308 | | |
| Payments within 11 to 15 years | 17,619 | 14,770 | 6,718 | 25,801 | 64,907 | | |
| Payments within 16 to 20 years | 18,561 | 4,181 | 5,927 | 18,383 | 47,053 | | |
| | **57,138** | **67,586** | **21,443** | **80,214** | **226,382** | | |

## 29. Pension Schemes Accounted for as Defined Contribution Schemes

*<u>Pensions Costs</u>*
*Employees of the Council are members of three separate pension schemes:*

***Teachers' Pension Scheme*** *is a defined benefit scheme administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE). The assets and liabilities of the Teachers' Pension Scheme are not attributable to the Council, therefore the Council accounts for the scheme as if it were a defined contribution scheme. This means that the Children and Education Services line in the CIES will include the Council's contributions payable to the scheme.*

***NHS Pension Scheme*** *is a defined benefit scheme administered by EA Finance NHS Pensions. The assets and liabilities of the NHS Pension Scheme are not attributable to the Council, therefore the Council accounts for the scheme as if it were a defined contribution scheme. This means that the Public Health Services line in the CIES will include the Council's contributions payable to the scheme.*

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

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

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

*Service cost comprising:*

***Current service cost*** *– the increase in liabilities as a result of years of service earned this year – allocated in the CIES to the services for which the employees worked.*

***Past service cost*** *– the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years will be debited to the Surplus or Deficit on the Provision of Services in the CIES.*

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

*Re-measurement comprising:*

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

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

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

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

Teachers' Pension Scheme

In 2018/19 the Council paid £7.100m to the Teachers' Pension Agency in respect of the employers' contribution rate for teacher's pensions (£7.316m in 2017/18). These contributions are based on a national rate of 16.48% throughout the financial year.

In addition, the Council is responsible for all pension payments relating to added years that it has awarded (plus annual related increases). The Council is also responsible for apportioned pension costs for supported early retirements (teachers taking early retirement between the ages of 50 to 60), together with the related increases. In 2018/19 these costs amounted to £1.748m (£1.789m in 2017/18). All the above figures exclude teachers' pay and pension contributions for the academies that have retained responsibility for their own payrolls.

The Council is responsible for any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in Note 30.

NHS Staff Pension Scheme

In 2018/19, the Council paid £0.035m (£0.049m in 2017/18) to the NHS Pension Scheme in respect of former NHS staff retirement benefits. These contributions are based on a national rate of 14.3% throughout the financial year.

The Council is responsible for the costs awarded upon early retirement outside the terms of the NHS scheme; however no such additional benefits have been awarded in 2018/19.

## 30. Defined Benefit Pension Schemes

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

All employees (except those mentioned in Note 29) are, unless they have opted out, members of The Greater Manchester Pension Fund which is administered by the Council and operates in accordance with the rules of the Local Government Pension Scheme. This is a funded scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

In 2018/19 the Council paid an employer's contribution of £15.407m (£14.811m in 2017/18) into the Fund representing 19.8% (19.8% in 2017/18) of pensionable pay. The Council also paid £1.446m in 2018/19 (£1.452m in 2017/18) for pension payments relating to added years that it has awarded, together with related increases for these representing 1.9% (1.9% in 2017/18) of pensionable pay.

The following transactions have been made in the CIES and General Fund Balances via the MiRS during the year:

Transactions Relating to Post-employment Benefits

The cost of retirement benefits is recognised in the reported Cost of Services when they are earned by the employees rather than when they are eventually paid as pensions. However, the charge made against Council Tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of General Fund Balances through the MiRS. The following transactions have been made in the CIES and General Fund Balances through the MiRS during the year:

| | 2018/19 £000 | 2017/18 £000 |
|---|---|---|
| **Service Cost** | | |
| - Current service costs | 30,225 | 30,099 |
| - Past service costs (including curtailments) | 341 | 191 |
| Total Service Cost | 30,566 | 30,290 |
| | | |
| **Financing and Investment Income and Expenditure** | | |
| - Interest income on scheme assets | (25,226) | (23,098) |
| - Interest cost on defined benefit obligation | 32,557 | 31,110 |
| Total Net Interest | 7,331 | 8,012 |
| | | |
| **Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services** | **37,897** | **38,302** |
| Remeasurements of the Net Defined Liability | | |
| - Return on plan assets excluding amounts included in net interest | (44,257) | (5,144) |
| - Actuarial losses arising from changes in financial assumptions | 97,267 | (22,133) |
| - Actuarial losses arising from changes in demographic assumptions | 0 | 0 |
| - Other experience | 448 | (1,314) |
| **Total Remeasurements Recognised in Other Comprehensive Income and Expenditure** | **53,458** | **(28,591)** |
| | | |
| **Total Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement** | **91,355** | **9,711** |
| Movement in Reserves Statement | | |
| - Reversal of net charges made to the surplus or deficit on provision of services | (37,897) | (38,302) |
| - Employers' Contribution payable to the scheme | 18,563 | 18,009 |

**a. Pensions Assets and Liabilities Recognised in the Balance Sheet**

The amount included in the Balance Sheet arising from the Council's obligation in respect of its defined benefit scheme is as follows:

| | 2018/19<br>£000 | 2017/18<br>£000 |
|---|---|---|
| Fair value of emloyers assets | 992,523 | 947,811 |
| Present value of funded liabilities | (1,294,569) | (1,161,809) |
| Present value of unfunded liabilities | (43,097) | (44,094) |
| **Net liability arising from Defined Benefit obligation** | **(345,143)** | **(258,092)** |

Reconciliation of the Movements in Fair Value of Scheme Assets:

| | 2018/19<br>£000 | 2017/18<br>£000 |
|---|---|---|
| Opening fair value of scheme assets | **947,811** | **901,572** |
| Interest income | 25,226 | 23,098 |
| Remeasurement gain | 0 | |
| - Return on plan assets excluding amounts included in net interest | 44,257 | 5,144 |
| Contributions from employer | 4,307 | 46,521 |
| Contributions from employees into the scheme | 4,987 | 4,801 |
| Benefits paid | (34,062) | (33,325) |
| **Closing fair value of scheme assets** | **992,526** | **947,811** |

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

| | 2018/19<br>£000 | 2017/18<br>£000 |
|---|---|---|
| **Opening fair value of scheme liabilities** | **(1,205,903)** | **(1,196,474)** |
| Current service cost | (30,225) | (30,099) |
| Interest cost | (32,557) | (31,110) |
| Contributions from scheme participants | (4,987) | (4,801) |
| Remeasurement gain | 0 | |
| - Actuarial losses arising from changes in financial assumptions | (97,267) | 22,133 |
| - Actuarial losses arising from changes in demographic assumptions | 0 | 0 |
| - Other experience | (448) | 1,314 |
| Past service cost | (341) | (191) |
| Benefits paid | 34,062 | 33,325 |
| **Closing fair value of scheme liabilities** | **(1,337,666)** | **(1,205,903)** |

Fair Value of Employer Assets:

| Asset Category | 31 March 2019 | | | | 31 March 2018 | | | |
|---|---|---|---|---|---|---|---|---|
| | Quoted Prices in Active Markets £000 | Prices Not Quoted in Active Markets £000 | Total £000 | % | Quoted Prices in Active Markets £000 | Prices Not Quoted in Active Markets £000 | Total £000 | % |
| **Equity Securities:** | | | | | | | | |
| Consumer | 54,821 | 0 | 54,821 | 6% | 54,083 | 0 | 54,083 | 6% |
| Manufacturing | 57,357 | 0 | 57,357 | 6% | 64,881 | 0 | 64,881 | 7% |
| Energy and Utilities | 55,776 | 0 | 55,776 | 6% | 51,374 | 0 | 51,374 | 5% |
| Financial Institutes | 78,548 | 0 | 78,548 | 8% | 78,063 | 0 | 78,063 | 8% |
| Health and Care | 29,308 | 0 | 29,308 | 3% | 24,225 | 0 | 24,225 | 3% |
| Information Technolo | 17,720 | 0 | 17,720 | 2% | 15,192 | 0 | 15,192 | 2% |
| Other | 10,875 | 0 | 10,875 | 1% | 9,271 | 0 | 9,271 | 1% |
| **Debt Securities:** | | | | | | | | |
| Corporate Bonds (investment grade) | 37,124 | 0 | 37,124 | 4% | 35,133 | 0 | 35,133 | 4% |
| Corporate Bonds (non-investment grade) | 0 | 0 | 0 | 0% | 0 | 0 | 0 | 0% |
| UK Government | 6,536 | 0 | 6,536 | 1% | 8,213 | 0 | 8,213 | 1% |
| Other | 25,174 | 0 | 25,174 | 3% | 26,375 | 0 | 26,375 | 3% |
| **Private Equity:** | | | | | | | | |
| All | 0 | 46,483 | 46,483 | 5% | 0 | 31,717 | 31,717 | 3% |
| **Real Estate:** | | | | | | | | |
| UK Property | 0 | 47,142 | 47,142 | 5% | 0 | 32,450 | 32,450 | 3% |
| **Investment funds and Unit Trusts:** | | | | | | | | |
| Equities | 224,369 | 0 | 224,369 | 23% | 256,470 | 0 | 256,470 | 27% |
| Bonds | 123,461 | 0 | 123,461 | 12% | 122,894 | 0 | 122,894 | 13% |
| Infrastructure | 0 | 47,583 | 47,583 | 5% | 0 | 24,540 | 24,540 | 3% |
| Other | 19,341 | 85,611 | 104,952 | 10% | 24,960 | 53,302 | 78,262 | 8% |
| **Derivatives:** | | | | | | | | |
| Other | 503 | 0 | 503 | 0% | 0 | 0 | 0 | 0% |
| **Cash and Cash Equivalents:** | | | | | | | | |
| All | 24,791 | 0 | 24,791 | 2% | 34,668 | 0 | 34,668 | 4% |
| Totals | 765,704 | 226,819 | 992,523 | 100% | 805,801 | 142,010 | 947,811 | 100% |

### b. Basis for Estimating Assets and Liabilities

The Council's liabilities in respect of the Greater Manchester Pension Fund have been assessed under IAS19 (Employee Benefits) by Hymans Robertson, an independent firm of actuaries, using the projected unit credit method. The liabilities have been estimated based on the results of the Fund's 31 March 2016 actuarial valuation.

The significant assumptions used by the actuary in his assessment are as follows:

| | 2018/19 | 2017/18 |
|---|---|---|
| Mortality assumptions * | | |
| Longevity at 65 for current pensioners: | | |
| Men | 21.5 years | 21.5 years |
| Women | 24.1 years | 24.1 years |
| Longevity at 65 for future pensioners: | | |
| Men | 23.7 years | 23.7 years |
| Women | 26.2 years | 26.2 years |
| Rate of inflation | 1.90% | 2.40% |
| Rate of increase in salaries | 2.60% | 2.50% |
| Rate of increase in pensions | 2.50% | 2.40% |
| Rate for discounting scheme liabilities | 2.40% | 2.70% |

* The mortality assumptions included in the table above are measured using VitaCurves, which is a method of measuring mortality to specifically fit the membership profile of the Fund.

An allowance is included for future retirements to elect to take 55% of the maximum additional tax free cash up to the HRMC limits for pre-April 2008 service and 80% of the maximum tax-free cash for post-April 2008 service.

### c. Sensitivity Analysis

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out above. The sensitivity analysis below has been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes, while all the other assumptions remain constant.

The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below are consistent with that adopted in the previous year.

| Change in Assumptions at 31 March 2019 | Approximate % change to Employer Liability | Approximate Monetary Amount £000 |
|---|---|---|
| 0.5% decrease in Real Discount Rate | 10% | 134,342 |
| 0.5% increase in the Salary Increase Rate | 1% | 16,971 |
| 0.5% increase in the Pension Increase Rate | 9% | 115,347 |

### d. Impact on the Council's Cash Flows

As the Administering Authority of Greater Manchester Pension Fund (the Fund), the Council has prepared a Funding Strategy Statement (FSS) which sets out the funding objectives for the Fund.

The main valuation objectives within the FSS are to hold sufficient assets to meet the cost of members' accrued pension benefits on the target funding basis and to set employer contribution rates which ensure the long term solvency and cost efficiency of the Fund.

The most recent actuarial of the Fund was as at 31 March 2016 which revealed that the Fund's assets, which were valued at £17,325 million, were sufficient to meet 93% of the liabilities (i.e. present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2016 valuation was £1,371 million.

Each employer had contribution requirements set at the valuation, with the aim of achieving full funding within a time horizon and probability measure as per the FSS.

The 31 March 2019 valuation is currently in process and will be completed by 31 March 2020. The FSS is being reviewed as part of this process.

The Council made an advance payment of three years' employer's contributions totalling £42.768m commencing in the financial year 2017/18. Further details behind this can be found in the report sent to the Executive Cabinet on 8 February 2017. The weighted average duration of the defined benefit obligation for scheme members is 17.1 years.

The Council's share of pension fund assets is rolled forward, by the actuary, from the latest formal valuation date. The roll forward amount is then adjusted for investment returns, the effective contributions paid into and estimated benefits paid from the fund by the Council and its employees. As such this estimate may differ from the actual assets held by the Pension Fund at 31 March.

## CASH FLOW STATEMENT NOTES

### 31. Operating Activities

The cash flows for operating activities include the following items:

| a) Adjust net surplus or deficit on the provision of services for non-cash movements | 2018/19 £000 | 2017/18 £000 |
|---|---|---|
| Depreciation and amortisation of non-current assets | (10,956) | (13,966) |
| (Increase)/Decrease in inventories | 147 | (59) |
| (Increase)/Decrease in Creditors | (7,484) | (7,293) |
| Increase/(Decrease) in Debtors | 2,387 | 8,251 |
| Pensions Liability | (19,334) | (20,293) |
| Revaluation Losses | (12,851) | (892) |
| Carrying value on disposal of non-current assets | (11,644) | (18,838) |
| Other non-cash adjustments | (8,620) | (6,876) |
| | **(68,355)** | **(59,966)** |

| b) Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities | 2018/19 £000 | 2017/18 £000 |
|---|---|---|
| Proceeds from the sale of non-current assets | 550 | 4,336 |
| Capital grants received | 11,200 | 16,099 |
| | **11,750** | **20,435** |

| c) Interest received, interest paid and dividends received | 2018/19 £000 | 2017/18 £000 |
|---|---|---|
| Interest received | (2,357) | (2,159) |
| Interest paid | 16,195 | 18,363 |
| Dividends received | (5,635) | (4,813) |
| | **8,203** | **11,391** |

### 32. Investing Activities

| | 2018/19 £000 | 2017/18 £000 |
|---|---|---|
| Purchase of property, plant and equipment, investment property and intangible assets | 41,633 | 47,833 |
| Pension contributions advanced payment | 0 | 27,957 |
| Purchase of short term and long term investments | 86,577 | 162,000 |
| Other movements in investing activities | 11,278 | (773) |
| Proceeds from the sale of non-current assets | (553) | (4,337) |
| Proceeds from short term and long term investments | (101,000) | (167,500) |
| Other receipts from investing activities | (11,750) | (17,994) |
| **Net cash flows from investing activities** | **26,185** | **47,185** |

### 33. Financing Activities

| | 2018/19 £000 | 2017/18 £000 |
|---|---|---|
| Cash receipts of short term and long term borrowing | (130) | (6,241) |
| Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts | 2,748 | 2,873 |
| Repayments of short term and long term borrowing | 966 | 6,038 |
| Billing Authority - Council Tax and NDR adjustments | (170) | 1,830 |
| **Net cash flows from financing activities** | **3,414** | **4,500** |

## OTHER NOTES

### 34. Member's Allowances

| | 2018/19 £000 | 2017/18 £000 |
|---|---|---|
| Payments to Members | 1,164 | 1,134 |

### 35. Termination Benefits

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

*Where termination benefits involve the enhancement of pensions, statutory provisions require General Fund Balances to be charged with the amount payable by the Council to the Pension*

*Fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the Pension Fund and pensioners and any such amounts payable but unpaid at the year-end.*

| Exit package cost band (including special payments) | Number of Compulsory Redundancies | | Number of other departures agreed | | Total number of exit packages by cost band | | Total cost of exit packages in each band £000 | |
|---|---|---|---|---|---|---|---|---|
| | 2018/19 | 2017/18 | 2018/19 | 20/17/18 | 2018/19 | 2017/18 | 2018/19 | 2017/18 |
| £0-£20,000 | 0 | 0 | 34 | 21 | 34 | 21 | 175 | 179 |
| £20,001-£40,000 | 0 | 0 | 3 | 1 | 3 | 1 | 75 | 26 |
| £40,001-£60,000 | 0 | 0 | 0 | 1 | 0 | 1 | 0 | 48 |
| £60,001-£80,000 | 0 | 0 | 1 | 0 | 1 | 0 | 60 | 0 |
| **Total** | **0** | **0** | **38** | **23** | **38** | **23** | **311** | **253** |

### 36. Officer's Remuneration

The remuneration paid to the Council's Senior Officers is as follows:

| | 2018/19 | | | | |
|---|---|---|---|---|---|
| **Post Holder Information** | **Salary Entitle-ment Full Time £** | **Salary, Fees and Allow-ances Paid £** | **Compen-sation for Loss of Office £** | **Employ-er's Pensions Contrib-ution £** | **Total £** |
| Chief Executive - Steven Pleasant (i) | 173,690 | 173,690 | 0 | 36,475 | **210,165** |
| Director of Adults | 97,749 | 97,749 | 0 | 20,527 | **118,276** |
| Director of Children's Services (ii) | 125,000 | 69,792 | 0 | 14,656 | **84,448** |
| Director of Growth (iii) | 100,000 | 25,000 | 0 | 5,250 | **30,250** |
| Director of Operations and Neighbourhoods | 96,900 | 96,900 | 0 | 20,349 | **117,249** |
| Director of Governance & Pensions (Borough Solicitor) - Sandra Stewart (iv) | 129,025 | 129,025 | 0 | 27,095 | **156,120** |
| Director of Population Health (v) | 0 | 0 | 0 | 0 | **0** |
| Director of Place (vi) | 117,600 | 19,992 | 0 | 64,454 | **84,446** |
| Director of Finance (Section 151 Officer) (vii) | 8,160 | 8,160 | 0 | 0 | **8,160** |

(i) The Chief Executive holds a joint role, also covering the role of Chief Accountable Officer for Tameside and Glossop Clinical Commissioning Group (CCG). The salary is paid in full by the Council and there is no recharge to the CCG.

(ii) The Director of Children's Services was filled by an interim officer between 1 April and 20 September 2018 at a cost of £115,280. The permanent Director of Children's Services commenced in post on 10 September 2018.

(iii) The post of Director of Growth replaced the Executive Director of Place on 31 May 2018. The post was filled by an interim officer from 31 May to 31 December 2018 at a cost of £99,895. The permanent Director of Growth commenced in post on 1 January

2019. Executive Director of Place role was split from 1 January 2018 - with a new role of Director of Operations and Neighbourhoods being created.

(iv) There is no direct charge to Greater Manchester Pension Fund (GMPF) for the services of the Director of Governance & Pensions, however 50% on the salary and oncosts are recharged to GMPF. This is also the case for the Chief Executive and the Director of Finance, but a contribution towards their cost is recharged to GMPF as part of charges for central support costs and overheads incurred by the Council on behalf of GMPF. Further information is provided in Note 45 (Related Party Transactions).

(v) The post of Director of Population Health has been vacant since 28 February 2018. The post has been filled via a secondment from Haringey Council since 31 July 2018 at a cost of £80,730 for the period to 31 March 2019.

(vi) The Director of Place left the Council on 31 May 2018. This post was replaced with the Director of Growth.

(vii) The role of Director of Finance (Section 151 Officer) is a joint post with the Tameside and Glossop CCG. The total cost paid by the CCG for the period 1 April 2018- 31 March 2019 was £126,071 (Salary £110,223 and Pension Contributions £15,848). The Council paid an additional amount of £8,160 for the year.

The Single Leadership Team includes two further posts, both paid for in full by the CCG:

(viii) The Director of Quality and Safeguarding salary is paid by the CCG. The total cost paid by the CCG for the period 1 April 2018 to 31 March 2019 was £113,071 (Salary £98,856 and Pension Contributions £14,215).

