# Statement of Accounts

# 2011/12

# Explanatory Foreword and Financial Summary

This section identifies and briefly explains each part of the document and includes an overview by the Executive Director of Finance on the Council's financial performance during 2011/12.

## Explanatory Foreword & Financial Summary

The following pages present Tameside Council's Accounts for the financial year ended 31 March 2012. By producing this report, the Council aims to give all interested parties – electors, local residents, Council Members, partners, stakeholders 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 Explanatory Foreword 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 therefore sets out:

1) The basis of the accounts;
2) The purpose of the various statements included in the 2011/12 accounts;
3) The main changes to the accounts for 2011/12 compared to 2010/11;
4) Financial Performance in 2011/12;
5) Developments during 2011/12;
6) 2012/13 and future years.

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

It is sometimes questioned whether we need to prepare and publish accounts in such detail, particularly at a time when resources are so limited. However, it is a truism that good financial management will require a detailed periodic review of all accounts. Like a 'spring clean', it provides an essential discipline – it gives residents and other stakeholders transparent insight into confidence over the regularity and probity of the Council's financial activities and ensures that all our resources are directed to the political priorities of the Council. Therefore, the ease with which the Council has been able to prepare its accounts, meeting the stringent requirements that are set for us, is one measure of the overall quality of our financial management.

### 1) The basis of the accounts

The accounts that follow have been prepared to be:

a) **Relevant**: The accounts provide information about the Council's financial performance and position that is useful for assessing the stewardship of public funds and for making economic decisions.

b) **Reliable:** The financial information:
- Has been prepared so as to reflect the reality or substance of the transaction and activities underlying them, rather than their formal legal character;
- Is free from deliberate or systematic bias;
- Is free from material error;
- Is complete within the bounds of materiality; and
- Has been prudently prepared.

c) **Comparable**: In addition to complying with the Chartered Institute of Public Finance and Accountancy's Code of Practice on Local Authority Accounting (CIPFA LASAAC December 2011; "the Code") Best Value Accounting Code of Practice, this code establishes proper practice to be followed with regard to consistent financial reporting on matters below the high level shown in the Statement of Accounts and therefore aids comparability with other Local Authorities.

d) **Understandable**: These accounts are based on accounting concepts, treatments and terminology that require reasonable knowledge of accounting and Local Government. However, every effort has been made to use plain language and where technical terms are unavoidable they have been explained in the glossary of terms.

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

## 2) The 2011/12 Accounting Statements

The 2011/12 accounting statements have been prepared to comply with the requirements of the International Financial Reporting Standards (IFRS).

### a. The Core Financial Statements

#### Movement in Reserves Statement

This statement sets out the movements in the main reserves and balances of the Council and how these explain the movement from the opening position for the year to the closing position.

This statement shows that Tameside MBC's usable reserves at the start of the year were £115m, changing by £19.8m during the year, to give a closing level of reserves of £134.8m.

The General Fund balances in 2011/12 increased by £10.9m. A significant element of this arose from services reducing expenditure in 2011/12 ahead of known savings targets to be met in 2012/13.

#### Comprehensive Income and Expenditure Statement

This account sets out the Council's day to day revenue income and expenditure on all services during 2011/12 and shows how the net cost has been financed from government grant and local taxpayers.

This statement shows that Tameside MBC spent £565.7m on services in 2011/12, but after income is included the net cost of services was £331.7m, representing the net cost of services. Once other proper adjustments are taken into account together with council tax income and government grants the overall position for the year is a surplus of £80.92m.

#### Balance Sheet

The Balance Sheet summarises the financial position of the Council at the 31 March 2012. It includes balances and reserves, and all liabilities and assets employed in the Council's operations.

This statement shows that Tameside MBC has long term assets (mainly land and buildings) with carrying values in the accounts of £732m. There were also a variety of current assets and both long term and current liabilities at year end, giving a net worth of the Council's assets and liabilities, calculated in terms of the accounting policies, of £285m. This is represented in the financing statement at the foot of the Balance Sheet in terms of usable and unusable reserves.