(ix) The Interim Director of Commissioning salary is paid by the CCG. The total cost paid by the CCG for the period 1 April 2018 to 31 March 2019 was £125,811 (Salary £111,000 and Pension Contributions £14,811).

| | 2017/18 | | | | |
|---|---|---|---|---|---|
| **Post Holder Information** | **Salary Entitle-ment Full Time £** | **Salary, Fees and Allow-ances £** | **Compen-sation for Loss of Office £** | **Employ-er's Pensions Contrib-ution £** | **Total £** |
| Chief Executive - Steven Pleasant (i) | 170,284 | 170,284 | 0 | 35,760 | **206,044** |
| Executive Director of People (ii) | 126,292 | 63,146 | 0 | 13,261 | **76,407** |
| Executive Director of Adults (ii) | 95,832 | 47,916 | 0 | 10,062 | **57,978** |
| Executive Director of Childrens (iii) | 0 | 0 | 0 | 0 | **0** |
| Executive Director of Place (iv) | 117,600 | 117,600 | 0 | 24,696 | **142,296** |
| Director of Operations and Neighbourhoods (iv) | 95,000 | 23,750 | 0 | 4,659 | **28,409** |
| Executive Director of Governance & Pensions (Borough Solicitor) | 126,495 | 126,495 | 0 | 26,564 | **153,059** |
| Director of Population Health (v) | 99,437 | 90,305 | 0 | 12,986 | **103,291** |
| Executive Director of Finance (Section 151 Officer) (vi) | 8,000 | 4,000 | 0 | 0 | **4,000** |

(i) The Chief Executive holds a joint role, also covering the role of Chief Accountable Officer for Tameside and Glossop CCG. The salary is paid in full by the Council and there is no recharge to the CCG.

(ii) The Executive Director of People covered Adults,Childrens Social Care and Education for the period 1 April 2017 to 21 September 2017. Between 22 September 2017 and 31 March 2018 the postholder was Executive Director of Adults only.

(iii) The Executive Director of People covered Adults,Childrens Social Care and Education between 1 April 2017 and 21 September 2017. The post of Executive Director of Childrens (covering Childrens Social Care and Education) was created on 22 September 2017 and was filled by an Interim Officer between 9 October 2017 and 31 March 2018. The cost of the Interim Officer for this period was £112,750.

(iv) Executive Director of Place role was split from 1 January 2018 - with a new role of Director of Operations and Neighbourhoods being created.

(v) The Director of Population Health was only in post 1 April 2017 to 28 February 2018.

(vi) The role of Section 151 Officer was filled by an Interim Officer between 1 April 2017 and 30 September 2017. The cost of the Interim Officer for this period was £76,707. The role of Executive Director of Finance is a joint post with the Tameside and Glossop CCG and the salary paid by the CCG for the period 1 October 2017 to 31 March was £53,513. The Council paid a further £4,000 for this period.

The Single Leadership Team includes two further posts, both paid for in full by the CCG. The role of Director of Quality and Safeguarding is a post within the CCG and the total cost paid by the CCG for the period 1 April 2017 to 31 March 2018 was £90,766. The role of Interim Director of Commissioning is a post within the CCG and the total cost paid by the CCG for the period 1 April 2017 to 31 March 2018 was £100,273.

**Employees' Remuneration**

The Council's other employees (excluding the Chief Executive and members of the Executive Team) receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts:

| Remuneration Band | Number of employees (excluding severance payments) 2018/19 | Number of employees (including severance payments) 2018/19 | Number of employees (excluding severance payments) 2017/18 | Number of employees (including severance payments) 2017/18 |
|---|---|---|---|---|
| £50,000 - £54,999 | 43 | 44 | 33 | 33 |
| £55,000 - £59,999 | 48 | 48 | 49 | 50 |
| £60,000 - £64,999 | 25 | 26 | 24 | 23 |
| £65,000 - £69,999 | 8 | 9 | 9 | 9 |
| £70,000 - £74,999 | 3 | 3 | 8 | 8 |
| £75,000 - £79,999 | 13 | 13 | 8 | 8 |
| £80,000 - £84,999 | 2 | 3 | 2 | 4 |
| £85,000 - £89,999 | 2 | 2 | 3 | 3 |
| £90,000 - £94,999 | 5 | 5 | 0 | 0 |
| £95,000 - £99,999 | 2 | 2 | 0 | 0 |
| £100,000 - £104,999 | 1 | 1 | 0 | 0 |
| £105,000 - £109,999 | 0 | 0 | 3 | 3 |
| £125,000 - £129,999 | 1 | 1 | 1 | 1 |
| **Total** | **153** | **157** | **140** | **142** |

A number of employees in the accounting period received one off severance payments and left the organisation. The figures above have been presented both excluding and including this payment.

### 37. Contingent Liabilities

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

The Council has the following contingent liabilities at the Balance Sheet date:

**Guarantees**

The Council is guarantor for Tameside Sports Trust in respect of the Pulse Fitness Agreements.

**Droylsden Canalside Development**

The Council received grant income of £5.86m from the North West Development Agency (NWDA) on 15 May 2006. The funding agreement contains a potential claw back provision that would require the Council to return funding in certain events. The end date of the claw back period is 6 years from completion of the development.

### 38. Contingent Assets

*A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent assets are not recognised in the Balance Sheet but have been disclosed below where it is probable that there will be an inflow of economic benefits or service potential.*

The Council has no material contingent assets at 31 March 2019.

### 39. External Audit Costs

The Council has incurred the following costs in relation to services provided by the Council's external auditors:

| | 2018/19 £000 | 2017/18 £000 |
|---|---|---|
| Fees payable with regard to external audit services | 81 | 105 |
| Fees payable for the certification of grant claims and returns | 10 | 30 |
| Fees payable in respect of other services | 0 | 15 |
| Audit fees rebate from Public Sector Audit Appointments | (16) | 0 |
| **Total** | **75** | **151** |

### 40. Events after the Balance Sheet Date

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

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

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

The draft Statement of Accounts was authorised for issue by the Director of Finance (Section 151 Officer) on 28 May 2019. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2019, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

## 41. Accounting Policies

*The accounting policies adopted by the Council determine the accounting treatment that is applied to transactions during the financial year and in the preparation of the Statement of Accounts at the year end. They determine the specific principles, bases, conventions, rules and practices that will be applied by the Council in preparing and presenting its financial statements.*

### 1. ACCOUNTING PRINCIPLES

a) Going Concern

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

b) Accruals Concept

The Council accounts for income and expenditure in the period to which the service has taken place, rather than when cash payments are received or made. Where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Equally, where cash has been received or paid which is not yet recognised as income or expenditure, a creditor (income in advance) or debtor (payment in advance) is recorded in the Balance Sheet.

c) Cost of Services

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

d) Value Added Tax (VAT)

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

e) Changes in Accounting Policy

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

- The nature of the change in accounting policy;
- The reasons why applying the new accounting policy provides reliable and more relevant information;
- For both the current reporting period, and the previous year comparatives reported, the extent to which the change in accounting policy would have impacted on the financial statements if it had been adopted in that year;
- The amount of adjustment relating to years previous to those reported in the set of financial statements, had the proposed policy been adopted retrospectively;

If retrospective application is impracticable for a particular period, the circumstances that led to the existence of that condition and a description of how and from when the change in accounting policy has been applied. The Council will also disclose information relating to an accounting standard which has been issued but not yet adopted.

f) Previous Year Adjustments

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the Council's financial position or financial performance. Where a change is made it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied. Material errors discovered in prior period figures are corrected retrospectively by way of a prior period adjustment and an appropriate disclosure in the notes to the accounts. A change to the accounting policy may also require that the basis of estimates is changed. This will be disclosed in accordance with the policy on changes to accounting estimates.

g) Events after the Balance Sheet Date

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

Where a material event is identified after the Balance Sheet date, whether favourable or unfavourable, for which it can be shown that the conditions already existed at the Balance Sheet date, it is an adjusting event and the amounts in the accounts would be adjusted accordingly. However, where a material event is identified which occurred after the Balance Sheet date but it cannot be shown that the conditions existed before the Balance Sheet date, then it is a non-adjusting event and the accounts would not be adjusted (although a disclosure would be made in the notes to the accounts).

h) 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/de-recognition.

e) Heritage Assets

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

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

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

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

f) Investment Properties

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

g) Intangible Assets

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

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

h) Depreciation / Amortisation Methodology

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

- In accordance with the Service Reporting Code of 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.

Short Term Employee Benefits

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

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

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

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

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

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

Termination benefits

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

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

Pensions Costs

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

- Teachers Pension Scheme is a defined benefit scheme administered by Capita

Teachers' Pensions on behalf of the Department for Education (DfE).

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

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

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

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

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

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

Service cost comprising:

1. Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.

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

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

Re-measurement comprising:

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

5. Actuarial gains and losses – changes in the net pensions liability that arise because

events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

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

Pensions Reserve

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

Early Retirement, Discretionary Payments

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

c) Lessee Accounting for an Operating Lease

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

d) Revenue Grants and Contributions

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

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

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

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

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

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

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

e) Provisions

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

Provisions are required to be recognised when the Council has a present obligation, as a result of a past event, where it is probable that an outflow of resources embodying economic benefit or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation, (IAS 37 – Provisions, Contingent Liabilities and Contingent Assets).
When expenditure is incurred to which the provision relates, it is charged directly against the provision in the Balance Sheet and not against the Comprehensive Income and Expenditure Statement.

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

f) Revenue Reserves

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

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

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

g) Council Tax and Business Rates Recognition

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

The difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Reserve is taken to the Collection Fund Adjustment Account and reported in the Movement in Reserves Statement.
Billing authorities act as agents, collecting council tax and business rates on behalf of the major

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

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

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

h) Inventories and Work in Progress

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

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

i) Provisions for bad and doubtful debts

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

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

## 4. TREASURY MANAGEMENT

### a) Financial Instruments

### Financial Assets

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

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

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

### Amortised Cost

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

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

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

These assets relate to financial instruments where the amounts received relating to them are solely principal and interest but they are held to collect cash and sell the assets (e.g. money market funds). The interest received on these assets is spread evenly over the life of these instruments.

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

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

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

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

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

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

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

**Credit loss**

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

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

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

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

## Financial Liabilities

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

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

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

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

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

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

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

## b) Cash and cash equivalents

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

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

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

## 42. Accounting Policies Issued but not yet adopted

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard which has been issued but is yet to be adopted by the 2018/19 Code.

The Code also requires that changes in accounting policy are to be applied retrospectively unless transitional arrangements are specified, this would result in an impact on disclosures spanning two financial years.

Accounting changes that are introduced by the 2019/20 code are:

- Amendments to IAS 40 Investment Property: Transfers of Investment Property
- Annual Improvements to IFRS Standards 2014-2016 Cycle
- IFRIC 22 Foreign Currency Transactions and Advance Consideration
- IFRIC 23 Uncertainty over Income Tax Treatments
- Amendments to IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation.

These changes are not expected to have a material impact on the Council's financial statements.

## 43. Critical Judgements in Applying Accounting Policies

The following are critical management judgements in applying the accounting policies of the Council that have the most significant effect on the financial statements. Critical estimation uncertainties are described in Note 44.

### Accounting for Schools – Consolidation

In line with accounting standards and 'the Code' on group accounts and consolidation, all maintained schools in the Borough are now considered to be entities controlled by the Council. Rather than produce group accounts the income, expenditure, assets, liabilities, reserves and cash flows of each school are recognised in the Council's single entity accounts.

### Accounting for Schools – Balance Sheet Recognition of Schools

The Council recognises schools in line with the provisions of the Code. Schools are recognised on the Balance Sheet only if the future economic benefits or service potential associated with the school will flow to the Council. The Council regards that the economic benefits or service potential of a school flows to the Council where the Council has the ability to appoint the employees of the school and is able to set the admission criteria.

There are generally five categories of schools:

- Community schools
- Voluntary Controlled (VC) schools
- Voluntary Aided (VA) schools
- Foundation/Trust schools
- Academies

Employees at community schools are appointed by the Council and the Council sets the admission criteria. These schools are therefore recognised on the Council's Balance Sheet.

In order to comply with the Code of Practice on Local Authority Accounting the Council wrote to each of the diocese who occupy schools within the borough of Tameside in order to establish the accounting arrangements.

Diocese of Salford, The Church of England Diocese of Chester, The Church of England Diocese of Manchester and Diocese of Shrewsbury have all responded in writing to confirm that the schools occupy the school premises under the direction of the trustees and that the legal ownership resides with the religious body. The Council has also had confirmation that the religious bodies referred to above account for the school buildings within their Balance Sheets.

The legal ownership of Voluntary Controlled School buildings belong to a charity, normally a religious body, therefore the Council does not recognise these non-current assets on the Balance Sheet. However the adjoining school playing fields remain in Council ownership and are therefore included on the Council's Balance Sheet.

Foundation Trust, Voluntary Aided and Academy school employees are appointed by the schools' governing body, which also set the admission criteria. As a consequence the Council does not receive the economic benefit or service potential of these schools and does not recognise them on the Council's Balance Sheet. However the playing fields surrounding Voluntary Aided schools remain in Council ownership and are therefore included on the Council's Balance Sheet.

| **Type of School** | **No of Primary School** | **No of Secondary School** | **No of Special School** | **Total** | **Land on the Balance Sheet £000s** | **Buildings on the Balance Sheet £000s** |
|---|---|---|---|---|---|---|
| Community | 25 | 4 | 5 | **34** | 36,201 | 83,124 |
| Voluntary Controlled (VC) | 7 | 0 | 0 | **7** | 1,608 | 0 |
| Voluntary Aided (VA) | 20 | 2 | 0 | **22** | 7,651 | 13,123 |
| Foundation | 0 | 0 | 0 | **0** | 0 | 0 |
| Foundation Trust | 0 | 0 | 0 | **0** | 0 | 0 |
| **Maintained Schools** | **52** | **6** | **5** | **63** | **45,461** | **96,247** |
| Free Schools | 0 | 1 | 0 | 1 | 0 | 0 |
| Academies | 24 | 9 | 1 | 34 | 0 | 0 |
| **Total** | **76** | **16** | **6** | **98** | **45,461** | **96,247** |

<u>Accounting for schools - Transfers to Academy status</u>

When a school that is held on the Council's Balance Sheet transfers to Academy status the Council accounts for this as a disposal for nil consideration on the date that the school converts to Academy status, rather than as an impairment on the date that approval to transfer to Academy status is announced.

Where the Council has entered into construction contracts for replacement schools on behalf of an Academy, the Council charges the cost of construction against Assets Under Construction (part of

Property, Plant and Equipment), whilst the Academy is constructed. Once the construction is complete the asset is transferred to Property, Plant and Equipment on the date of transfer to Academy status. The Council accounts for this as a disposal for nil consideration.

Investment Properties

Investment Properties have been identified using criteria under 'the Code', and are those assets held solely for rental income or for capital appreciation, or both. The assessment of Investment Properties using these criteria is subject to interpretation.

Leases

The Council has examined its leases, and classified them as either operational or finance leases. In some cases the lease transaction is not always conclusive and the Council uses judgement in determining whether the lease is a finance lease arrangement that transfers substantially all the risks and rewards incidental to ownership. In assessing leases the Council has estimated the implied interest rate within the lease to calculate interest and principal payments.

Funding

There remains uncertainty about future levels of funding for Local Government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.

## 44. Assumptions made about the future and other major sources of estimated uncertainty

Property, Plant and Equipment

An asset is depreciated over a useful life that is dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to the individual asset. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance bringing into doubt the useful life assigned to assets. If the useful life of an asset is reduced, the depreciation charge increases and the carrying amount of the asset falls.

An important estimation contained in the accounts is that of the useful economic life of non-current assets (or useful remaining economic life where assets are revalued). This is important as it determines the depreciation charge posted to the Comprehensive Income and Expenditure Statement.

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

| Asset Category | Useful Economic Life |
|---|---|
| Buildings | 2-70 years |
| Infrastructure assets (such as roads) | 40 years |
| Other non-current assets (such as vehicles, plant and equipment) | 10 years or less |
| Investment properties | Not depreciated - revalued each year |
| Surplus assets | Not depreciated - revalued each year |

All assets held at current value are revalued as a minimum every five years. Specific assets may be valued more frequently depending on the wider economic context, particularly if it is expected that there has been a material reduction in their value during the year.

Depreciation could also be calculated by adopting a fixed policy regarding economic life for each identified class of asset. However, it has been determined by the Council that a ‘catch-all’ policy cannot be as accurate as the case-by-case review that is employed, because of the wide variety of assets held.

Business Rates

Since the introduction of the Business Rates Retention Scheme effective from 1 April 2013, Local Authorities are liable for the cost of successful appeals against business rates charged to businesses in their proportionate share. Appeals are managed by the Valuation Office (VOA) on a case by case basis. The Council cannot be fully aware, at all times, of all changes to businesses and to business premises, and it is the responsibility of the individual business to seek adjustments for their business rates bill where this is appropriate. Therefore, a provision is recognised in the accounts for the best estimate of the possible liability to the Council for business rates appeals, to 31 March 2019. This is calculated using the VOA’s latest list of appeals, which includes information on the average levels of successful and unsuccessful claims.

Debt Impairment

All debts due to the Council are regarded as collectible, unless firm evidence transpires that they are uncollectible and so are ‘bad’ debts. However, some debts which are proving difficult to collect may be properly termed ‘doubtful’. The Council has included an impairment allowance for doubtful debts in the accounts based on a review of the Council’s significant short term debtor balances. In the current economic climate it is not certain that the impairment allowance for doubtful debts would be sufficient. If collection rates were to deteriorate an increase in the impairment allowance would be required.

PFI and similar arrangements

PFI and similar arrangements have been considered to have an implied finance lease within the agreement. In reassessing PFI leases the Council has estimated the implied interest rate within the leases to calculate interest and principal payments. In addition the future RPI increase within the contracts has been estimated as remaining constant throughout the remaining period of the contract.

Pensions Fund Liability

The estimation of the Pension Fund liability depends on a number of complex judgements relating to the discounts used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on Pension Fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied. The estimation of the defined benefit obligations is sensitive to the actuarial assumptions. Further information is set out in note 30.

Manchester Airport Group (MAG)

The Council’s shareholding in MAG is valued using the earning based method and discounted cash flow method resulting in the asset being valued at fair value rather than historic cost, therefore requiring an annual valuation. A firm of financial experts and valuers have been engaged by the nine minority local authority shareholders to provide an independent valuation which includes reviewing the financial performance, stability and business assumptions of MAG. The valuation provided is based on estimations and assumptions and therefore should the Council sell its shareholding the value held in these statements may not be realised.

Reserves

A number of assumptions are made regarding the required level of Council reserves. The Government has previously criticised the level of reserves held by councils as being too high. However, the professional consensus is that reserves are more necessary in times of greater risk and uncertainty.

The level of financial risk being faced by the Council continues to increase. Reserves provide a way for the Council to ensure that any unforeseen financial impacts can be absorbed without immediately impacting on frontline service delivery. Currently, potential impacts may arise from a number of sources, including:

- The further significant loss of Government funding.
- Significant changes to local government responsibilities and the unknown impact of these.
- Other cost pressures or national policy changes e.g. the impact of an ageing population and pressures within the local health economy.
- Delays in securing further, significant, ongoing savings targets.
- Volatility of the Business Rates base.
- Potential legal judgements and the confirmation of obligations that led the Council to recognise contingent liabilities in the Statement of Accounts.

These and other factors must be borne in mind when estimating the required level of reserves and the anticipated profile of use.

Minimum Revenue Provision

The Council has adopted the following policy in relation to calculating the Minimum Revenue Provision:

- Borrowing taken up prior to 1 April 2015 will be provided for using a straight-line method of calculating MRP. £185.215m will be provided for in equal instalments over 50 years, which will result in an annual charge of £3.704m. The debt will be extinguished in full by 31 March 2065. If the Council elects to make additional voluntary MRP then the annual charge will be adjusted accordingly.
- For borrowing taken up on or after 1 April 2015, MRP is to be provided for based upon the average expected useful life of the assets funded by borrowing in the previous year. The debt will be repaid on a straight-line basis over the average useful life calculated, meaning the debt will be fully extinguished at the end of period. If the Council elects to make additional voluntary MRP then the annual charge will be adjusted accordingly.
- For certain investment projects it may be deemed more prudent to use the asset life annuity method in order to calculate MRP. In this case the Council will use the annuity method, with the MRP based on the prevailing PWLB interest rate for a loan with a term equal to the estimated life of the project.
- If the Council uses capital receipts to repay borrowing for the year then the value of MRP which would have otherwise been set aside to repay borrowing will be reduced by the this amount. The level of capital receipts to be applied to redeem borrowing will be determined annually by the Section 151 Officer, taking into account forecasts for future expenditure and the generation of further receipts.
- For any finance leases and any on-balance sheet Public Finance Initiative (PFI) schemes, the MRP charge will be equal to the principle repayment during the year, calculated in accordance with proper practices.
- There will be no MRP charge for any cash backed Local Authority Mortgage Scheme (LAMS) that the Council operates. As for this type of scheme, any future debt liability would be met from the capital receipt arising from the deposit maturing after a five year period. Any repossession losses for this type of scheme would be charged to a LAMS reserve.

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

## 45. Related Parties

*The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently, or might have secured the ability to limit another party's ability to bargain freely with the Council. In this context, related parties include Central Government (UK), Members, Officers, other public bodies and entities controlled or significantly influenced by the Council.*

### Central Government (UK)

Central Government (UK) has significant influence over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. Council Tax billing and Housing Benefits). Grants received from government departments are set out in Note 5.

### Elected Members of the Council

Members of the Council have direct control over the Council's financial and operating policies. The total of Members' Allowances paid in 2018/19 is shown in Note 34.

Members' interests outside of the Council are recorded in the register of interests and register of gifts and hospitality maintained by the monitoring officer. A small number of members hold official positions in organisations independent of their role as elected members of the Council. Where the Council has contracts for services and/or has awarded grants to such organisations, the Council's standing orders were fully complied with, ensuring proper consideration of any declaration of interests.

Members hold positions on boards of various community and voluntary organisations in and around Tameside. In 2018/19 there were no material transactions with any individual bodies where a member has a controlling interest in the organisation. Transactions with the individual bodies where a member has an influence in the organisation are as follows:

| Related Party | 2018/19 | | | | 2017/18 | | | |
|---|---|---|---|---|---|---|---|---|
| | Receipts £000 | Payments £000 | Creditors £000 | Debtors £000 | Receipts £000 | Payments £000 | Creditors £000 | Debtors £000 |
| Tameside Sport Trust | - | 2,857 | 23 | (32) | - | 2,887 | 50 | (21) |
| Jigsaw Homes (New Charter Housing) | (55) | 2,643 | 152 | | (191) | 1,855 | 220 | |

**New Charter Housing Trust (Part of the Jigsaw Homes Group)** – Payments were made by the Council to New Charter during the year in respect of supported accommodation and homelessness. Income was received from New Charter in the form of fees and charges for various services including pest control and trade waste.

**Tameside Sports Trust** – Payments were made by the Council to the Trust during the year in respect of the annual management fee to operate leisure facilities, improvement works to facilities, educational programmes and Adult day care provision. The Council received loan repayments from the Trust. Details of the loan balances outstanding from Tameside Sports Trust are set out in Note 18.

**Other Public Bodies**

The Council pays the following levies;

| Levying Body | 2018/19 £000 | 2017/18 £000 |
|---|---|---|
| Greater Manchester Waste Disposal Authority | - | 21,918 |
| Greater Manchester Combined Authority - Waste Disposal | 7,823 | - |
| Greater Manchester Combined Authority - Transport | 22,499 | 8,355 |
| Environmental Agency - Flood Defense | 114 | 111 |
| Canal & River Trust - British Waterways | 94 | 90 |

**Greater Manchester Pension Fund (GMPF)**

The Council administers the GMPF, but there are separate management and governance arrangements in place to ensure the GMPF is able to act as an independent entity. Further details can be found in the GMPF Statement of Accounts on page 152.

In the course of fulfilling its role as administering authority to the GMPF, the Council incurred costs for services (e.g. salaries and support costs), totalling £7.429m on behalf of the GMPF and paid to HMRC VAT (net) of £0.973m. Total payments due to Tameside MBC therefore, amounted to £8.402m (2017/18 £4.821m). The GMPF reimbursed the Council £6.184m for these charges in year and there is a creditor of £2.218m owing to Tameside MBC at the year-end (2017/18 £1.283m).

**Chief Officers**

All Chief Officers have been asked to disclose any relationships or interests with entities that could be a related party of the Council.

| Chief Officer | Interests Declared |
|---|---|
| Chief Executive | • Joint role as Chief Accountable Officer of NHS Tameside and Glossop CCG. Salary information is disclosed in note 36.<br>• Director of the Manchester Institute of Health and Performance<br>• Director of Airport City (General Partner) representing Greater Manchester Pension Fund<br>• Stamford Park Trust Trustee<br>• Director of Inspired Spaces Tameside Ltd<br>• Director of Inspired Spaces Tameside (Project Co 1) Ltd and Inspired Spaces Tameside (Project Co 2) Ltd<br>• Associate Governor at Broadbottom C of E Primary School |
| Director of Finance | • Joint role as the Chief Finance Officer of NHS Tameside and Glossop CCG. Salary information is disclosed in note 36. |
| Director of Governance and Pensions | • Director of Greater Manchester Pension Fund<br>• Director of Northern Pool General Partner (Number 1) Ltd representing Greater Manchester Pension Fund |
| Assistant Director of Finance | • Alternative Director of Inspired Spaces Tameside Ltd<br>• Alternative Director of Inspired Spaces Tameside (Project Co 1) Ltd and Inspired Spaces Tameside (Project Co 2) Ltd |

Inspired Spaces Tameside Ltd, Inspired Spaces Tameside (Project Co 1) Ltd and Inspired Spaces Tameside (Project Co 2) Ltd have been identified as related parties and further information on transactions and balances is set out below.

## Entities Controlled or Significantly Influenced by the Council

The Council carries out a complex range of activities, often in conjunction with external organisations. Where those organisations are in partnership with or under the ultimate control of the Council a judgement is made by management as to whether they are within the Council's group boundary. A group structure may exist where the Council has a controlling (or significant ability to influence) another entity. A group structure would necessitate the preparation of group accounts. This judgement is made in line with the provisions set out in the Code and relevant accounting standards.

The Council's group boundaries have been assessed using the criteria outlined in 'the Code'. It was determined that the Council has a significant influence over Inspiredspaces Tameside Ltd, Inspired Spaces Tameside (Project Co 1) Ltd and Inspired Spaces Tameside (Project Co 2) Ltd. However, on the basis of materiality the Council has determined that the preparation of group accounts is not required because group accounts would not be materially different to the single entity accounts.

Transactions and balances with Inspiredspaces Tameside Ltd, Inspired Spaces Tameside (Project Co 1) Ltd and Inspired Spaces Tameside (Project Co 2) Ltd were as follows:

| Related Party | 2018/19 | | | | 2017/18 | | | |
|---|---|---|---|---|---|---|---|---|
| | Receipts £000 | Payments £000 | Creditors £000 | Debtors £000 | Receipts £000 | Payments £000 | Creditors £000 | Debtors £000 |
| Inspired SpacesTameside Ltd | - | 32,321 | 33 | (49) | - | 32,281 | 224 | |
| Inspired Spaces Tameside (Project Co 1) Ltd | (297) | - | - | (60) | (238) | - | - | (119) |
| Inspired Spaces Tameside (Project Co 2) Ltd | - | - | - | (687) | (468) | - | - | (221) |

As per the provisions of the funding agreement that the special purpose vehicles (SPV) are subject to, the Carillion Plc liquidation has resulted in a temporary 'lock down' of any distributions of dividend payments or repayment of subordinated debt owed to shareholders. The temporary 'lock down' is still in place against Inspiredspaces Tameside (Project Co 2) Ltd. As a result there will be a delay to the Council receiving its payments in relation to the holding in this SPV. It is not anticipated that there will be a reduction to either the level of expected dividends or repayment of the Council's sub-ordinated debt. The temporary 'lock down' for Inspiredspaces Tameside (Project Co 1) Ltd has now been removed; dividend payments and repayment of subordinated debt owed to shareholders have now resumed.

A review of the Council's relationship with other entities has also been undertaken to ensure they are properly reported. Following the current guidance, with the exception of the investments above, it is clear that the Council is not in a further group arrangement, as it does not have the ability to exercise either influence or control at a material level over another entity.

## 46. Agency Services and Pooled Budgets

### Agency Services

| | HMP £000 | iStandUK £000 | i-Network £000 | GMPHN £000 | NAFN £000 | GMHSCP £000 | NW ADASS £000 | GMEU £000 |
|---|---|---|---|---|---|---|---|---|
| **Balance Brought Forward** | **(4,139)** | **(43)** | **(85)** | **(638)** | **(887)** | **(442)** | **(299)** | **(251)** |
| Contributions | (1) | (333) | (403) | (500) | (944) | (777) | (366) | (455) |
| Interest earned on Balances | (27) | 0 | (2) | 0 | (6) | 0 | 0 | 0 |
| **Total Income** | **(28)** | **(333)** | **(405)** | **(500)** | **(950)** | **(777)** | **(366)** | **(455)** |
| Employee Expenses | 0 | 9 | 208 | 256 | 434 | 0 | 75 | 319 |
| Payments as per Business Plan | 377 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Project Payments to Authorities | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Supplies and Services Expenses | 0 | 329 | 138 | 23 | 450 | 96 | 286 | 66 |
| **Total Expenditure** | **377** | **338** | **345** | **279** | **884** | **96** | **362** | **385** |
| **Balance Carried Forward** | **(3,790)** | **(38)** | **(146)** | **(860)** | **(953)** | **(1,124)** | **(304)** | **(321)** |

Hattersley/Mottram Project (HMP)

HMP involves the regeneration of land previously owned by Manchester City Council and the Council mainly for residential use. In addition, the former Manchester City Council housing stock was transferred and is now owned by Onward. This is being improved and refurbished as part of the latter's business plan, for which £18.5m has been provided from the proceeds from the sale of the land.

The Council's partners in the project are Homes England and Onward. The partners operate under a Collaboration Agreement and, in accordance with this Agreement signed by the principal partners, the Council acts as the accountable body on behalf of the partnership. The Council receives funds from the developer (Base Hattersley) as per the respective development agreement and distributes the funds to the partners in priority ranking as per the Agreement. The balance will be carried forward into 2019/20 and used to fund the remaining elements of the Hattersley Business Plan.

iStandUK

iStandUK was established to develop and promote eStandards that support the efficiency, transformation, and transparency of local public services in the UK. The Council is the lead partner and accountable body for the project. The 2018/19 balance will be carried forward into 2019/20 to continue the work of the project.

i-Network

iNetwork brings together local authorities, police, fire, health, housing and voluntary sector organisations across the North and Midlands to support innovation and the transformation of local public services. It is chaired by the Chief Executive of the Council, who act as accountable body. iNetwork charges membership fees in order to sustain the partnership and deliver set outcomes. During 2018/19, in partnership with iStand UK, it also facilitated the delivery of national programmes for Government. The 2018/19 balance will be carried forward into 2019/20.

Greater Manchester Public Health Network (GMPHN)

GMPHN is a collaborative organisation that works on behalf of the Greater Manchester Directors of Public Health which is funded by contributions from constituent members. The network supports Greater Manchester Local Authorities to fulfil their statutory public health functions under the Health and Social Care Act 2012. The network works with local partners to help reduce the impact of ill health on individuals and the Greater Manchester economy. Tameside Council has been the accountable body for the GMPHN since 1 April 2013 and the Council's Chief Executive is the lead Greater Manchester Chief Executive for Health.

National Anti Fraud Network (NAFN)

NAFN was created in 1997 hosted by Tameside Metropolitan Borough Council. NAFN is a not-for-profit organisation and recovers its operating costs from grant funding, membership fees and recharges. Membership of NAFN provides local authorities with access to a pool of highly experienced, trained and accredited officers delivering services via a secure website. With 90% Local Authority membership and over 10,000 users the organisation is widely recognised as provider of data and intelligence and is the single point of contact for all local authority acquisition of communications data.

Greater Manchester Health Social Care Partnership (GMHSCP)

The Greater Manchester Health and Social Care Partnership was formed to oversee the devolution of Greater Manchester health and social care services. The aim of the partnership is to achieve the biggest and most efficient improvement to the health and wellbeing of the Greater Manchester region. The Partnership membership includes Greater Manchester NHS organisations and Local Authorities, as well as members from NHS England and NHS Improvement, the emergency services, the voluntary sector, Healthwatch and others including the mayor of Greater Manchester. One of the key aims of the partnership is to improve the way health and social care public funding is spent, making sure that major decisions are being made together to meet residents needs. The Partnership is resourced by equal contributions from each Greater Manchester Local Authority together with Greater Manchester Transformation Funding. Tameside Council is the accountable body for the Partnership.

North West Association of Directors of Adult Social Services

North West ADASS incorporates the regions of Cheshire, Cumbria, Lancashire, Merseyside and Greater Manchester. The region encompasses tremendous diversity and relative poor health. The component 23 local authorities are at the forefront of innovation through devolution programmes and participation in a range of integration programmes via Sector Led Improvement priorities. Tameside Council is the accountable body for NW ADASS with each component local authority contributing an equal annual funding contribution to the financing of the association infrastructure and agreed work programme priorities. In addition the association receives various non-recurrent grant funding allocations to support the delivery of specified programmes.

Greater Manchester Ecology Unit (GMEU)

The Greater Manchester Ecology Unit (GMEU) provides specialist advice to, and on behalf of, the ten district councils that make up Greater Manchester on biodiversity, nature conservation and wildlife issues. Although hosted by Tameside MBC, GMEU works across the whole of Greater Manchester.
The Ecology Unit prepares and helps to implement the Greater Manchester Biodiversity Action Plan. It comments on the ecological impact of development proposals on behalf of planning departments, and provides advice on safeguarding wildlife on development sites.

## 47. Building Control

The Council sets charges for work carried out in relation to building regulations with the aim of covering all costs incurred. The Council aims to ensure that, taking one financial year with the next, Building Control fees are set to cover costs without generating a material surplus or loss.

However, certain activities performed by the Building Control Unit cannot be charged for, such as providing general advice and liaising with other statutory authorities, including pre-application advice of up to one hour duration. The total net cost of operating the Building Control Unit was £0.126m in 2018/19, which was made up of a deficit on chargeable activities of £0.089m and a deficit on non-chargeable activities of £0.037m.

| | 2018/19 | | |
|---|---|---|---|
| | Chargeable | Non-Chargeable | Total |
| | £000 | £000 | £000 |
| **Expenditure:** | | | |
| Employee Expenses | 126 | 54 | 180 |
| Premises | 11 | 5 | 16 |
| Transport | 0 | 0 | 0 |
| Supplies and Services | 8 | 3 | 11 |
| Central and Support Service Charges | 27 | 11 | 38 |
| | **172** | **73** | **245** |
| **Income:** | | | |
| Building Regulation Charges | (83) | (36) | (119) |
| Miscellaneous Income | 0 | 0 | 0 |
| | **(83)** | **(36)** | **(119)** |
| **(Surplus)/Deficit for year** | **89** | **37** | **126** |

## 48. Integrated Commissioning Fund (ICF)

Tameside Council and Tameside & Glossop Clinical Commissioning Group (CCG) are partners in the provision of services to support health and social care integration within the locality. The table summarises the ICF in its totality (of which the Section 75 forms part). The Better Care Fund is included with the Section 75 element of the ICF.

From 1 April 2018 the ICF includes the total revenue budget allocations of both the Council and the CCG. The single fund is monitored and reported to members of the Strategic Commissioning Board and Executive Cabinet on a monthly basis.

The component sections of the ICF are;

**Section 75 Services**
This relates to the legislation that allows the establishment of pooled funds between NHS bodies and local authorities at a local level.

**Aligned Services**
Funding contributions for services that cannot be delegated for formal joint provision.

**In Collaboration Services**
Services which cannot be included within Section 75 arrangements without a change in the legislation.

The Integrated Commissioning Fund supports the Tameside and Glossop Locality Plan which has the following key objectives:

- to improve health and wellbeing of residents with a focus on prevention and public health, and providing care closer to home;
- to make urgent progress on addressing health inequalities;
- to promote integration of health and social care as a key component of public sector reform;
- to contribute to growth, in particular through employment support and early years services

- to build partnerships between health, social care, and knowledge sectors for the benefit of the population.

In March 2017, the Executive Cabinet and CCG Governing Body agreed a two year risk share arrangement for the period 2017/18 and 2018/19, with any amounts being repayable over the following two years 2019/20 and 2020/21. This effectively meant the risk share arrangement was locked into a four year period regardless of whether the risk share arrangement had been fully utilised.

Under the risk share arrangements, each organisation shares financial risk in proportion to the respective net budget contributions they make into the Integrated Commissioning Fund (ICF), excluding any CCG expenditure associated with the residents of Glossop as the Council has no legal powers to contribute to such expenditure.

The risk share arrangement is in two parts. Part A comprises an additional contribution of up to £5 million per annum in 2017/18 and 2018/19 from the Council to the ICF which would create an obligation on the CCG to increase its contribution to the ICF in 2019/20 and 2020/21 to the same values respectively.

Part B of the risk share is applied after Part A and is based on the proportion of each Organisation's contribution to the ICF up to a capped threshold.

- a cap of £2.0 million is placed on CCG related risks that the Council will contribute
- a cap of £0.5 million is placed on Council related risks that the CCG will contribute

In 2017/18 the proportion of contribution to the ICF was based on an 80:20 split. However, for 2018/19 the proportion of contribution was revisited to reflect the net budget values of the ICF which was 68% for T&G CCG and 32% for the Council. For clarity, the risk sharing arrangement applies to the Section 75 pooled fund, the aligned fund and the in collaboration budget of the ICF, i.e. the whole ICF.

In 2017/18, under Part A of the agreement the Council increased its contribution to the ICF by £4.2m and under Part B the CCG made a contribution to the ICF of £0.5m in line with the capped threshold. In 2018/19 there are no transactions required under Part A or Part B of the risk share and the liability from Part A in 2017/18 will be discharged in 2019/20 by the CCG to the ICF.

| | 2018/19 £000 | | |
|---|---|---|---|
| **Funding provided to the pooled budget:** | **Council** | **Tameside & Glossop CCG** | **Total** |
| Section 75 | 56,859 | 257,539 | **314,398** |
| Wider Aligned Budget | 86,813 | 111,906 | **198,719** |
| In Collaboration Services | 42,842 | 33,041 | **75,883** |
| **Total** | **186,514** | **402,486** | **589,000** |

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

# Supplementary Financial Statements

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

# Collection Fund

Section 89 of the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992) for billing authorities to establish and maintain a separate Collection Fund account that holds details of transactions relating to Council Tax, Non-Domestic Rates and Precept Demands (and any Residual Community Charge adjustments), together with details of how any balances have been distributed.

## Income and Expenditure Account for the year ended 31 March 2019

This account reflects statutory requirements for billing authorities to maintain a separate Collection Fund to account for the income from Council Tax and NDR.

| | 31 March 2019 | | | 31 March 2018 | | |
|---|---|---|---|---|---|---|
| | Council Tax £000 | NDR £000 | Total £000 | Council Tax £000 | NDR £000 | Total £000 |
| **Income** | | | | | | |
| Income from Council Tax | (104,529) | | **(104,529)** | (97,866) | | **(97,866)** |
| Income from NDR | | (56,569) | **(56,569)** | 0 | (55,999) | **(55,999)** |
| **Total Income** | **(104,529)** | **(56,569)** | **(161,098)** | **(97,866)** | **(55,999)** | **(153,864)** |
| **Expenditure** | | | | | | |
| Council Tax | | | | | | |
| The Council | 86,068 | | **86,068** | 80,491 | | **80,491** |
| GMCA Mayoral Police and Crime Commissioner | 10,617 | | **10,617** | 9,703 | | **9,703** |
| GMCA Mayoral General Precept (inc. Fire) | 4,139 | | **4,139** | 3,584 | | **3,584** |
| NDR | | | **0** | | | **0** |
| The Council | | 52,025 | **52,025** | | 49,702 | **49,702** |
| Central Government | | 0 | **0** | | 0 | **0** |
| GM Fire and Rescue Authority | | 526 | **526** | | 502 | **502** |
| Allowance for cost of collection | | 291 | **291** | | 291 | **291** |
| Transitional Protection Payments | | 1,709 | **1,709** | | 3,184 | **3,184** |
| Increase/(decrease) in: | | | **0** | | | **0** |
| Allowance for non-collection | 4 | 1,584 | **1,588** | (3,002) | (12) | **(3,014)** |
| Provision for appeals | | 2,001 | **2,001** | | (712) | **(712)** |
| Surplus/deficit (allocated)/paid out in year: | | | **0** | | | **0** |
| The Council | 1,500 | 2,368 | **3,868** | 3,000 | (1,741) | **1,259** |
| Central Government | | (3,330) | **(3,330)** | | (1,777) | **(1,777)** |
| GMCA Mayoral Police and Crime Commissioner | 181 | 0 | **181** | 368 | 0 | **368** |
| GMCA Mayoral General Precept (inc. Fire) | 67 | (10) | **57** | 138 | (36) | **102** |
| **Total Expenditure** | **102,576** | **57,164** | **159,740** | **94,282** | **49,402** | **143,684** |
| | | | | | | |
| **(Surplus)/deficit for the year** | **(1,953)** | **594** | **(1,359)** | **(3,583)** | **(6,597)** | **(10,180)** |
| | | | | | | |
| Balance brought forward | (15,050) | 63 | **(14,987)** | (11,467) | 6,660 | **(4,807)** |
| (Surplus)/deficit for the year | (1,953) | 594 | **(1,359)** | (3,583) | (6,597) | **(10,180)** |
| **Balance carried forward** | **(17,003)** | **657** | **(16,346)** | **(15,050)** | **63** | **(14,987)** |
| | | | | | | |
| Share of (surplus)/deficit | | | | | | |
| The Council | (14,472) | 651 | **(13,822)** | (12,856) | (1,491) | **(14,347)** |
| Central Government | 0 | 0 | **0** | 0 | 1,553 | **1,553** |
| GMCA Mayoral Police and Crime Commissioner | (1,821) | 0 | **(1,821)** | (1,582) | 0 | **(1,582)** |
| GMCA Mayoral General Precept (inc. Fire) | (709) | 7 | **(703)** | (613) | 1 | **(612)** |
| | **(17,003)** | **657** | **(16,346)** | **(15,050)** | **63** | **(14,987)** |

## Notes to the Collection Fund

Section 89 of the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992) for billing authorities to establish and maintain a separate Collection Fund account that holds details of transactions relating to Council Tax, Non-Domestic Rates and Precept Demands (and any Residual Community Charge adjustments), together with details of how any balances have been distributed.