**Cash Flow Statement**

This summarises the total movement on cash and cash equivalents during the year for revenue and capital purposes.

**b. Other Supplementary Financial Statements**

**Collection Fund**

This account is maintained separately, as a statutory requirement, to show the transactions of the Council as Billing Authority in relation to National Non-Domestic Rates and Council Tax. It records how the income from these sources has been distributed to Precepting Authorities and the Council's General Fund.

This shows that the balance to carry forward as at 31 March 2012 was £0.71m relating to Council Tax, with an in year deficit of £0.07m.

**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 Tameside 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 2012 is £165.3m, 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**

The accounts of the Pension Fund are included in the Statement of Accounts for Tameside Council because the Council administers the pension fund. The Fund is administered separately from the Council and has independent governance arrangements.

This shows the net assets of the fund were £11,012.41m as at 31 March 2012, with an increase of £567.65m during the financial year.

**c. Accompanying Statements Included in the 2011/12 Accounts**

The purpose of the various statements included in the 2011/12 accounts is set out below.

**The Statement of Responsibilities for the Statement of Accounts**

This Statement sets out the respective responsibilities of the Authority and the Chief Financial Officer (Executive Director of Finance) for the accounts.

### The Independent Auditor's Statement

This is the Independent Auditor's Report to Tameside Council including the 'conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources'. Note this statement is not available for the pre-audit accounts.

### The Annual Governance Statement

This 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.

## 3) The Main Changes to the Accounts for 2011/12 Compared to 2010/11

The Council's accounts for the financial year 2011/12 have been prepared in accordance with the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2011 ('the Code'). This specifies the principles and practices of accounting required to prepare a Statement of Accounts which presents fairly the financial position and transactions of a Local Authority. There have been a number of changes in requirements since the 2010/11 accounts were prepared.

### Heritage assets

This requirement means that within the total of fixed assets, councils are obliged to disclose the value of 'heritage' assets. This includes such items as paintings and artefacts in local museums and libraries. The valuation basis has taken insurance values as an estimate of the value of these assets. Other values could be used, such as market value or by using values for comparable assets elsewhere. However, many of these assets are unique, and many have been gifted to the Council in previous years with restrictions over the ability to sell them, meaning that a market value is either impossible to identify or is misleading.

### Cost of exit packages

Councils are being asked to disclose the number and cost of exit packages agreed. Exit packages include voluntary severance arrangements, compulsory redundancy costs, pension contributions in respect of added years, ex gratia payments and other related departure costs.

### Carbon reduction commitment (CRC) energy efficiency scheme

The 2011/12 financial year is the first year for which there will be an obligation to purchase and surrender CRC allowances in relation to carbon dioxide emissions. Following the end of 2011/12, the Council will submit the annual report on emissions for the 2011/12 financial year. The retrospective purchase of allowances is anticipated to take place from 1 June 2012. The allowances are then required to be surrendered to the scheme by the last working day in July 2012 in proportion to their reported emission for the preceding scheme year and in accordance with the scheme requirements. In line with guidance a provision will be recognised in the 2011/12 Balance Sheet for £270,000.

### Financial instruments

Additional disclosures are required around financial instruments for 2011/12. While this area of financial activity is significant (TMBC has around £76m of funds under management at the year-end), the types of financial instruments used are very heavily restricted to ensure that capital amounts are safeguarded. Investment options are detailed in the Treasury Management Strategy, approved each year at by Full Council alongside the budget report.

### 4) Financial Performance in 2011/12 and the outlook for the future

### a. Corporate Strategy

The Council has a clear hierarchy of strategy documents which is set out in the Corporate Plan 2011-14. The Council has a vision for the borough (to reduce inequality and improve quality of life of people in the borough) which is shared with the Local Strategic Partnership through the Sustainable Community Strategy.