### 1. Overview

The Collection Fund is a statement that reflects the statutory obligation of Tameside as the billing authority to maintain a separate Collection Fund. The Collection Fund statement shows the Council's transactions in relation to the collection from taxpayers of Council Tax and Non-Domestic Rates (NDR) and its distribution to the relevant preceptors and Central Government.

The Council has a statutory obligation under section 89 of the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992) to maintain a separate Collection Fund. The purpose of the Collection Fund is to isolate the income and expenditure relating to Council Tax and NDR. The administrative costs associated with the collection process are charged to General Fund Balances.

'The Code' stipulates that a Collection Fund Income and Expenditure account is included in the Council's Statement of Accounts. The Collection Fund Balance Sheet meanwhile is incorporated into the Council's Balance Sheet.

### 2. Council Tax

All domestic properties are placed in one of eight valuation bands. Each year the Council must estimate the number of properties in each band and after allowing for discounts, exemptions and losses on collection, the net number of properties is then converted into a Band D equivalent in order to calculate the Council Tax base for tax setting purposes. The income which the Council requires to be raised is then divided by the Council Tax Base to give the Band D equivalent Council Tax for the year.

The Council Tax level for each of the bands is assessed as a proportion of the tax rate for a Band D property.

**Council Tax Base for 2018/19**

The Council Tax base for 2018/19 was set in January 2018. A copy of the Key Decision can be found on the Council's website at:
https://tamesideintranet.moderngov.co.uk/documents/s27478/Key%20Decision%20Notice%20and%20Report%20-%20Council%20Tax%20Base%202018-19.pdf

Table showing the tax base for the whole Council and Council Tax for properties outside the Mossley Parish Council boundary:

| Tameside 2018/19 Tax Base (Excluding Mossley Parish) | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Total Number of Dwellings | Equivalent Number of Dwellings after Discounts applied | Specified ratio for Council Tax | Number of Band D Equivalent Dwellings | Tameside MBC Precept 2018/19 (Excluding Mossley) | Mayoral Police & Crime Commissioner Precept | Mayoral General Precept | 2018/19 Council Tax (Excluding Mossley Parish) |
| Disabled Relief | | 58 | 5/9 | 32 | | | | |
| Band A | 52,417 | 35,133 | 6/9 | 23,422 | £941.96 | £116.20 | £45.30 | £1,103.46 |
| Band B | 18,746 | 15,644 | 7/9 | 12,168 | £1,098.96 | £135.57 | £52.85 | £1,287.38 |
| Band C | 19,174 | 16,959 | 8/9 | 15,074 | £1,255.95 | £154.93 | £60.40 | £1,471.28 |
| Band D | 6,672 | 6,263 | 9/9 | 6,263 | £1,412.94 | £174.30 | £67.95 | £1,655.19 |
| Band E | 3,645 | 3,481 | 11/9 | 4,254 | £1,726.92 | £213.03 | £83.05 | £2,023.00 |
| Band F | 904 | 843 | 13/9 | 1,217 | £2,040.91 | £251.77 | £98.15 | £2,390.83 |
| Band G | 413 | 393 | 15/9 | 655 | £2,354.90 | £290.50 | £113.25 | £2,758.65 |
| Band H | 43 | 19 | 18/9 | 37 | £2,825.88 | £348.60 | £135.90 | £3,310.38 |
| Total | 102,014 | 78,792 | | 63,123 | | | | |
| Less Allowance for Losses on Collection | | | | (2,209.4) | | | | |
| MOD Properties | | | | 0 | | | | |
| Total Tameside Tax Base 2018/19 | | | | 60,914.0 | | | | |

Table showing the tax base and Council Tax for properties within the Mossley Parish Council:

| Tameside 2018/19 Tax Base (Mossley Parish) | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Total Number of Dwellings | Equivalent Number of Dwellings after Discounts applied | Specified ratio for Council Tax | Number of Band D Equivalent Dwellings | Tameside MBC Precept 2018/19 (Excluding Mossley) | Mossley Precept 2018/19 | Mayoral Police & Crime Commissioner Precept | Mayoral General Precept | 2018/19 Council Tax (Including Mossley Parish) |
| Disabled Relie | 0 | 2 | 5/9 | 1 | | | | | |
| Band A | 2,817 | 2,044 | 6/9 | 1,363 | £941.96 | £6.24 | £116.20 | £45.30 | £1,109.70 |
| Band B | 885 | 773 | 7/9 | 602 | £1,098.96 | £7.28 | £135.57 | £52.85 | £1,294.66 |
| Band C | 1,004 | 893 | 8/9 | 794 | £1,255.95 | £8.32 | £154.93 | £60.40 | £1,479.60 |
| Band D | 390 | 367 | 9/9 | 367 | £1,412.94 | £9.36 | £174.30 | £67.95 | £1,664.55 |
| Band E | 179 | 173 | 11/9 | 212 | £1,726.92 | £11.44 | £213.03 | £83.05 | £2,034.44 |
| Band F | 49 | 47 | 13/9 | 68 | £2,040.91 | £13.52 | £251.77 | £98.15 | £2,404.35 |
| Band G | 14 | 15 | 15/9 | 25 | £2,354.90 | £15.60 | £290.50 | £113.25 | £2,774.25 |
| Band H | 1 | 0 | 18/9 | 0 | £2,825.88 | £18.72 | £348.60 | £135.90 | £3,329.10 |
| Total | 5,339 | 4,315 | | 3,431 | | | | | |
| Less Allowance for Losses on Collection | | | | (120.6) | | | | | |
| MOD Properties | | | | 0 | | | | | |
| Total Mossley Parish Tax Base 2018/19 | | | | 3,310.0 | | | | | |

## 3. Non-Domestic Rates (NDR)

The Council collects NDR for its area based on local rateable values provided by the Valuation Office Agency (VOA) multiplied by a uniform Business Rate set nationally by Central Government.

For 2018/19, the total Non-Domestic Rateable value at 31 March 2019 is £147.6m (£147.5m in 2017/18). The national multipliers for 2018/19 were 48p for qualifying small businesses, and the standard multiplier being 49.3p for all other businesses (46.6p and 47.9p respectively in 2017/18).

Local authorities retain a proportion of the total collectable rates due. Prior to 2017/18, the local share for Tameside was 49%, with the remainder distributed to the Greater Manchester Fire and Rescue Authority (GMFRA) (1%) and Central Government (50%). Since 2017/18 Tameside has been part of the 100% retention pilot for Greater Manchester. This pilot, which currently runs until the end of 2019/20, means that Tameside retains 99% of total collectible rates, with 1% distributed to the GMFRA. The NDR shares paid in 2018/19, (excluding previous years distribution) were

£52.025m to the Council and £0.526m to GMFRA.  (2017/18 shares paid were £0.502m to GMFRA and £49.702m to the Council).

**Greater Manchester 100% Business Rates Retention Pilot**

Greater Manchester is one of the regions piloting the full retention of Business Rates from 1 April 2017. The purpose of this Pilot is to develop and trial approaches to manage risk and reward, and to finance from additional Business Rates income new responsibilities and/or existing funding streams including those that support economic growth.

Being part of the Greater Manchester Pilot provides the Council and the Greater Manchester region with potential financial benefits with the guarantee that Authorities will not be worse off as a result of the Pilot. The 'No Detriment' agreement will guarantee that the resources available to the Council under the 100% Pilot will be the same as the 50% retention scheme that exists for non-pilot authorities.

As a result of the Pilot, the Council has not received Revenue Support Grant or Public Health Grant from Government since 2017/18. Instead the Council retains 99% of its Non Domestic (Business) Rates income with 1% distributed to GMFRA.  The current pilot arrangements run until the end of 2019/20.

# Greater Manchester Metropolitan Debt Administration Fund (GMMDAF)

The Council is the lead council responsible for the administration of the debt of the former Greater Manchester County Council, on behalf of all ten Greater Manchester Metropolitan Authorities. All expenditure of the fund is shared by the authorities on a population basis.

## Income and Expenditure Account for the year ended 31 March 2019

| | 2018/19 £000 | 2017/18 £000 |
|---|---|---|
| **Income** | | |
| Interest recharged to responsible authorities | (4,002) | (4,433) |
| Gains/Losses on repurchase of debt | 0 | 0 |
| **Total Income** | **(4,002)** | **(4,433)** |
| **Expenditure** | | |
| Interest on loans: Public Works Loan Board | 3,747 | 4,222 |
| Interest on loans: Pre 1974 Transferred Debt | 6 | 10 |
| Interest on loans: Temporary Borrowing | 135 | 102 |
| | 3,887 | 4,334 |
| Charge for future Premiums | 54 | 54 |
| Debt management expenses | 61 | 45 |
| **Total Expenditure** | **4,002** | **4,433** |
| **(Surplus)/Deficit for year** | **0** | **0** |

## The Balance Sheet as at 31 March 2019

| | 2018/19 £000 | 2017/18 £000 |
|---|---|---|
| **Debt Outstanding** | **76,543** | **76,543** |
| | | |
| **Long Term Liabilities** | | |
| External Loans: Public Works Loan Board | 38,963 | 48,963 |
| External Loans: Pre 1974 Transferred | 129 | 161 |
| | 39,092 | 49,124 |
| **Current Liabilities** | | |
| Creditors: Temporary Loans | 9,026 | 26,771 |
| Charge for future premiums | 647 | 647 |
| | 9,674 | 27,418 |
| **Current Assets** | | |
| Debtors | 0 | 0 |
| | 0 | 0 |
| | | |
| Net Current Liabilities | 9,674 | 27,418 |
| | **48,765** | **76,543** |

## 1. Analysis by Responsible Authority

| | 2018/19 £000 | 2017/18 £000 |
|---|---|---|
| Police and Crime Commissioner of GM | 4,095 | 5,327 |
| GM Fire and Rescue Service | 2,004 | 2,607 |
| GM Integrated Passenger Authority | 9,952 | 12,945 |
| Bolton MBC | 3,947 | 5,134 |
| Bury MBC | 2,708 | 3,522 |
| City of Manchester | 7,516 | 9,777 |
| Oldham MBC | 7,955 | 10,348 |
| Rochdale MBC | 3,173 | 4,127 |
| City of Salford | 3,964 | 5,156 |
| Stockport MBC | 4,367 | 5,680 |
| Tameside MBC | 3,313 | 4,309 |
| Trafford MBC | 475 | 617 |
| Wigan MBC | 5,377 | 6,994 |
| | **58,844** | **76,543** |

The outstanding debt of £58.844m at 31 March 2019 includes former Manchester Airport debt of £5.145m and former Greater Manchester Probation Service debt of £0.497m.

Debt for Manchester Airport and Greater Manchester Probation Service is allocated over the 10 Greater Manchester Metropolitan Districts on a population basis.

Manchester Airport re-negotiated the terms of its loan arrangement with the 10 Greater Manchester Councils during 2009/10, as a result of this agreement the 10 Councils have taken responsibility to service the former Manchester Airport debt, previously the debt was serviced by the airport itself.

## 2. Analysis by Type of Loan

| | 2018/19 £000 | Year on Year Change £000 | 2017/18 £000 | Year on Year Change £000 |
|---|---|---|---|---|
| Public Works Loan Board | 38,963 | (10,000) | 48,963 | (16,000) |
| Debt administered by other authorities | 129 | 0 | 161 | (30) |
| Debt falling out in next 12 months | 16,539 | (1,159) | 17,697 | 14,234 |
| Temporary Loan | 9,074 | 0 | 9,074 | (15,283) |
| Revenue and other balances temporarily used for capital purposes | 647 | 0 | 647 | 54 |
| | **65,351** | **(11,159)** | **76,543** | **(17,025)** |

## 3. Financial Instrument Balances

Under accounting requirements the financial instrument value shown in the Balance Sheet include the principal amount borrowed plus accrued interest.

| | 31 March 2019 | | 31 March 2018 | |
|---|---|---|---|---|
| | Long Term £000 | Current £000 | Long Term £000 | Current £000 |
| Financial Liabilities Principal Amount | 39,092 | 10,129 | 49,124 | 25,074 |
| Adjustment for Amortised Cost | 0 | 6,533 | 0 | 1,705 |
| **Financial Liabilities at Amortised Cost** | **39,092** | **16,661** | **49,124** | **26,779** |
| **Total Borrowings** | **39,092** | **16,661** | **49,124** | **26,779** |

## 4. Financial Instruments Gains / Losses

The gains and losses recognised in the Income and Expenditure Account in relation to Financial Instruments are made up as follows:

| | 31 March 2019 | 31 March 2018 |
|---|---|---|
| | Financial Liabilities Measured at Amortised Cost £000 | Financial Liabilities Measured at Amortised Cost £000 |
| Interest expense | (3,747) | (4,222) |
| Losses on derecognition | 0 | 0 |
| **Interest payable and similar charges** | **(3,747)** | **(4,222)** |
| **Net loss for the year** | **(3,747)** | **(4,222)** |

## 5. Fair Value of Financial Assets and Liabilities Carried at Amortised Cost

Financial liabilities and financial assets represented by loans and receivables are carried on the Balance Sheet at amortised cost. Their fair value (level 2) can be assessed by calculating the present value of the cash-flows that take place over the remaining life of the instruments, using the following assumptions:

- Where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values for financial liabilities have been determined by reference to the Public Works Loan Board (PWLB) redemption rules and prevailing PWLB redemption rates at the Balance Sheet date, and include accrued interest.

The fair values are as follows:

| | 31 March 2019 | | 31 March 2018 | |
|---|---|---|---|---|
| | Carrying Amount £000 | Fair Value £000 | Carrying Amount £000 | Fair Value £000 |
| PWLB Debt | 48,963 | 57,503 | 64,963 | 76,778 |
| **Total Liabilities** | **48,963** | **57,503** | **64,963** | **76,778** |

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

The Fund has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets. A supplementary measure of the additional interest that the authority will pay as a result of its PWLB commitments for fixed rate loans is to compare the terms of these loans with the new borrowing rates available from the PWLB. If a value is calculated on this basis, the carrying amount of £55.479m would be valued at £56.317m. But, if the Fund were to seek to avoid the projected loss by repaying the loans to the PWLB, the PWLB would raise a penalty charge for early redemption in addition to charging a premium for the additional interest that will not now be paid. The exit price for the PWLB loans would include the penalty charge of £6.031m, principal of £48.962m and accrued interest of £6.156m, totalling £54.994m

The above represents the fair value of PWLB debt managed by the Council on behalf of the GMMDAF. The fair value of transferred debt relating to GMMDAF will be shown by those authorities that manage this element of the debt.

## 6. Nature and extent of risks arising from Financial Instruments

Please see Note 20 within the Council's Notes to the Financial Statements

# Glossary of Financial Terms

**Accruals Basis**
The accruals principle is that income is recorded when it is earned rather than when it is received, and expenses are recorded when goods or services are received rather than when the payment is made.

**Actuarial Gains and Losses**
Actuaries assess financial and non-financial information provided by the Council to project levels of future pension fund requirements. Changes in actuarial deficits or surpluses can arise leading to a loss or gain because:

- events have not coincided with the actuarial assumptions made for the last valuation;
- the actuarial assumptions have changed.

**Agency Services**
These are services that are performed by or for another Authority or public body, where the principal (the Authority responsible for the service) reimburses the agent (the Authority carrying out the work) for the costs of the work.

**Associate Companies**
This is an entity other than a subsidiary or joint venture in which the reporting Authority has a participating interest and over whose operating and financial policies the reporting Authority is able to exercise significant influence.

**Association of Greater Manchester Authorities (AGMA)**
AGMA represents the ten local authorities in Greater Manchester and works in partnership with Central Government, regional bodies and other Greater Manchester public sector bodies.

**Billing Authority**
An authority which collects Council Tax, Business Rates and precepts on behalf of itself and other bodies.

**Capital Expenditure**
This is expenditure on the acquisition of a fixed asset, or expenditure, which adds to, and not merely maintains, the value of an existing fixed asset.

**Capital Financing Costs**
This is the annual charge to the revenue account in respect of interest and principal repayments and payments of borrowed money, together with leasing rentals.

**Capital Finance Requirement (CFR)**
Introduced as a result of the Prudential Framework for Capital Accounting and measures the underlying need of the Council to borrow for expenditure of a capital nature.

**Capital Receipts**
Income received from the sale of land or other capital assets, a proportion of which may be used to finance new capital expenditure.

**Carrying Amount**
The Balance Sheet value recorded of either an asset or liability.

**Cash and Cash Equivalents**
Cash is represented by cash in hand and deposits with financial institutions payable without penalty on notice of not more than 24 hours. Cash equivalents are investments which are readily convertible to known amounts of cash with insignificant risk of change in value.

**Chartered Institute of Public Finance and Accountancy (CIPFA)**
CIPFA is the leading professional accountancy body for public services.

**Collection Fund**
A fund administered by the Council that shows the transactions of the billing authority, in relation to the collection from taxpayers of Council Tax and NDR and how the income from these sources has been distributed to precepting authorities, Central Government and the Council's General Fund Balances. The Collection Fund is maintained separately, as a statutory requirement.

**Community Assets**
Non-current assets that an authority intends to hold in perpetuity which have no determinable finite useful life and, in addition, may have restrictions on their disposal. Examples include parks and historical buildings not used for operational purposes.

**Contingent Liabilities or Assets**
These are amounts potentially due to or from individuals or organisations, which may arise in the future but which at this time cannot be determined accurately, and for which provision has not been made in the Council's accounts.

**Corporate and Democratic Core**
Corporate and Democratic Core comprises all activities which local authorities engage in specifically because they are elected, multi-purpose authorities.

**Corporate Governance**
Corporate governance is the Council's accountability for the stewardship of resources, risk management and relationship with the community. It encompasses policies on whistle blowing, fraud and corruption.

**Council Tax**
This is the main source of local taxation to Local Authorities. Council Tax is levied on households within its area by the Billing Authority and the proceeds are paid into its Collection Fund for distribution to precepting Authorities and for use by its own General Fund Balances.

**Council Tax Requirement**
This is the estimated revenue expenditure on General Fund services that needs to be financed from the Council Tax after deducting income from fees and charges, certain specific grants and any funding from reserves.

**Creditors**
Amounts owed by the Council for work done, goods received or services rendered, for which payment has not been made at the date of the Balance Sheet.

**Current Service Cost**
Current Service Cost is the increase in the present value of a defined benefit pension scheme's liabilities expected to arise from employee service in the current period, i.e. the ultimate pension benefits "earned" by employees in the current year's employment.

**Debtors**
These are sums of money due to the Council that have not been received at the Balance Sheet date.

**Deferred Capital Receipts**
These represent capital income still to be received after disposals have taken place and wholly consists of principal outstanding from the sale of council houses.

**Defined Benefit Scheme**
This is a pension or other retirement benefit scheme other than a Defined Contribution Scheme. Usually, the scheme rules define the benefits independently of the contributions payable and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).

**Defined Contribution Scheme**
A Defined Contribution Scheme is a pension or other retirement benefit scheme into which an employer pays regular contributions as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

**Department for Communities and Local Government (DCLG)**
A Department of Central Government with an overriding responsibility for determining the allocation of general resources to Local Authorities.

**Derecognition**
This is when financial assets and liabilities are removed from the Balance Sheet once performance under the contract is complete or the contract is terminated.

**Depreciation**
This is the measure of the wearing out, consumption, or other reduction in the useful economic life of a fixed asset.

**Discounts**
Discounts represent the outstanding discount received on the premature repayment of Public Works Loan Board loans. In line with the requirements of 'the Code', gains arising from the repurchase or early settlement of borrowing have been written back to revenue. However, where the repurchase or borrowing was coupled with a refinancing or restructuring of borrowing with substantially the same overall economic effect when viewed as a whole, gains have been recognised over the life of the replacement loan.

**Earmarked Reserves**
The Council holds a number of reserves earmarked to be used to meet specific, known or predicted future expenditure.

**Exceptional Items**
Material items deriving from events or transactions that fall within the ordinary activities of the Council, but which need to be separately disclosed by virtue of their size and/or incidence to give a fair presentation of the accounts.

**External Audit**
The independent examination of the activities and accounts of Local Authorities to ensure the accounts have been prepared in accordance with legislative requirements and proper practices and to ensure the Council has made proper arrangements to secure value for money in its use of resources.

**Expenditure**
This is amounts paid by the Council for goods received or services rendered of either a capital or revenue nature. This does not necessarily involve a cash payment since expenditure is deemed to have been incurred once the goods or services have been received even if they have not been paid for.

**Fair Value**
Fair value is the price at which an asset could be exchanged in an arm's length transaction, less any grants receivable towards the purchase or use of the asset.

**Finance Lease**
A finance lease is a lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee.

**Financial Instruments**
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term ‘financial instrument’ covers both financial assets and financial liabilities and includes both the most straightforward financial assets and liabilities such as trade receivables and trade payables and the most complex ones such as derivatives and embedded derivatives.

**General Fund Balances**
The main revenue fund of the Council and includes the net cost of all services financed by local taxpayers and Government grants.

**Greater Manchester Waste Disposal Authority (GMWDA)**
This is a levying Authority that provides a waste disposal strategy, policy and services to nine of the AGMA Councils.

**Heritage Asset**
A tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

**Housing Benefit**
This is an allowance to persons on low income (or none) to meet, in whole or part, their rent. Benefit is allowed or paid by Local Authorities but Central Government refunds part of the cost of the benefits and of the running costs of the services to Local Authorities.

**Impairment**
A reduction in the value of a non-current asset below its value brought forward in the Balance Sheet. Examples of factors which may cause such a reduction in value include general price decreases, a significant decline in a non-current asset’s market value and evidence of obsolescence or physical damage to the asset.

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

**Infrastructure Assets**
Those non-current assets from which benefit can be obtained only by continued use of the asset created e.g. highways, footpaths and bridges.

**Intangible Assets**
These are non-current assets that do not have physical substance but are identifiable and controlled by the Council. Examples include software, licenses and patents.

**International Financial Reporting Standards (IFRS)**
Defined Accounting Standards that must be applied by all reporting entities to all financial statements in order to provide a true and fair view of the entity’s financial position, and a standardised method of comparison with financial statements of the other entities.

**Inventories**
Amounts of unused or unconsumed stocks held in expectation of future use.

**Leasing Costs**
This is where a rental is paid for the use of an asset for a specified period of time. Two forms of lease exist: finance leases and operating leases.

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

**Liquid Resources**
Current asset investments that are readily disposable by the Council without disrupting its business and are either readily convertible to known amounts of cash at or close to the amount they are held at on the Balance Sheet, or traded in an active market.

**Materiality**
The concept that any omission from or inaccuracy of the Statement of Accounts should not be large enough to affect the understanding of those statements by the reader. Materiality must be considered for individual amounts and also all amounts together.

**Medium Term Financial Plan (MTFP)**
This is a financial planning document that sets out the future years financial forecasts for the Council. It considers local and national policy influences and projects their impact on the general fund revenue budget and capital programme.

**Minimum Revenue Provision (MRP)**
MRP is the minimum amount which must be charged to a Council’s revenue account each year and set aside as provision for credit liabilities, as required by the Local Government and Housing Act 1989.

**Non-Domestic rates (NDR) (also known as Business Rates)**
Business Rates is the levy on business property, based on a national rate in the pound applied to the ‘rateable value’ of the property. The Government determines a national rate poundage each year which is applicable to all local authorities.

**Net Book Value (NBV)**
The amount at which non-current assets are included in the Balance Sheet, i.e. their historical cost or current value less the cumulative amounts provided for by depreciation.

**Non-current Asset**
Assets that yield benefits to the Council and the services it provides for a period of more than one year.

**Non Distributed Costs**
These are overheads for which no user now benefits and should not be apportioned to services.

**Net Realisable Value (NRV)**
NRV is the open market value of the asset in its existing use (or open market value in the case of non-operational assets) less the expenses to be incurred in realising the asset.

**Operating Lease**
This is a type of lease, usually of computer equipment, office equipment, furniture, etc. where the balance of risks and rewards of holding the asset remains with the lessor. The asset remains the property of the lessor and the lease costs are revenue expenditure to the Council.

**Precept**
The amount levied by one authority which is collected on its behalf by another (the billing authority).

**Premiums**
These are discounts that have arisen following the early redemption of long term debt, which are written down over the lifetime of replacement loans where applicable.

**Prior Period Adjustments**
These are material adjustments which are applicable to an earlier period arising from changes in accounting policies or for the correction of fundamental errors.

**Private Finance Initiative (PFI)**
A Central Government initiative which aims to increase the level of funding available for public services by attracting private sources of finance. The PFI is supported by a number of incentives to encourage authorities' participation.

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

**Public Works and Loans Board (PWLB)**
An arm of Central Government which is the major provider of loans to finance long term funding requirements of Local Authorities.

**Related Parties**
Related parties are Central Government, other Local Authorities, precepting and levying bodies, subsidiary and associated companies, Elected Members, all Senior Officers from Assistant Director and above and the Pension Fund.

**Reserves**
Amounts set aside for general contingencies, to provide working balances or earmarked to specific future expenditure.

**Revenue Expenditure**
Expenditure incurred on the day-to-day running of the Council. This mainly includes employee costs, general running expenses and capital financing costs.

**Revenue Expenditure Funded from Capital under Statute (REFCUS)**
Expenditure incurred during the year that may be capitalised under statutory provision but that does not result in the creation of a non-current asset that has been charged as expenditure to the CIES.

**Treasury Management**
This is the process by which the Council controls its cash flow and its borrowing and lending activities.

**Treasury Management Strategy**
A Strategy prepared with regard to legislative and CIPFA requirements setting out the framework for treasury management activity for the Council.

**Unsupported (Prudential) Borrowing**
This is borrowing for which no financial support is provided by Central Government. The borrowing costs are to be met from current revenue budgets.

**Useful Economic Life**
The period over which the Council will derive benefits from the use of an asset.

# Greater Manchester Pension Fund Statement of Accounts 2018/19

## ******* DRAFT UNAUDITED ******

## Fund Account for the Year Ended 31 March 2019

| 31 March 2018 £000 | | Note | 31 March 2019 £000 |
|---|---|---|---|
| | **Contributions and benefits** | | |
| (140,493) | Contributions from employees | 5 | (145,922) |
| (599,601) | Contributions from employers | 5 | (447,440) |
| (740,094) | | | (593,362) |
| (392,049) | Transfers in (bulk) | | (313,591) |
| (23,882) | Transfers in (individual) | | (24,031) |
| (1,156,025) | | | (930,984) |
| 748,081 | Benefits payable | 6 | 803,614 |
| 49,369 | Payments to and on account of leavers | 7 | 42,967 |
| 32,191 | Management expenses | 8 | 32,505 |
| 829,641 | | | 879,086 |
| | **Returns on investments** | | |
| (412,092) | Investment income | 9 | (436,702) |
| (494,206) | Reduction/(increase) in fair value of investments | 11 | (868,166) |
| 3,964 | Taxation | 10 | 5,192 |
| 3,233 | (Profit)/loss on foreign currency | | 4,496 |
| **(899,101)** | **Net (profit)/loss on investments** | | **(1,295,180)** |
| **(1,225,485)** | Net increase in the Fund during the year | | (1,347,078) |
| **(21,271,060)** | Net assets of the Fund at start of year | | (22,496,545) |
| **(22,496,545)** | **Net assets of the Fund at end of year** | | **(23,843,623)** |

## Net Assets Statement at 31 March 2019

| 31 March 2018 £000 | | Note | 31 March 2019 £000 |
|---|---|---|---|
| 3,478,118 | UK equities | | 3,611,360 |
| 3,273,124 | Overseas equities | | 3,577,832 |
| 1,325,276 | Bonds | 11 | 1,003,365 |
| 157,505 | UK index linked government bonds | | 0 |
| 335,354 | Overseas index linked government bonds | | 369,914 |
| 755,145 | Investment property | 11 | 881,991 |
| 7,137 | Derivative contracts | 11 | 0 |
| 12,491,416 | Pooled investment vehicles | 11 | 13,453,499 |
| 587,141 | Cash and deposits | 11 | 755,437 |
| 107,512 | Other investment assets | 11 | 212,544 |
| **22,517,728** | **Investment assets** | | **23,865,942** |
| (793) | Derivative contract liabilities | 11 | 0 |
| (42,462) | Other investment liabilities | 11 | (73,279) |
| **(43,255)** | **Investment liabilities** | | **(73,279)** |
| 45,689 | Current assets | 11 | 73,556 |
| (23,617) | Current liabilities | 11 | (22,596) |
| **22,072** | **Net current assets** | | **50,960** |
| **22,496,545** | **Net assets of Fund** | | **23,843,623** |

## Notes to Greater Manchester Pension Fund

### 1a. Notes to the Accounts

From 1 April 2010 GMPF was required to prepare its financial statements under International Financial Reporting Standards (IFRS). The financial statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 based on IFRS, published by the Chartered Institute of Public Finance and Accountancy (CIPFA). This requires that GMPF accounts should be prepared in accordance with International Accounting Standard (IAS) 26, except where interpretations or adaptations to fit the public sector are detailed in the Code. The financial statements summarise the transactions of GMPF and deal with net assets at the disposal of the Management Panel. They do not take account of obligations to pay pensions and benefits which fall due after the end of the GMPF financial year. Under IFRS, GMPF is required to disclose the actuarial present value of promised retirement benefits. This is disclosed as a separate note (Note 25). The full actuarial position of GMPF which does take account of pension and benefit obligations falling due after the year end is outlined in Note 22. These financial statements should be read in conjunction with that information.

### 1b. The Management and Membership of the Greater Manchester Pension Fund

Tameside MBC is the statutory Administering Authority for the Greater Manchester Pension Fund (GMPF). The administration and investment performance of GMPF is considered and reviewed every quarter by the Management Panel, which consists of 20 elected Members (11 from Tameside MBC, being the Administering Authority, and nine from other Greater Manchester local authorities) and a representative from the Ministry of Justice.

The Management Panel is advised in all areas by the Advisory Panel. Each of the ten Greater Manchester local authorities and the Ministry of Justice are represented on the Advisory Panel and there are six employee representatives nominated by the North West TUC. There are also four External Advisors who assist the Advisory Panel, in particular regarding investment related issues.

As a result of the Public Service Pensions Act 2013 and subsequent Local Government Pension Scheme Regulations, each public sector pension fund has been required to establish a Local Pension Board from 1 April 2015.

The GMPF Local Pensions Board is not a decision making body. However, it is required to assist the Administering Authority in complying with regulations and ensuring that appropriate governance is in place.

GMPF also currently has four Working Groups, which consider particular areas of its activities and make recommendations to the Management Panel. Governance arrangements for GMPF are currently under review. The Working Groups in operation in 2018/19 covered:

- Investment Monitoring, Alternative Investments and Environment, Social and Governance
- Pensions Administration, Employer Funding and Viability
- Property
- Policy and Development

There are three Officers to GMPF:
- Director of Governance & Pensions – administrator of GMPF and link for Panel Members, advisors and investment managers between meetings
- Chief Executive and Director of Governance & Pensions (Solicitor and statutory monitoring officer) – jointly responsible for the provision of legal and secretarial services to the Management and Advisory Panels

- Director of Finance – responsible for preparation of Administering Authority's accounts, which includes GMPF's Statement of Accounts

GMPF's investment strategy is implemented by management arrangements, which include:
- two external investment managers that manage multi asset briefs
- one external manager with a global equity brief
- one external manager with a global credit brief
- two external managers with a direct and indirect UK property brief
- Internal management of cash, private equity, infrastructure, generalist pooled property funds, local and other unquoted investments

GMPF subscribes to an industry performance measurement service run by Portfolio Evaluation Ltd in order to analyse/benchmark GMPF's performance relative to market returns and relevant industry comparators. In addition to this, GMPF also subscribes to the Local Authority Pension Performance Analytics Service supplied by Pensions Investment Research Consultants Ltd (PIRC) to enable assessment of its performance relative to all other funds that operate under the same regulations.

GMPF is a pension fund which administers the statutory Local Government Pension Scheme (LGPS), set up to provide death and retirement benefits for local government employees other than teachers, fire fighters and police officers for whom separate arrangements exist. In addition, other qualifying bodies, which provide similar services to that of local authorities, have been admitted to GMPF.

GMPF operates a career average scheme whereby as each year goes by members build up a set portion of pay as a pension. It is funded by contributions from employees, which are set out in regulations, and variable contributions from employers, which take account of the relationship of assets held to liabilities accrued (see Actuarial Review of GMPF – Note 22). The benefits of the Scheme are prescribed nationally by Regulations made under the Public Service Pension Schemes Act 2013.

The membership of GMPF as at 31 March 2019 and the preceding year is shown below:

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

** Includes former contributors who have retained a right to a refund of contributions or a transfer of pension benefits to another scheme.*

The contributions received from GMPF employers can be found in Note 20.
Further information is published in the Greater Manchester Pension Fund Annual Report 2018/19 and Funding Strategy Statement (FSS). The FSS is available from www.gmpf.org.uk and the Annual Report will be published on the website following the July 2019 administering authority Audit Panel.

## 2. Accounting Policies

**Basis of preparation:** The accounts have been prepared on an accruals basis. That is, income and expenditure is recognised as it is earned or incurred including contributions receivable and pension benefits payable. Individual transfer values are recognised on a received or paid basis.

**Financial assets and liabilities:** On initial recognition, GMPF is required to classify financial assets and liabilities into held to maturity investments, available for sale financial assets, held for trading, designated at fair value through the Fund account, or loans and receivables. Financial assets may be designated as at fair value through the Fund account only if such designation (a) eliminates or significantly reduces a measurement or recognition of inconsistency, or (b) applies to a group of financial assets, financial liabilities or both that GMPF manages and evaluates on a fair value basis, or (c) relates to an instrument that contains an embedded derivative which is not evidently closely related to the host contract.

**Contribution income:** Normal contributions, both from the members and from the employer, are accounted for on an accruals basis at the percentage rate recommended by the fund actuary in the payroll period to which they relate. Employer deficit funding contributions are accounted for on the due dates on which they are payable under the schedule of contributions set by the scheme actuary or on receipt if earlier than the due date.

Employers' augmentation contributions and pensions strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long-term financial assets

**Additional Voluntary Contributions (AVC):** GMPF provides an AVC scheme for its contributors, the assets of which are invested separately from GMPF. These AVC sums are not included in GMPF's financial statements because GMPF has no involvement in the management of these assets. Members participating in this arrangement each receive an annual statement confirming the amount held in their account and the movements in the year. Further details are provided in Note 24.

**Additional Voluntary Contributions Income:** Where a member is able and chooses to use their AVC fund to buy scheme benefits, this is treated on a cash basis and is categorised within Transfers In.

**Investment Income:** Interest, property rent and dividends on fixed interest and equity investments and on short-term deposits has been accounted for on an accruals basis.

**Accrued Investment Income:** Accrued investment income has been categorised within investments in accordance with the appropriate Pensions Statement of Recommended Practice (SORP).

**Foreign Income:** Foreign income is translated into sterling at the rate applicable at the date of conversion. Income due at the year-end is translated at the rate applicable at 31 March 2019.

**Foreign Investments:** Foreign investments are translated at the exchange rate applicable at 31 March 2019. Any gains or losses arising on translation of investments into sterling are accounted for as a change in market value of investment.

**Rental income:** Rental income from operating leases on investment properties owned by GMPF is recognised on a straight line basis over the term of the lease. Any lease incentives granted are recognised as an integral part of the total rental income over the term of the lease. Contingent rents are only recognised when contractually due.

**Benefits:** Benefits includes all benefit claims payable by GMPF during the financial year.

**Investment Values:** All financial assets are valued at their fair value as at 31 March 2019 determined as follows:

| At 31 March 2019 | Valuation basis/technique | Main assumptions |
|---|---|---|
| Equities and bonds | Pricing from market data providers based on observable bid price quotations. | Use of pricing source. There are minor variations in the price dependent upon the pricing feed used. |
| Direct investment property | Independent valuations for freehold and leasehold investment properties at fair value; the main investment property portfolio has been valued by Colliers International Valuation UK LLP, Chartered Surveyors, as at 31 December 2018 subsequently adjusted for transactions undertaken between 1 January 2019 and 31 March 2019. The Greater Manchester Property Venture Fund portfolio has been valued as at 31 March 2019 by Avison Young. In both cases valuations have been in accordance with Royal Institute of Chartered Surveyors (RICS) Red Book which takes into account unobservable pricing inputs such as existing lease terms, independent market research, the nature of tenancies and tenant covenant strength, void levels, estimated rental growth and the discount rate. | Investment properties have been valued on the basis of open market value (the estimated amounts for which a property should exchange between a willing buyer and seller) and market rent (the expected benefits from holding the asset) in accordance with the RICS Appraisal and Valuation Manual. The values are estimates and may not reflect the actual values. Changes in rental growth void levels or the discount rate used will impact on valuations. General changes in property market prices could also affect valuations. |
| Indirect property (part of Pooled Investment Vehicles) | Independent valuations for freehold and leasehold properties less any debt within the individual property fund plus/minus other net assets. | Freehold and leasehold properties valued on an open market basis. Valuation carried out in accordance with the principles laid down by the RICS Appraisal and Valuation Manual and independent audit review of the net assets within the individual property fund. It is recognised that valuations could be affected by events occurring between the date of financial data provided by fund managers and GMPF's own financial reporting date, and also by post audit changes in the information provided by the fund managers. Changes to expected cash flows can also impact on the accuracy of valuations. |

| At 31 March 2019 | Valuation basis/technique | Main assumptions |
|---|---|---|
| Derivatives | Derivative contracts are valued at fair value.<br>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.<br>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. | |
| Private equity, infrastructure and special opportunities portfolios | 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. | In reaching the determination of fair value, the investment managers consider many factors including changes in interest rates and credit spreads, the operating cash flows and financial performance of the investments relative to budgets, trends within sectors and/or regions, underlying business models, expected exit timing and strategy and any specific rights or terms associated with the investment, such as conversion features and liquidation preferences. The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates, and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expense. The estimates and assumptions are reviewed on an on-going basis. It is recognised that valuations could be affected by events occurring between the date of financial data provided by fund managers and GMPF's own financial reporting date, and also by post audit changes in the information provided by the fund managers. Changes to expected cash flows can also impact on the accuracy of valuations. |
| Cash and other net assets | Value of deposit or value of transaction | Cash and account balances are short-term, highly liquid and subject to minimal changes in value. |

**Financial instruments at fair value through the fund account:** Financial assets and liabilities are stated at fair value as per the Net Assets Statement which is prepared in accordance with the Pensions SORP, requiring assets and liabilities to be reported on a fair value basis. Gains and losses on financial instruments that are designated as at fair value through the Fund account are recognised in the Fund account as they arise. The carrying values are therefore the same as fair values.

**Loans and receivables:** Non-derivative financial assets which have fixed or determinable payments and are not quoted in an active market are classified as loans and receivables.

**Cash and cash equivalents:** Cash comprises of cash in hand and demand deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in values.

**Acquisition costs of investments:** Acquisition costs of non-equity investments are included in the purchase price.

**Management Expenses:** Investment management expenses paid directly by GMPF are included within Management Expenses within the Fund account on page 153. These costs together with other management costs are met from within the employer contribution rate. Certain of GMPF's external securities managers have contracts which include performance fees in addition to the annual management fees. The performance fees are based upon one off, non-rolling, 3 yearly calculations. It is GMPF policy to accrue for any performance fees which are considered to be potentially payable.

In addition certain investments in pooled vehicles, predominantly in private markets, alternatives and property have investment costs deducted directly by the investment managers. These costs are not charged directly to the Fund account nor analysed in Note 8. They are included in the fair value adjustments applied to assets concerned within the
Fund account and corresponding notes. The performance of these investments is reported on a net basis. In line with CIPFA recommendations on improving disclosure of investment costs, Note 11a includes an estimate of these costs for this financial year and previous financial year.

Administration Expenses are included within Management Expenses within the Fund account. These costs are accounted for on an accruals basis. The costs of administration are met by employers through their employer contribution rate. All staff costs of the administering authority's pension service are charged direct to GMPF.

**Net (Profit)/Loss on Foreign Currency:** Net (profit)/loss on foreign currency comprise the change in value of short-term deposits due to exchange rate movements during the year.

**Actuarial present value of promised retirement benefits:** The actuarial present value of promised retirement benefits is assessed on an annual basis by the Actuary in accordance with the requirements of IAS19 and relevant actuarial standards. As permitted under IAS26, GMPF has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the Net Asset Statement (see Note 25).

**Derivatives:** GMPF uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities. GMPF does not hold derivatives for speculative purposes. Derivative contract assets are fair valued at bid prices and liabilities are fair valued at offer prices. Changes in fair value of derivative contracts are included in change in fair value.

Future contracts are exchange traded and fair value is determined using exchange prices at their reporting date. Amounts due or owed to the broker are amounts outstanding in respect of initial margin and variation margin.

Forward foreign exchange contracts are over the counter contracts and are valued by determining the gain or loss that would arise from closing out the contract at the reporting date, by entering into an equal and opposite contract at that date.

**Transfers:** Transfer values represent amounts received and paid during the period for individual members who have either joined or left GMPF during the financial year and are calculated in accordance with Local Government Pension Scheme Regulations.

Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged. This reflects when liabilities are transferred and received. Transfers in from members wishing to use the proceeds of their additional voluntary contributions to purchase scheme benefits are accounted for on a receipts basis and are included in transfers in. Bulk (group) transfers are accounted for on an accruals basis.

**Taxation:** GMPF is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a fund expense as it arises.

## 2a. Critical judgements in applying accounting policies

In applying the policies, GMPF has had to make certain judgements about complex transactions, or those involving uncertainty. Those with most significant effect are:

- GMPF will continue in operational existence for the foreseeable future as a going concern
- No investments are impaired (further detail on the investment strategy and approach to managing risk can be found in Note 4)

Any judgements made in relation to specific assets and liabilities, in addition to information stated in the relevant notes, can also be found in Note 2: Accounting Policies.

Compliance with IFRS requires the assumptions and uncertainties contained within figures in the accounts and the use of estimates to be explained. GMPF accounts contain estimated figures, taking into account historical experience, current trends and other relevant factors, as detailed below:

**Unquoted equity, infrastructure and special opportunities investments**
Unquoted equities are valued by the investment managers in accordance with Accounting Standards Codification 820 or with International Financial Reporting Standards (IFRS). The value of unquoted equities, infrastructure and special opportunities held via investment in specialist pooled investment vehicles at 31 March 2019 was £2,160,177,000 (£1,564,827,000 at 31 March 2018).

**Pension Fund Liability**
The present value of GMPF's liabilities is calculated every three years by an appointed actuary. For the purpose of reporting the actuarial present value of promised retirement benefits, this liability value is updated annually in intervening years by the Actuary. The methodology used is in line with accepted guidelines and in accordance with IAS 19. Assumptions underpinning the valuations are agreed with the Actuary and are summarised in Note 25. This estimate is subject to significant variances based on change to the underlying assumptions.

### 3. Classification of Financial Instruments

Accounting policies describe how different asset classes of financial instruments are measured and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the carrying amounts of financial assets and liabilities by category and net assets statement heading. No financial assets were reclassified during the accounting period.

| | At 31 March 2019 | | |
|---|---|---|---|
| | **Designated as fair value through profit and loss** | **Loans and receivables** | **Financial liabilities at amortised cost** |
| | **£000** | **£000** | **£000** |
| **Financial assets:** | | | |
| Equities | 7,189,192 | 0 | 0 |
| Bonds | 1,003,365 | 0 | 0 |
| Index linked | 369,914 | 0 | 0 |
| Derivatives | 0 | 0 | 0 |
| Pooled investment vehicles | 13,453,499 | 0 | 0 |
| Cash | 0 | 755,437 | 0 |
| Other investment assets | 0 | 212,544 | 0 |
| Current assets | 0 | 73,556 | 0 |
| | **22,015,970** | **1,041,537** | **0** |
| **Financial liabilities:** | | | |
| Derivatives | 0 | 0 | 0 |
| Other investment liabilities | 0 | 0 | (73,279) |
| Current liabilities | 0 | 0 | (22,596) |
| | **0** | **0** | **(95,875)** |
| | | | |
| **Total** | **22,015,970** | **1,041,537** | **(95,875)** |

Note: the above table does not include investment property.

| | At 31 March 2018 | | |
|---|---|---|---|
| | **Designated as fair value through profit and loss** | **Loans and receivables** | **Financial liabilities at amortised cost** |
| | **£000** | **£000** | **£000** |
| **Financial assets:** | | | |
| Equities | 6,751,242 | 0 | 0 |
| Bonds | 1,325,276 | 0 | 0 |
| Index linked | 492,859 | 0 | 0 |
| Derivatives | 7,137 | 0 | 0 |
| Pooled investment vehicles | 12,491,416 | 0 | 0 |
| Cash | 0 | 587,141 | 0 |
| Other investment assets | 0 | 107,512 | 0 |
| Current assets | 0 | 45,689 | 0 |
| | **21,067,931** | **740,342** | **0** |
| **Financial liabilities:** | | | |
| Derivatives | (793) | 0 | 0 |
| Other investment liabilities | 0 | 0 | (42,462) |
| Current liabilities | 0 | 0 | (23,617) |
| | **(793)** | **0** | **(66,079)** |
| | | | |
| **Total** | **21,067,138** | **740,342** | **(66,079)** |

Note: the above table does not include investment property.

**Net Gains and Losses on Financial Instruments**

All gains and losses on financial instruments were at fair value through the Fund account. The net profit for the year ending 31 March 2019 was £849,767,000 (£471,118,000 net profit as at 31 March 2018).

**3a. Valuation of assets carried at fair value**

The table below provides an analysis of the assets and liabilities of GMPF that are carried at fair value in the GMPF Net Asset Statement grouped into levels 1 to 3 based on the degree to which fair value is observable. Further details of the values shown can be found in Note 11.

| | At 31 March 2019 | | | |
|---|---|---|---|---|
| | **Level 1 £000** | **Level 2 £000** | **Level 3 £000** | **Total £000** |
| **Financial assets:** | | | | |
| Equities | 7,189,192 | 0 | 0 | 7,189,192 |
| Fixed interest | 0 | 1,003,365 | 0 | 1,003,365 |
| Index linked | 0 | 369,914 | 0 | 369,914 |
| Derivatives | 0 | 0 | 0 | 0 |
| Pooled investment vehicles | 0 | 9,496,019 | 3,957,480 | 13,453,499 |
| **Non-financial assets (at fair value through profit & loss):** | | | | |
| Directly held investment property | 0 | 0 | 881,991 | 881,991 |
| **Total** | **7,189,192** | **10,869,298** | **4,839,471** | **22,897,961** |

| | At 31 March 2018 | | | |
|---|---|---|---|---|
| | **Level 1 £000** | **Level 2 £000** | **Level 3 £000** | **Total £000** |
| **Financial assets:** | | | | |
| Equities | 6,751,242 | 0 | 0 | 6,751,242 |
| Fixed interest | 0 | 1,325,276 | 0 | 1,325,276 |
| Index linked | 0 | 492,859 | 0 | 492,859 |
| Derivatives | 0 | 6,344 | 0 | 6,344 |
| Pooled investment vehicles | 0 | 9,553,574 | 2,937,842 | 12,491,416 |
| **Non-financial assets (at fair value through profit & loss):** | | | | |
| Directly held investment property | 0 | 0 | 755,145 | 755,145 |
| **Total** | **6,751,242** | **11,378,053** | **3,692,987** | **21,822,282** |

The valuation of assets has been classified into three levels according to the quality and reliability of information used to determine the fair values.

**Level 1**
Inputs to Level 1 are quoted prices on the asset being valued in an active market where there is sufficient transaction activity to allow pricing information to be provided on an ongoing basis. Financial instruments classified as Level 1 predominantly comprise actively traded shares.

**Level 2**
Level 2 prices are those other than Level 1 that are observable e.g. composite prices for fixed income instruments and fund net asset value prices. This is considered to be the most common level for all asset classes other than equities.

**Level 3**
Level 3 prices are those where at least one input, which could have a significant effect on the instrument's valuation, is not based on observable market data. Such instruments would include the GMPF private equity and infrastructure investments which are valued using various valuation techniques that require significant management judgement in determining appropriate assumptions, including earnings multiples, public market comparables and estimated future cash flows.

The valuation techniques used by GMPF are detailed in Note 2.

A reconciliation of fair value measurements in Level 3 is set out below:

| 31 March 2018 £000 | | 31 March 2019 £000 |
|---|---|---|
| 2,692,472 | Opening balance | 3,692,987 |
| 1,092,757 | Acquisitions | 1,200,046 |
| (223,837) | Disposal proceeds | (382,477) |
| 0 | Transfer in of Level 3 | 0 |
| | Total gains/losses included in the Fund account: | |
| 38,871 | - on assets sold | 86,992 |
| 92,724 | - on assets held at year end | 241,923 |
| **3,692,987** | **Closing balance** | **4,839,471** |

GMPF has cash, other investment assets and liabilities. No valuation technique is required in relation to these investments and therefore assignment to a level is not applicable.

## 4. Financial risk management

The Management Panel of GMPF recognises that risk is inherent in any investment activity. GMPF has an active risk management programme in place and the measures, which it uses to control key risks are set out in its Funding Strategy Statement (FSS).
The FSS is prepared in collaboration with GMPF's Actuary, Hymans Robertson LLP, and after consultation with GMPF's employers and investment advisors.

The FSS is reviewed in detail every 3 years in line with triennial valuations being carried out. A full review was completed by 31 March 2017.

GMPF's approach to investment risk measurement and its management is set out in its Investment Strategy Statement (ISS). The overall approach is to reduce risk to a minimum where it is possible to do so without compromising returns (e.g. in operational matters), and to limit risk to prudently acceptable levels otherwise (e.g. in investment matters).

The means by which GMPF minimises operational risk and constrains investment risk is set out in further detail in its ISS (available at www.gmpf.org.uk).

Some risks lend themselves to being measured (e.g. using such concepts as 'Active Risk' and such techniques as 'Asset Liability Modelling') and where this is the case, GMPF employs the relevant approach to measurement. GMPF reviews new approaches to measurement as these continue to be developed.

GMPF's exposures to risks and its objectives, policies and processes for managing and measuring the risks have not changed throughout the course of the year.

### Market risk

Market risk is the level of volatility in returns on investments caused by changes in market expectations, interest rates, credit spreads, foreign exchange rates and other factors.
This is calculated as the standard deviation of predicted outcomes. GMPF is exposed to market risk through its portfolio being invested in a variety of asset classes.
GMPF seeks to limit its exposure to market risk by diversifying its portfolio as explained within its ISS and by restricting the freedom of its fund managers to deviate from benchmark allocations. The asset allocation has been made with regard to the balance between expected returns and

expected volatility of asset classes and using advice from GMPF's investment advisor, Hymans Robertson LLP.

The table below shows the expected market risk exposure or predicted volatilities of GMPF's investments:

| | **Potential Market Movements (+/-)** | |
|---|---|---|
| **Asset Type** | **31 March 2018 p.a.** | **31 March 2019 p.a.** |
| UK equities | 16.8% | 16.6% |
| Overseas equities | 17.9% | 16.9% |
| Fixed interest - gilts | 9.5% | 9.7% |
| Index linked gilts | 7.2% | 7.2% |
| Corporate bonds | 10.2% | 10.1% |
| High yield debt | 6.7% | 7.3% |
| Investment property | 14.3% | 14.3% |
| Private equity | 28.3% | 28.3% |
| Infrastructure | 15.8% | 16.0% |
| Cash and other liquid funds | 0.5% | 0.5% |
| GMPF | 10.6% | 10.4% |

The volatilities for each asset class and correlations used to create the total GMPF volatility have been estimated using standard deviations of 5,000 simulated one-year total returns using Hymans Robertson Asset Model, the economic scenario generator maintained by Hymans Robertson LLP.

The overall GMPF volatility has been calculated based on GMPF's target asset split as at 31 March 2018 and 2019. The calibration of the model is based on a combination of historical data, economic theory and expert opinion.

If the market price of GMPF's investments increases or decreases over a period of a year in line with the data within the table above, the change in the market value of the net assets available to pay benefits as at 31 March 2018 and 2019 would have been as shown in the tables below.

| Asset Type | 31 March 2019 £000 | % Change p.a. | Value on increase £000 | Value on decrease £000 |
|---|---|---|---|---|
| UK equities | 3,932,738 | 16.6% | 4,585,573 | 3,279,903 |
| Overseas equities | 8,622,694 | 16.9% | 10,079,929 | 7,165,459 |
| Fixed interest bonds | 1,281,083 | 9.7% | 1,405,348 | 1,156,818 |
| Index linked bonds | 1,203,621 | 7.2% | 1,290,282 | 1,116,960 |
| Corporate bonds | 1,330,625 | 10.1% | 1,465,018 | 1,196,232 |
| High yield debt | 1,334,743 | 7.3% | 1,432,179 | 1,237,307 |
| Investment property | 1,943,789 | 14.3% | 2,221,751 | 1,665,827 |
| Private equity | 1,737,906 | 28.3% | 2,229,733 | 1,246,079 |
| Infrastructure | 1,157,775 | 16.0% | 1,343,019 | 972,531 |
| Cash and other liquid funds | 1,320,966 | 0.5% | 1,327,571 | 1,314,361 |
| **GMPF** | **23,865,940** | **10.4%** | **26,347,998** | **21,383,882** |

*Note: the above table does not include investment liabilities and net current assets.*

| Asset Type | 31 March 2018 Restated * £000 | % Change p.a. | Value on increase £000 | Value on decrease £000 |
|---|---|---|---|---|
| UK equities | 4,086,596 | 16.8% | 4,773,144 | 3,400,048 |
| Overseas equities | 8,453,975 | 17.9% | 9,967,237 | 6,940,713 |
| Fixed interest bonds | 1,673,834 | 9.5% | 1,832,848 | 1,514,820 |
| Index linked bonds | 1,080,454 | 7.2% | 1,158,247 | 1,002,661 |
| Corporate bonds | 1,320,887 | 10.2% | 1,455,617 | 1,186,157 |
| High yield debt | 1,117,960 | 6.7% | 1,192,863 | 1,043,057 |
| Investment property | 1,659,869 | 14.3% | 1,897,230 | 1,422,508 |
| Private equity | 1,566,741 | 28.3% | 2,010,129 | 1,123,353 |
| Infrastructure | 466,377 | 15.8% | 540,065 | 392,689 |
| Cash and other liquid funds | 1,090,242 | 0.5% | 1,095,693 | 1,084,791 |
| **GMPF** | **22,516,935** | **10.6%** | **24,903,730** | **20,130,140** |

******Restated due to change in investment classification by GMPF.*

*Note: the above table does not include investment liabilities and net current assets.*

**Interest rate risk**

GMPF invests in financial assets for the primary purpose of obtaining a return on investments whilst recognising that there is a risk that returns will not be as expected. Changes in the level of interest rates will contribute to the volatility of returns in all asset classes. The table in the section on market risk shows the expected volatility over one year for GMPF's investment portfolio. One area directly affected by interest rate changes is the level of income expected from floating rate cash instruments. As at 31 March 2019, GMPF had £323,363,000 (2017/18 £360,925,000) invested in this asset via pooled investment vehicles. Therefore, a 1% change in interest rates will increase or reduce GMPF's return by £3,234,000 (2017/18 £3,609,000) on an annualised basis.

**Currency risk**

GMPF invests in financial assets for the primary purpose of obtaining a return on investments whilst recognising that there is a risk that returns will not be as expected. Changes in the level of foreign exchange rates will contribute to the overall volatility of overseas assets. GMPF's approach is to consider these risks in a holistic nature. The table in the section on market risk shows the expected volatility over one year for GMPF's investment portfolio including overseas assets which are separately identified.

**Credit risk**

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause GMPF to incur a financial loss. The market values of investments generally reflect an assessment of credit risk in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of GMPF's financial assets and liabilities. The volatility of credit risk is encapsulated within the overall volatility of assets detailed in the table showing market risk.

In essence, GMPF's entire investment portfolio is exposed to some form of credit risk. However, the selection of high quality counterparties, brokers and financial institutions minimises the credit risk that may occur through the failure to settle a transaction in a timely manner.

Contractual credit risk is represented by the net payment or receipt that remains outstanding, and the cost of replacing the derivative positions in the event of counterparty default. The residual risk is minimal due to the various insurance policies held by the exchanges to cover defaulting counterparties.

Deposits are not made with banks and financial institutions unless they are rated independently and meet Tameside MBC's (TMBC), as administering authority, credit criteria. TMBC has also set limits as to the maximum percentage of the deposits placed with any one class of financial institution. In addition, TMBC invests an agreed percentage of its funds in the money markets to provide diversification. Money market funds chosen all had a "AAA" rating from a leading ratings agency.

TMBC believes it has managed its exposure to credit risk, and has had no experience of default or uncollectable deposits. GMPF's cash holding under its Treasury Management arrangements at 31 March 2019 was £724,524,000 (31 March 2018 £484,072,000). This was held with the following institutions:

| SUMMARY | RATING | Balance at 31 March 2018 | Balance at 31 March 2019 |
|---|---|---|---|
| | | £000 | £000 |
| **Money market Funds** | | | |
| Fidelity | AAA | 1,800 | 0 |
| Aberdeen Assets | AAA | 0 | 41,400 |
| Federated | AAA | 0 | 75,000 |
| Insight | AAA | 9,100 | 0 |
| J P Morgan | AAA | 0 | 75,000 |
| IGNIS | AAA | 75,000 | 0 |
| Morgan Stanley | AAA | 75,000 | 75,000 |
| Invesco | AAA | 0 | 75,000 |
| **Banks** | | | |

| | | | |
|---|---|---|---|
| Heleba | A+ | 10,000 | 0 |
| Bank of Scotland | A+ | 0 | 20,000 |
| Close Brothers | A+ | 0 | 10,000 |
| Barclays | AA- | 50,000 | 50,000 |
| Commonwealth Bank of Australia | A | 10,000 | 0 |
| RBS | A+ | 6,672 | 4,124 |
| **Local authorities & public bodies** | | | |
| Salford Council | N/A | 5,000 | 5,000 |
| Cambridgeshire County Council | N/A | 10,000 | 0 |
| Telford & Wrekin Council | N/A | 3,500 | 0 |
| Medway Council | N/A | 10,000 | 0 |
| Surrey Heath Borough Council | N/A | 15,000 | 7,000 |
| Eastleigh Council | N/A | 18,000 | 48,000 |
| West Dunbartonshire Council | N/A | 10,000 | 0 |
| Highland Council | N/A | 5,000 | 0 |
| Doncaster Council | N/A | 0 | 5,000 |
| Birmingham City Council | N/A | 0 | 25,000 |
| London Borough of Enfield | N/A | 10,000 | 10,000 |
| North Tyneside Council | N/A | 5,000 | 0 |
| Gloucester City Council | N/A | 5,000 | 0 |
| Fife Council | N/A | 5,000 | 0 |
| GM Combined Authority | N/A | 75,000 | 30,000 |
| Northamptonshire Council | N/A | 18,000 | 10,000 |
| Stockport Council | N/A | 27,000 | 0 |
| Leeds City Council | N/A | 25,000 | 10,000 |
| Eastbourne Council | N/A | 0 | 5,000 |
| Thurrock Council | N/A | 0 | 5,000 |
| Ashford Council | N/A | 0 | 15,000 |
| Kingston Upon Hull Council | N/A | 0 | 10,000 |
| Lancashire PCC | N/A | 0 | 5,000 |
| Rotherham Council | N/A | 0 | 20,000 |
| Tewkesbury Council | N/A | 0 | 11,000 |
| Northumbria PCC | N/A | 0 | 6,000 |
| Redcar Council | N/A | 0 | 7,000 |
| Slough Council | N/A | 0 | 15,000 |
| Surrey Council | N/A | 0 | 10,000 |
| Plymouth Council | N/A | 0 | 10,000 |
| Aberdeenshire Council | N/A | 0 | 10,000 |
| Blackpool Council | N/A | 0 | 5,000 |
| Suffolk Council | N/A | 0 | 5,000 |
| Northumberland Council | N/A | 0 | 10,000 |
| **Totals** | | **484,072** | **724,524** |

**Liquidity risk**

Liquidity risk represents the risk that GMPF will not be able to meet its financial obligations as they fall due. TMBC therefore take steps to ensure that GMPF has adequate cash resources to meet its commitments. This will particularly be the case for cash from the liability matching mandates from the main investment strategy to meet the pensioner payroll cost; and also cash to meet investment commitments.

TMBC has immediate access to the GMPF cash holdings, with the exception of investments placed with other local authorities – where periods are fixed when the deposit is placed. GMPF had in excess of £724 million cash balances at 31 March 2019.

All financial liabilities at 31 March 2019 are due within one year.

The majority of GMPF assets are liquid - their value could be realised within one week. The table below shows GMPF investments in liquidity terms:

| 31 March 2018 £000 | Liquidity terms | 31 March 2019 £000 |
|---|---|---|
| 18,527,448 | Assets realisable within 7 days | 18,677,471 |
| 165,000 | Assets realisable in 8-30 days | 101,000 |
| 28,500 | Assets realisable in 31-90 days | 75,000 |
| 3,795,987 | Assets taking more than 90 days to realise | 5,012,471 |
| **22,516,935** | **Total** | **23,865,942** |

Management prepares periodic cash flow forecasts to understand and manage the timing of GMPF's cash flows. The appropriate strategic level of cash balances to be held is a central consideration when preparing GMPF's annual investment strategy.
The effects of reductions in public expenditure are expected to result in a significant maturing of GMPF's liabilities, with fewer employee members and more pensioner and deferred members. However, when income from investments is taken into account, GMPF is expected to continue to be cash flow positive for the foreseeable future and it will not be a forced seller of investments to meet its pension obligations.

## 5. Contributions

**By Category**

| 31 March 2018 £000 | | 31 March 2019 £000 |
|---|---|---|
| (140,493) | Employees contributions | (145,922) |
| | Employers: | |
| (578,028) | Normal contributions | (427,822) |
| (21,573) | Deficit recovery contributions | (19,618) |
| (599,601) | Total employers contributions | (447,440) |
| | | |
| **(740,094)** | Total contributions | **(593,362)** |

**By Authority**

| 31 March 2018 £000 | | 31 March 2019 £000 |
|---|---|---|
| (502,662) | Part 1 Schedule 2 Scheme Employers | (351,231) |
| (107,758) | Designating bodies | (119,325) |
| (111,873) | Community admission bodies | (106,582) |
| (17,801) | Transferee admission bodies | (16,224) |
| **(740,094)** | | **(593,362)** |

Scheme employers can be split into those listed in Part 1 of Schedule 2 of the Local Government Pension Scheme (Administration) Regulations 2013 (as amended) (such as local authorities), which participate automatically, and those listed in Part 2 (such as town councils) which can only participate if they choose to do so by designating employees or groups of employees as eligible. Part 2 employers are called designating bodies. Community admission bodies provide a public service in the United Kingdom otherwise than for the purposes of gain and have sufficient links with a Scheme employer. Transferee admission bodies are commercial organisations carrying out work for local authorities under a best value or other arrangement. Further analysis of contributions by employer is contained in Note 20 of these statements.

At the 2016 Actuarial Valuation, GMPF was assessed as 93% funded. Some employers will make contributions in excess of their future service rate in order to help repay the deficit over a period of time.

The contribution rates specified in the Actuarial Valuation are minimum contribution rates. Some employers have made voluntary payments in excess of these minimum rates. In addition, a small number of employers were required to make explicit lump sum deficit payments – details of these can be found in the 2016 Actuarial Valuation report located at www.gmpf.org.uk.

## 6. Benefits Payable

**By Category**

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

**By Authority**

| 31 March 2018 £000 | | 31 March 2019 £000 |
|---|---|---|
| 577,299 | Part 1 Schedule 2 Scheme Employers | 602,643 |
| 30,634 | Designating bodies | 33,659 |
| 125,445 | Community admission bodies | 151,301 |
| 14,703 | Transferee admission bodies | 16,011 |
| **748,081** | | **803,614** |

Scheme employers can be split into those listed in Part 1 of Schedule 2 of the Local Government Pension Scheme (Administration) Regulations 2008 (as amended) (such as local authorities) which participate automatically, and those listed in Part 2 (such as town councils) which can only participate if they choose to do so by designating employees or groups of employees as eligible. Part 2 employers are called designating bodies. Community admission bodies provide a public service in the United Kingdom otherwise than for the purposes of gain and have sufficient links with a Scheme employer. Transferee admission bodies are commercial organisations carrying out work for local authorities under a best value or other arrangement. Further analysis of contributions by employer is contained in Note 20 of these statements.

## 7. Payments to and on account of leavers

| 31 March 2018 £000 | | 31 March 2019 £000 |
|---|---|---|
| 5,922 | Group transfers to other schemes | 1,526 |
| 41,305 | Individual transfers to other schemes | 39,784 |
| 670 | Payments for members joining state scheme | 48 |
| (70) | Income for members from state scheme | (18) |
| 1,542 | Refunds to members leaving service | 1,627 |
| **49,369** | | **42,967** |

## 8. Management Expenses

The costs of administration and investment management are met by the employers through their employer contribution rate. In June 2016, CIPFA published guidance on Accounting for LGPS Management Costs. The aim of this guidance is to assist in the improvement of consistent and comparable data across LGPS funds. GMPF Scheme management costs have been categorised in accordance with this guidance in the tables below.

**Investment management expenses:**

| 31 March 2018 £000 | | 31 March 2019 £000 |
|---|---|---|
| 905 | Employee costs | 1,311 |
| 256 | Support services including IT | 292 |
| 5,656 | Transaction costs (public managers) * | 5,520 |
| 17,424 | Management fees | 17,683 |
| 357 | Custody fees | 238 |
| **24,598** | | **25,044** |

***** *Transaction costs are incremental costs directly attributable to the sale and purchase of UK and Overseas equities. They fall into three distinct categories:*

| | | |
|---|---|---|
| *Tax (UK stamp duty)* | *£3,695,000* | *(2017/18 £2,487,000)* |
| *Market levies* | *£224,000* | *(2017/18 £537,000)* |
| *Commissions* | *£1,601,000* | *(2017/18 £2,632,000)* |

**Administrative costs:**

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

**Oversight and governance costs:**

| 31 March 2018 £000 | | 31 March 2019 £000 |
|---|---|---|
| 488 | Employee costs | 559 |
| 327 | Support services including IT | 409 |
| 152 | Governance and decision making costs | 167 |
| 40 | Investment performance monitoring | 27 |
| 62 | External audit fees * | 60 |
| 106 | Internal audit fees | 108 |
| 151 | Actuarial fees - investment consultancy | 130 |
| 145 | Actuarial fees | 252 |
| **1,471** | | **1,712** |

** Total fee paid to external auditors in 2018/19 is £60,223 (2017/18 £62,337) of which £5,997 (2017/18 £5,996) was paid in relation to work carried out on behalf of GMPF's main scheme employers.*

## 9. Investment income

| 31 March 2018 £000 | | 31 March 2019 £000 |
|---|---|---|
| (48,535) | Fixed interest (corporate and government bonds) | (41,777) |
| (261,775) | Equities | (281,532) |
| (4,419) | Index linked | (2,259) |
| (64,014) | Pooled investment vehicles | (70,730) |
| (34,426) | Investment property (gross) | (41,166) |
| 4,188 | Investment property non-recoverable expenditure | 6,233 |
| (2,399) | Interest on cash deposits | (4,760) |
| (697) | Stock lending | (711) |
| (15) | Underwriting | 0 |
| **(412,092)** | | **(436,702)** |

In accordance with IAS 12 Income Taxes, investment income includes withholding taxes and irrecoverable withholding tax is analysed separately as a tax charge. Income received by Legal and General pooled funds is automatically reinvested within the relevant sector fund and thus excluded from the above analysis. Similarly, UBS pooled funds for Emerging Market Equities, Stone Harbor pooled funds for global credit , Aviva Investors Property Fund, Standard Life Pooled Property Pension Fund, Standard Life Investments UK Property Development Fund, EID Unit Fund and Darwin Leisure Property Fund in which GMPF invest have income automatically reinvested with that fund.

## 10. Taxation

GMPF is exempt from UK income tax on interest and from capital gains tax on the profits resulting from the sale of investments. GMPF is exempt from United States withholding tax on dividends and can recover all or part of the withholding tax deducted in some other countries. The amount of withholding tax deducted from overseas dividends which GMPF is unable to reclaim in 2018/19 amounts to £5,192,000 (2017/18 £3,964,000) and is shown as a tax charge.

As Tameside MBC is the Administering Authority for GMPF, VAT input tax was recoverable on all GMPF activities including expenditure on investment and property expenses.

## 11. Investments at fair value

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investment during the year.

Change in fair value is reconciled in the table below:

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

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

The following tables analyse the carrying amounts of the financial assets and liabilities by category.

| **Value at 31 March 2018 £000** | | **Purchases £000** | **Sales £000** | **Change in fair value £000** | **Value at 31 March 2019 £000** |
|---|---|---|---|---|---|
| | **Designated as at fair value through the fund account** | | | | |
| 6,751,242 | Equities | 2,612,587 | (2,133,183) | (41,454) | 7,189,192 |
| 1,325,276 | Bonds | 34,995 | (388,050) | 31,144 | 1,003,365 |
| 492,859 | Index linked | 129,307 | (285,710) | 33,458 | 369,914 |
| 755,145 | Investment property | 140,665 | (32,218) | 18,399 | 881,991 |
| 6,344 | Derivatives | 14,494 | (29,587) | 8,749 | 0 |
| 12,491,416 | Managed and unitised funds | 2,044,387 | (1,900,174) | 817,870 | 13,453,499 |
| 21,822,282 | | 4,976,435 | (4,768,922) | 868,166 | 22,897,961 |
| | **Loans and receivables** | | | | |
| 587,141 | Cash | | | | 755,437 |
| 87,122 | Other investments and net assets | | | | 190,225 |
| **22,496,545** | **Total** | | | | **23,843,623** |

| **Value at 1 April 2017 £000** | | **Purchases £000** | **Sales £000** | **Change in fair value £000** | **Value at 31 March 2018 £000** |
|---|---|---|---|---|---|
| | **Designated as at fair value through the fund account** | | | | |
| 8,500,608 | Equities | 2,130,354 | (4,111,749) | 232,029 | 6,751,242 |
| 1,517,437 | Bonds | 707,401 | (837,695) | (61,867) | 1,325,276 |
| 514,037 | Index linked | 144,273 | (123,560) | (41,891) | 492,859 |
| 552,470 | Investment property | 200,162 | (20,575) | 23,088 | 755,145 |
| 121 | Derivatives | 8,598 | (12,749) | 10,374 | 6,344 |
| 9,192,482 | Managed and unitised funds | 12,680,491 | (9,714,029) | 332,472 | 12,491,416 |
| 20,277,155 | | 15,871,279 | (14,820,357) | 494,206 | 21,822,282 |
| | **Loans and receivables** | | | | |
| 868,391 | Cash | | | | 587,141 |
| 125,514 | Other investments and net assets | | | | 87,122 |
| **21,271,060** | **Total** | | | | **22,496,545** |

**Bonds**

| **31 March 2018 £000** | | **31 March 2019 £000** |
|---|---|---|
| 272,343 | UK public sector quoted | 43,590 |
| 287,324 | Overseas public sector quoted | 180,358 |
| 695,157 | UK corporate quoted | 704,702 |
| 70,452 | Overseas corporate quoted | 74,715 |
| **1,325,276** | | **1,003,365** |

**Investment Property**

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

All investment property is located in England, Wales or Scotland and, in order to reduce risk, is diversified over several sectors that include high street retail, offices, industrial/retail warehousing, leisure, healthcare and student accommodation. Gross and net rental income is shown in Note 9 of these accounts.

With the sole exception of two investment properties, where a rent sharing agreement is in place with the freeholder, no directly held investment property has restrictions on its realisation, remittance of income or disposal proceeds.

Committed expenditure in relation to investment property can be found at Note 17.

In accordance with the Investment Property Strategy, decisions have been taken to sell fifteen investment properties. These were either being prepared for sale, six properties were being marketed or prices had been agreed at 31 March 2019 (combined prices totalled £35,585,000).

The following tables summarise the movement in the fair value of investment properties over the year:

| **Movement in the fair value of investment properties in 2018/19** | **£000** |
|---|---|
| Balance at 1 April 2018 | 755,145 |
| Purchases | 136,893 |
| Expenditure during year | 3,772 |
| Disposals | (32,218) |
| Net gains/ (losses) from fair value adjustments | 18,399 |
| **Balance at 31 March 2019 *** | **881,991** |

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

| **Movement in the fair value of investment properties in 2017/18** | **£000** |
|---|---|
| Balance at 1 April 2017 | 552,470 |
| Purchases | 189,734 |
| Expenditure during year | 10,428 |
| Disposals | (20,575) |
| Net gains/ (losses) from fair value adjustments | 23,088 |
| **Balance at 31 March 2018** | **755,145** |

**Future operating lease rentals receivable**

| 31 March 2018 £000 | | 31 March 2019 £000 |
|---|---|---|
| 29,481 | Not later than 1 year | 35,455 |
| 116,166 | Later than 1 year, but not later than 5 years | 124,811 |
| 152,099 | Later than 5 years | 167,099 |
| **297,746** | **Total** | **327,365** |

The future minimum lease payments due to GMPF under non-cancellable operating leases are stated above.

Where a lease contains a "tenant's break" clause, it is only up to this point that the aggregation is made.

**Derivatives**

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

Derivative receipts and payments represent the realised gains and losses on futures contracts and forward currency contracts. GMPF's objective in entering into derivative positions is to decrease risk in the portfolio.

GMPF had no investments in futures contracts or forward currency contracts at 31 March 2019.

**Pooled investment vehicles**

Pooled investment vehicles aggregate capital from multiple investors to pursue specified investment strategies. The table below analyses, by type and underlying asset class, funds in which GMPF invests.

| 31 March 2018 £000 | | 31 March 2019 £000 |
|---|---|---|
| 467,982 | UK Property | 460,915 |
| 154,417 | Overseas property | 207,827 |
| 1,117,960 | Global credit | 1,119,969 |
| 430,573 | Overseas equity | 388,939 |
| 539,426 | UK private equity, infrastructure & debt | 741,607 |
| 1,056,474 | Overseas private equity, infrastructure & debt | 1,645,978 |
| 272,477 | UK special opportunities portfolio | 311,634 |
| 53,445 | Overseas special opportunities portfolio | 51,876 |
| **4,092,754** | **Managed funds** | **4,928,745** |
| | | |
| 351,470 | Property | 490,085 |
| 224 | Overseas private equity | 4 |
| **351,694** | **Unit trusts** | **490,089** |
| | | |
| 41,927 | Property | 47,553 |
| 608,478 | UK quoted equity | 321,378 |
| 723,957 | UK fixed interest | 687,844 |
| 554,454 | UK index linked securities | 811,389 |
| 508,106 | UK corporate bonds | 487,389 |
| 360,925 | UK cash instruments | 323,363 |
| 4,750,280 | Overseas quoted equity | 4,655,924 |
| 390,210 | Overseas fixed interest | 369,292 |
| 47,171 | Overseas corporate bonds | 63,818 |
| 33,140 | Overseas index linked securities | 22,318 |
| 0 | Global credit | 214,774 |
| 28,320 | Inflation funds | 29,623 |
| **8,046,968** | **Insurance policies** | **8,034,665** |
| | | |
| **12,491,416** | **Total pooled investment vehicles** | **13,453,499** |

**Cash**

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

**Other investments balances and net assets**

| 31 March 2018 £000 | | 31 March 2019 £000 |
|---|---|---|
| 27,180 | Amounts due from broker | 69,612 |
| 40,884 | Outstanding dividends and recoverable withholding tax | 57,385 |
| 17,165 | Gross accrued interest on bonds | 15,078 |
| 289 | Gross accrued interest on loans | 1,044 |
| 20,684 | Investment loans | 67,730 |
| 1,310 | Other accrued interest and tax reclaims | 1,695 |
| **107,512** | **Other investment assets** | **212,544** |
| (36,552) | Amounts due to broker | (72,572) |
| (5,563) | Variation margin | 0 |
| (347) | Irrecoverable withholding tax | (707) |
| **(42,462)** | **Other investment liabilities** | **(73,279)** |
| 33,770 | Employer contributions - main scheme | 44,958 |
| 353 | Employer contributions - additional pensions | 418 |
| 5,508 | Property | 19,054 |
| 0 | Admin & investment management expenses | 142 |
| 6,058 | Other | 8,984 |
| 45,689 | Current assets | 73,556 |
| (10,179) | Property | (10,032) |
| (40) | Employer contributions - main scheme | (5) |
| (1,795) | Employer contributions - additional pensions | (1,487) |
| (5,378) | Admin & investment management expenses | (4,180) |
| (6,225) | Other | (6,892) |
| (23,617) | Current liabilities | (22,596) |
| | | |
| **22,072** | **Net current assets** | **50,960** |
| | | |
| **87,122** | **Other investment balances and net assets** | **190,225** |

## 11a. Transaction and management costs not charged directly to the Fund Account

### Public managers

Since 1 April 2016 transaction costs in respect of the purchase and sale of equities have been respectively excluded or included in the prices reported in the Net Assets Statement and charged to the Fund Account. Details may be seen at Note 8.

### Directly held property

Transaction costs continue to be capitalised and are implicit within the value of the assets concerned. These amounted to £7,397,000 for 2018/19 (2017/18 £1,389,000).

The CIPFA Code of Practice (and guidance related to the Code) does not require 'bid-offer spread' to be reported as a transaction cost.

**Management Costs**

Certain investments in pooled vehicles predominantly in private markets, alternatives and property have investment costs met within the vehicle rather than an explicit charge paid by GMPF. Thus, costs are not charged directly to the Fund Account nor analysed in Note 8. They are included in the fair value adjustments applied to assets concerned within the Fund Account and corresponding notes. The performance is reported on a net basis.

The table below shows estimates made for these costs during the current and previous financial year using methodology agreed with external advisers on private assets and include potential accrued performance fees.

| 31 March 2018 £000 | | 31 March 2019 £000 |
|---:|---|---:|
| 42,924 | Private market and alternative investments (performance related) | 59,542 |
| 47,377 | Private market and alternative investments (non-performance related) | 58,981 |
| 9,283 | Indirect investment property | 16,756 |
| **99,584** | | **135,279** |

## 12. Local investments

GMPF invests within the North West of England with a focus on the Greater Manchester conurbation in property development and redevelopment opportunities. This programme of investments is delivered through Greater Manchester Property Venture Fund

| 31 March 2018 £000 | | 31 March 2019 £000 |
|---:|---|---:|
| 118,710 | Greater Manchester Property Venture Fund | 125,346 |

## 13. Designated funds

A small number of employers within GMPF have a materially different liability profile. Some earmarked investments are allocated to these employers. The investments of the designated fund incorporated in the Net Asset statement are as follows:

| 31 March 2018 £000 | | 31 March 2019 £000 |
|---|---|---|
| 23,610 | UK equities | 38,900 |
| 38,705 | Overseas equities | 57,787 |
| 50,594 | UK corporate bond | 77,389 |
| 315,391 | UK Index linked | 458,378 |
| 12,589 | Cash instruments | 18,633 |
| 57,239 | Cash | 57,483 |
| 28,192 | Inflation funds | 29,622 |
| 0 | High yield debt | 214,774 |
| 1,288 | Other investment balances | 0 |
| **527,608** | | **952,966** |

### 14. Summary of managers' portfolio values at 31 March

| 2018 | | | 2019 | |
|---|---|---|---|---|
| £m | % | | £m | % |
| | | **Externally managed** | | |
| 8,190 | 36.4% | UBS Global Asset Management | 8,351 | 35.0% |
| 8,005 | 35.6% | Legal & General | 7,987 | 33.5% |
| 1,123 | 5.0% | Investec | 1,250 | 5.2% |
| 1,118 | 5.0% | Stone Harbor | 1,120 | 4.7% |
| 810 | 3.6% | LaSalle | 1,044 | 4.4% |
| 119 | 0.5% | Avison Young (advisory mandate) | 125 | 0.5% |
| 19,365 | 86.1% | | 19,877 | 83.3% |
| | | **Internally managed** | | |
| 2,033 | 9.0% | Private equity | 2,896 | 12.2% |
| 182 | 0.8% | Designated funds | 58 | 0.2% |
| 731 | 3.3% | Property indirect | 774 | 3.3% |
| 186 | 0.8% | Cash, other investments and net assets | 239 | 1.0% |
| 3,132 | 13.9% | | 3,967 | 16.7% |
| | | | | |
| **22,497** | **100.0%** | **Total** | **23,844** | **100.0%** |

### 15. Concentration of investment

As at 31 March 2019, GMPF held, respectively, 11.9%, 5.1% and 11.8% of its net assets in insurance contracts MF32950, MF36558 and MF37010 with Legal & General Assurance (Pensions Management) Limited. They are linked long term contracts under Class III of Schedule 1 of the Insurance Companies Act 1982 and not "with profits" contracts.

The policy documents have been issued and the values are incorporated in the Net Asset statement within pooled investment vehicles. The policies' underlying asset classes are as follows:

**POLICY MF32950**

| 31 March 2018 £000 | | 31 March 2019 £000 |
|---:|---|---:|
| 1,442,580 | Overseas equities | 1,624,228 |
| 386,046 | UK fixed interest | 381,111 |
| 190,058 | UK corporate bonds | 186,556 |
| 95,216 | Overseas fixed interest | 89,088 |
| 290,540 | UK Index linked | 306,773 |
| 235,318 | UK cash instruments | 247,081 |
| **2,639,758** | | **2,834,837** |

**POLICY MF36558**

| 31 March 2018 £000 | | 31 March 2019 £000 |
|---:|---|---:|
| 584,868 | UK equities | 282,478 |
| 993,091 | Overseas equities | 584,460 |
| 109,691 | UK fixed interest | 71,317 |
| 147,028 | UK corporate bonds | 96,561 |
| 70,006 | Overseas fixed interest | 45,429 |
| 72,025 | UK Index linked | 46,237 |
| 113,018 | UK cash instruments | 57,649 |
| 33,141 | Overseas index linked | 22,318 |
| 17,428 | Overseas corporate bonds | 12,424 |
| **2,140,296** | | **1,218,873** |

**POLICY MF37010**

| 31 March 2018 £000 | | 31 March 2019 £000 |
|---:|---|---:|
| 2,059,050 | Overseas equities | 2,157,631 |
| 228,219 | UK fixed interest | 235,416 |
| 120,426 | UK corporate bonds | 126,883 |
| 224,989 | Overseas fixed interest | 234,776 |
| 29,744 | Overseas corporate bonds | 51,394 |
| **2,662,428** | | **2,806,100** |

## 16. Notifiable interests

As at 31 March 2019 GMPF had holdings of 3% or over in the ordinary share capital of the following quoted companies:

| UK Equity 31 March 2018 % | | UK Equity 31 March 2019 % |
|---|---|---|
| 5.2 | Brown (N) Group PLC | 7.7 |
| 7.9 | Mothercare PLC | 7.4 |
| 6.1 | STV Group PLC | 5.7 |
| 5.3 | TT Electronics PLC | 5.2 |
| 5.4 | Chemring Group PLC | 5.0 |
| 5.4 | SIG PLC | 5.0 |
| 4.0 | RPS Group PLC | 5.0 |
| 4.6 | Serco Group PLC | 4.0 |
| 3.8 | Balfour Beatty PLC | 3.7 |
| 3.6 | Volution GRP PLC | 3.7 |
| 0.0 | Intu Properties PLC | 3.3 |

## 17. Undrawn commitments

| 31 March 2018 £000 | Asset type | Nature of commitment | 31 March 2019 £000 |
|---|---|---|---|
| 1,166 | Directly held investment property | Commitments regarding demolition or refurbishment work | 508 |
| 95,000 | Directly held investment property | Commitments regarding purchases | 70,608 |
| 1,664,617 | Indirect private equity and infrastructure | Commitments to fund | 2,032,516 |
| 369,372 | Special Opportunities portfolio | Commitments to fund | 295,168 |
| 343,054 | Property managed funds | Commitments to fund | 243,333 |
| 40,975 | Property unit trusts | Commitments to fund | 6,289 |
| 32,685 | Commercial/domestic based property unit trust | Commitments to fund | 9,225 |
| 9,230 | Local Investment 4 Growth fund | Commitments to fund | 12,039 |
| 126,528 | Local Impact Portfolio | Commitments to fund | 204,806 |
| 18,531 | Greater Manchester Property Venture Fund | Commitment to lend | 31,137 |
| 0 | Private debt portfolio | Commitment to fund | 600,010 |
| **2,701,158** | | | **3,505,639** |

The above expenditure was contractually committed as at 31 March and a series of staged payments are to be made at future dates.

**18. Related party transactions**

In the course of fulfilling its role as administering authority to GMPF, Tameside MBC incurred costs for services (e.g. salaries and support costs) of £7,429,000 on behalf of GMPF and paid to HMRC VAT (net) of £973,000. Total payments due to Tameside MBC therefore, amounted to £8,402,000 (2017/18 £4,821,000). GMPF reimbursed Tameside MBC £6,184,000 for these charges and there is a creditor of £2,218,000 owing to Tameside MBC at the year-end (2017/18 £1,283,000 within Creditors). This creditor has been settled since the year end.

There is no direct charge to GMPF for the services of the Director of Governance & Pensions. This is also the case for the Chief Executive and the Director of Finance but a contribution towards their cost is included in the recharge as detailed above They receive no additional salary or remuneration for undertaking these roles. Details of the total remuneration of these officers will be published on the Tameside MBC website. The remuneration of the Chair of the Management Panel can be found by accessing the following link: http://www.tameside.gov.uk/constitution/part6

Other key management personnel full time and total remuneration, including employer's pension contributions, are as shown below:

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

** working hours changed during the year*

Paragraph 3.9.4.3 of the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom exempts Local Authorities on the Key Management Personnel disclosure requirements of IAS 24, on the basis that the disclosure requirements for officer remuneration and members' allowances detailed in Section 3.4 of the code (which are derived from the requirements of Regulation 7(2)-(4) of the Accounts and Audit (England) Regulations 2011 and Regulation 7A of the Accounts and Audit (Wales) Regulations (2005) satisfy the Key Management Personnel disclosure requirements of paragraph 16 of IAS 24.

The disclosures required by regulation 7(2)-(4) of the Accounts and Audit (England) Regulations can be found in the main accounts of the administering authority - Tameside MBC.

No senior officers responsible for the administration of GMPF have entered into any contract (other than their contract of employment) with Tameside MBC (administering authority).

A number of officers responsible for the administration of GMPF have directorships in companies which have been incorporated for the sole purpose of the investment administration and management of GMPF's assets and other assets which GMPF has a joint interest with other LGPS funds. These are:

| Name | Position in GMPF 2018/19 | Company in which directorship is held | Company Registration Number |
|---|---|---|---|
| Steven Pleasant | Chief Executive | Airport City (General Partner) Limited | 08723477 |
| Sandra Stewart | Director of Governance & Pensions | Northern Pool GP (No1) Limited | 11360203 |
| Patrick Dowdall | Assistant Director of Pensions (Local Investments & Property) | Matrix Homes (General Partner) Limited | 08980059 |
| | | Hive Bethnal Green Limited | 09362438 |
| | | GLIL Corporate Holdings Limited | 10046509 |
| | | Plot 5 First Street Nominee Limited | 09919396 |
| | | Plot 5 First Street GP Limited | 09904743 |
| | | GMPF UT (Second Unit Holder) Limited | 08725454 |
| | | Airport City (Asset Manager) Limited | 08723467 |
| | | Manchester Charles Street Residential (ELP GP) Limited | 10977358 |
| | | Manchester Charles Street Residential (SLP GP) LImited | SC576947 |
| | | Manchester New Square (General Partner) Limited | 11082473 |
| | | Semperian PPP Investment Partners Holdings Limited (Jersey Registration) | 98327 |
| Daniel Hobson | Senior Investment Manager (Head of Infrastructure) | GLIL Corporate Holdings Limited | 10046509 |
| | | GLIL Corporate Holdings 2 Limited | 10824179 |
| | | Rock Rail East Anglia (Holdings) 1 Limited | 10266130 |
| | | Rock Rail East Anglie (Holdings) 2 Limited | 09918883 |
| | | Rock Rail East Anglia PLC | 10360543 |
| | | Clyde Windfarm (Scotland) Limited | SC281105 |
| | | Camulodunum Investments Limited | 11108175 |
| Andrew Hall | Investment Manager | GMPF UT (Second Unit Holder) Limited | 08725454 |
| | | Matrix Homes (General Partner) Limited | 08980059 |
| | | Plot 5 First Street GP Limited | 09904743 |
| | | Plot 5 First Street Nominee Limited | 09919396 |
| | | Manchester Charles Street Residential (ELP GP) Limited | 10977358 |
| | | Manchester Charles Street Residential (SLP GP) Limited | SC576947 |
| | | Island Site (General Partner) Limited | 11532059 |
| | | Island Site (Nominee) Limited | 11532379 |

| | | | |
|---|---|---|---|
| | | Manchester New Square (General Partner) Limited | 11082473 |
| Kevin Etchells | Investment Manager | Island Site (General Partner) Limited<br>Island Site (Nominee) Limited | 11532059<br>11532379 |
| Neil Charnock | Head of Legal Services | Hive Bethnal Green Limited | 09362438 |

The above receive no remuneration for these directorships.

Under legislation introduced in 2003/04, Councillors were entitled to join the pension scheme. However, separate legislation came into effect from 2014 rescinding this and all Councillors in the LGPS had their benefits deferred on expiry of their terms of office.

The following members of the Management and Advisory Panels are consequently deferred pensioners:

| Name | Position |
|---|---|
| Cllr J Fitzpatrick | Councillor member |
| Cllr S Quinn | Councillor member |
| Cllr D Ward | Councillor member |
| Cllr C Patrick | Councillor member |
| Cllr T Halliwell | Councillor member |

In addition, the following Members of the Management and Advisory Panels, having attained the appropriate age or other criterion, are in receipt of pension benefits:

| Name | Position |
|---|---|
| Cllr G Cooney | Councillor member |
| Cllr M Smith | Councillor member |
| Cllr S Quinn | Councillor member |
| Cllr J Lane | Councillor member |
| Cllr J Taylor | Councillor member |
| Cllr A Mitchell | Councillor member |
| Cllr J Pantall | Councillor member |

The following Members of the Management and Advisory Panels and the Local Board are deferred pensioners by virtue of their membership of GMPF in current or previous employments:

| Name | Position |
|---|---|
| Cllr M Smith | Councillor member |
| Cllr C Patrick | Councillor member |

The following Members of the Management and Advisory Panels and the Local Board, by virtue of their membership of GMPF in previous employments and attaining the appropriate age or other criterion, are in receipt of pension benefits:

| Name | Position |
|---|---|
| Cllr V Ricci | Councillor member |
| R Paver | Employer representative |
| F Llewellyn | Employee representative |
| M Fulham | Employee representative |
| J Thompson | Employee representative |
| P Catterall | Scheme member representative |

Each member of the Local Board, the GMPF Management and Advisory Panels and Working Groups formally considers declarations of interest at each meeting. In addition, an annual return of all declarations of interest is obtained from the Members by their respective Councils. Those relevant to GMPF Management Panel or Board membership, i.e. where the organisation is a GMPF contributing employer, are listed below:

| Name | Position & Organisation | Organisation relationship with GMPF |
|---|---|---|
| Cllr B Warrington | Member of Greater Manchester Combined Authority | Contributing employer |
| Cllr G Cooney | Employee of Manchester City Council<br>Director of Jigsaw Homes Group (Reg No 29433R)<br>Director of Ashton Pioneer Homes Limited (Reg.No. 03383565)<br>Director of Pioneer Homes Services Limited (subsidiary of Ashton Pioneer Homes Limited) (Reg.No. 06546606)<br>Director of Ashton Pioneer Homes Developments Limited (subsidiary of Ashton Pioneer Homes Limited) (Reg.No. 03989251)<br>Director of Mechanics' Centre Limited (Reg.No. 01983373) | Contributing employer<br>Contributing employer<br>Contributing employer<br>Contributing employer<br>Contributing employer<br>Contributing employer |
| Cllr M Smith | Employee of Manchester Working Ltd | Contributing employer |
| Cllr B Fairfoull | Member of Manchester Airport Consultative Committee | Contributing employer |
| Cllr J Fitzpatrick | Trustee of Homestart | Contributing employer |
| Cllr J Taylor | Chairman of Tameside Sports Trust (Reg.No. 03531443) | Contributing employer |
| Cllr S Quinn | Member of North West Employers Association | Contributing employer |
| Cllr S O'Neill | Member of Greater Manchester Combined Authority | Contributing employer |
| Cllr M Barnes | Employee of University of Salford | Contributing employer |
| Cllr C Ball | Substitute Member Greater Manchester Combined Authority Health Scrutiny Committee | Contributing employer |
| Cllr P Andrews | Director of Manchester Working Limited<br>Member of Manchester Airport Consultative Committee<br>Director of Mechanics' Centre Limited (Reg.No. 01983373) | Contributing employer<br>Contributing employer<br>Contributing employer |
| P Herbert | Employee of Ministry of Justice | Contributing employer |
| K Drury | Employee of University of Manchester | Contributing employer |
| A Flatley | Employee of Bolton MBC | Contributing employer |
| P McDonagh | Employee of Manchester City Council | Contributing employer |
| M Fulham | Employee of Bury MBC | Contributing employer |
| R Paver | Employee of Greater Manchester Combined Authority | Contributing employer |

| | | |
|---|---|---|
| | Member of the Executive Board of Transport for Greater Manchester<br>Director of MIDAS limited (Reg.No. 03323710)<br>Director of Education and Leadership Trust (Reg.No. 08913502) | Contributing employer<br><br>Contributing employer<br>Contributing employer |
| M Rayner | Employee of Stockport MBC | Contributing employer |
| D Schofield | Employee of Manchester City Council | Contributing employer |
| J Hammond | Employee of Bury MBC | Contributing employer |
| C Lloyd | Employee of Tameside MBC | Contributing employer |
| C Goodwin | Employee of University of Manchester | Contributing employer |
| P Taylor | Employee of LTE Group | Contributing employer |

The administering authority, Tameside MBC, falls under the influence of The United Kingdom Ministry of Housing, Communities and Local Government. GMPF may have significant holdings of UK Government bonds depending on investment decisions

**19. Employer related investment**

As at 31 March 2019 GMPF had amounts on short-term loan to two contributing employers: Salford City Council £5,000,000 (2018 £5,000,000) and Greater Manchester Combined Authority £30,000,000 (2018 £75,000,000). The investments were made by GMPF as part of its day-to-day treasury management activities.

As at 31 March 2018 GMPF had £27,000,000 on short-term loan to Stockport MBC. This was repaid during 2018/19. There was £nil on loan to this employer at 31 March 2019.

As part of its normal investment activities conducted through its investment fund managers, GMPF owns shares with a market value of £11,046,090 (2018 £10,717,000) in First Group PLC, which is the ultimate parent company of three subsidiaries who are contributing employers to GMPF.

GMPF has a minor holding in the Airport City joint venture, which is developing land adjacent to Manchester Airport for commercial use. The main stakeholder at Airport City being Manchester Airport Group, which is a contributing employer to GMPF.

GMPF has formed a joint venture with Manchester City Council, a contributing employer to GMPF, known as Matrix Homes, to develop residential property for both sale and to rent, at sites across Manchester.

## 20. Contributions received and benefits paid during the year ending 31 March

| Contributions Received 2018 £m | Benefits Paid 2018 £m | | Contributions Received 2019 £m | Benefits Paid 2019 £m |
|---|---|---|---|---|
| (31) | 39 | Bolton Borough Council | (30) | 41 |
| (21) | 27 | Bury Borough Council | (21) | 27 |
| (57) | 95 | Manchester City Council | (60) | 101 |
| (48) | 32 | Oldham Borough Council | (7) | 34 |
| (24) | 34 | Rochdale Borough Council | (25) | 35 |
| (24) | 39 | Salford City Council | (26) | 40 |
| (58) | 32 | Stockport Borough Council | (9) | 32 |
| (48) | 31 | Tameside Borough Council (administering authority) | (6) | 34 |
| (41) | 25 | Trafford Borough Council | (5) | 25 |
| (34) | 40 | Wigan Borough Council | (35) | 42 |
| (224) | 214 | Other scheme employers * | (246) | 226 |
| (130) | 140 | Admitted bodies * | (123) | 167 |
| **(740)** | **748** | | **(593)** | **804** |

* A full list of all scheme and admitted bodies can be found in the GMPF Annual Report 2018/19 which will be available at www.gmpf.org.uk.

## 21. Investment Strategy Statement and Funding Strategy Statement

GMPF has published an Investment Strategy Statement and a Funding Strategy Statement. Both documents can be found on its website - www.gmpf.org.uk.

## 22. Actuarial Review of GMPF

GMPF's last Actuarial valuation was undertaken as at 31 March 2016. A copy of the valuation report can be found on the GMPF website –

http://www.gmpf.org.uk/documents/policies/actuarialvaluation/2016.pdf

The funding policy is set out in the Funding Strategy Statement (FSS) dated March 2017. The key funding principles are as follows:

- to ensure the long-term solvency of GMPF as a whole and the solvency of each of the notional sub-funds allocated to individual employers;
- to ensure that sufficient funds are available to meet all benefits as they fall due for payment;
- to ensure that employers are aware of the risks and the potential returns of the investment strategy;

- to help employers recognise and manage pension liabilities as they accrue, with consideration as to the effect on the operation of their business where the Administering Authority considers this to be appropriate;

- to try to maintain stability of employer contributions;

- to use reasonable measures to reduce the risk to other employers, and ultimately to the Council Tax payer, from an employer ceasing participation or defaulting on its pension obligations;

- to address the different characteristics of the disparate employers or groups of employers to the extent that this is practical and cost-effective; and

- to maintain the affordability of GMPF to employers as far as is reasonable over the longer term.

The valuation revealed that GMPF's assets, which at 31 March 2016 were valued at £17,325 million, were sufficient to meet 93% of the present value of promised retirement benefits earned. The resulting deficit was £1,371 million.

The key financial assumptions adopted for the 2016 valuation were:

| | **31 March 2016** | |
|---|---|---|
| **Financial Assumptions** | **% p.a. Nominal** | **% p.a. Real** |
| Discount rate | 4.20% | 2.10% |
| Pay Increases * | 2.20% / 2.90% | 0.1% / 0.8% |
| Price Inflation/Pension increases | 2.10% | - |

** A salary increase assumption of 2.2% p.a. was adopted for the Metropolitan Borough Councils, National Probation Service and the Police and Crime Commissioner. For all other employers a salary increase assumption of 2.9% p.a. was used.*

The liabilities were assessed using an accrued benefits method that takes into account pensionable membership up to the valuation date. It also makes an allowance for expected future salary growth to retirement or expected earlier date of leaving pensionable membership.

### 23. Stock lending

GMPF's custodian, J.P. Morgan, is authorised to release stock to third parties under a stocklending agreement. Under the agreement, GMPF does not permit J.P. Morgan to lend UK or US equities.

At the year end the value of stock on loan was £163,500,000 (31 March 2018: £134,900,000) in exchange for which the custodian held collateral at fair value of £176,700,000 (31 March 2018: £139,800,000), which consisted exclusively of UK, US, and certain other government bonds.

## 24. AVC Investments

GMPF provides an Additional Voluntary Contributions (AVC) scheme for its contributors, the assets of which are invested separately from GMPF. Therefore, these amounts are not included in the GMPF accounts in accordance with regulation 4(2)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (SI 2009 No 3093).

GMPF's main AVC provider is Prudential where the sums saved are used to secure additional benefits on a money purchase basis for those contributors electing to pay additional voluntary contributions. The funds are invested in a range of investment products including with profits, fixed interest, equity, cash, deposit, property, and socially responsible funds, as follows:

| | |
|---|---:|
| Contributions paid | £9,053,814 |
| Units purchased | 1,944,669 |
| Units sold | 1,293,012 |
| **Fair value as at 31 March 2019** | **£73,182,280** |
| Fair value as at 31 March 2018 | £71,672,439 |

## 25. Actuarial present value of promised retirement benefits

CIPFA's Code of Practice on Local Authority Accounting 2018/19 requires administering authorities of LGPS funds to disclose the actuarial present value of promised retirement benefits in accordance with IAS26 Accounting and Reporting by Retirement Benefit Plans.

No allowance has been made for the potential impact of the recent legal proceedings relating to the equalisation of Guaranteed Minimum Pensions between men and women or the findings of the Court of Appeal in relation to claims of age discrimination in the Firefighters' and Judges' pension schemes. These rulings may have an impact for the LGPS but the timescales and financial impact are not yet clear. In particular Government may appeal the age discrimination findings and any remediation required could impact the outcome of the LGPS cost cap process set out in the Public Service Pensions Act 2013. The Government Actuary's Department (GAD) is currently undertaking an assessment of the potential financial impact across the LGPS as a whole, but the outcomes will likely differ at the LGPS fund and individual employer level.

This value has been calculated by GMPF's Actuary, Hymans Robertson LLP, using the assumptions below.

### Assumptions used

The assumptions used are those adopted for the administering authority's IAS19 Employee Benefits report at each year end as required by the CIPFA Code of Practice on Local Authority Accounting 2018/19.

**Financial Assumptions**

| 31 March 2018 % p.a. | | 31 March 2019 % p.a. |
|---|---|---|
| 2.4% | Inflation/pension increase rate | 2.5% |
| 2.5% | Salary increase rate | 2.6% |
| 2.7% | Discount rate | 2.4% |

**Mortality**

Life expectancy is based on GMPF's VitaCurves with improvements in line with the CMI 2013 model, assuming the current rate of improvements has reached a peak and will converge to a long term rate of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

| | Males | Females |
|---|---|---|
| Current pensioners | 21.5 years | 24.1 years |
| Future pensioners* | 23.7 years | 26.2 years |

** future pensioners are assumed to be currently aged 45*

**Commutation**

An allowance is included for future retirements to elect to take 55% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 80% of the maximum tax-free cash for post-April 2008 service.

**Value of promised retirement liabilities**

| 31 March 2018 £m | | 31 March 2019 £m |
|---|---|---|
| 27,281 | Present value of promised retirement benefits | 30,555 |

Liabilities have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2016.

**Sensitivity analysis**

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below.

| As at 31 March 2018 | | | As at 31 March 2019 | |
|---|---|---|---|---|
| **Approximate % increase to promised retirement benefits** | **Approximate monetary amount (£m)** | **Change in assumptions at year ended 31 March** | **Approximate % increase to promised retirement benefits** | **Approximate monetary amount (£m)** |
| 8% | 2,182 | 0.5% increase in the Pension Increase Rate | 8% | 2,444 |
| 2% | 546 | 0.5% increase in the Salary Increase Rate | 2% | 611 |
| 3% | 818 | 1 year increase in member life expectancy | 3% | 917 |
| 10% | 2,728 | 0.5% decrease in Real Discount Rate | 11% | 3,361 |

**It should be noted that the above figures are only appropriate for the preparation of the accounts of GMPF. They should not be used for any other purpose.**