The Sustainable Community Strategy sets out the aims for the future of Tameside. The aims are:

- A Safe Tameside: We want Tameside to be a place where everyone feels safe and secure, where crime and antisocial behaviour rates are low and continue to fall, and where people have respect for each other now and in the future;

- A Prosperous Tameside: We want Tameside to be a place where more and better jobs are available for everyone, local people are able to access these jobs and where new and established businesses can flourish;

- A Learning Tameside: raising educational achievement and learning opportunities We want Tameside to be a place where expectations and achievements are raised in schools, through exams and in other ways, so that young people have the best possible start in life and also that people in Tameside continue to improve their skills as adults;

- An Attractive Tameside: We want Tameside to be a place that is clean, green and an attractive place to be for everyone. We are determined to pass onto future generations a better quality of environment than we inherited;

- Supportive Tameside: We want Tameside to be a place where people get on and look out for each other, and everyone shares in the growing prosperity, so that Tameside is an even better place to live now and in the future;

- A Healthy Population: We want Tameside to be a place where everyone is healthy – both physically and mentally – and feels positive about the future.

The Cabinet recommends to Council which areas receive additional investment and which receive less in line with these priorities. This process culminates in the annual Budget Report where the savings to be achieved in order to balance the budget are set out. The same principles are applied to the formulation of the capital programme.

Business Plans for each Service Area and Service Units also identify the priorities for that area, and each action is linked to a Sustainable Community Strategy aim or Corporate Governance. The business plans identify individual actions, ensuring that there is a connection between the work of individual staff or teams and the aims of the Sustainable Community Strategy. The way in which the Council's key priorities fit together are set out in the Corporate Plan and Guide to Corporate and Business Planning.

**Corporate and Service planning to support overall strategy**

The Corporate Plan, together with service business plans, provides a service planning structure that translates the priorities and aims of overall Council policy and strategy into measurable actions at the point of service delivery. This process is set out in the Council's Guide to Corporate and Business Planning, and is reflected in the Medium Term Financial Strategy.

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

### b. Reporting Financial Performance

Financial performance is reported to Councillors quarterly throughout the year. Additionally, the Medium Term Financial Strategy, and the rolling 3 year budget plan it contains, is updated throughout the year. This is also reported to Councillors. Both reports are also available to the public via the Tameside MBC website.

The Comprehensive Income and Expenditure Statement sets out the cost of services that the Council provides in accordance with the requirements of published accounts. This external report does not completely align to the way in which financial information is managed within the organisation during the year. Therefore, set out in note 16 is the 2011/12 financial position in accordance with the Directorate structure under which the Council operates and the final financial monitoring information that has been presented to officers and Members.

The Council operates a system of 'cash limits' described as 'expenditure limits'. Items 'inside' this limit are regarded as controllable costs and service managers are required to work within these set budgetary limits. Items 'outside' this limit are regarded as less controllable and are therefore managed centrally. Items outside the limit include, for example, capital finance charges and benefits payments (as the Council does not determine eligibility or levels of payment but only applies rules set out by the Government).

### c. Revenue Performance

In February 2011, the Council agreed its original 2011/12 budget which included net revenue expenditure of £197.9m. This represented a significant drop in resources in comparison with the previous financial year. The reduction was due to the local government spending reductions enacted by government following the 2010 Comprehensive Spending Review, itself a product of the government's wider austerity measures. The true reduction was higher than the overall cut, as the Council also faced cost pressures arising from price inflation, demand growth, and planned levels of council tax increase above those funded by government. (Council's adopting a 0% council tax increase were funded by government to the equivalent value of a 2.5% increase.)

After taking these various changes into account, this level of spending which equated to a Council Tax Band D of £1,168.76 for Council services, spread across a tax base of 66,194 Band D equivalent homes.

The Amounts Reported for Resource Allocation Decision, Note 16, demonstrates how the reported position last year reconciles to the Statement of Accounts 2011/12.

Revenue expenditure supported the delivery of services to local residents during the year, including providing care and safeguarding vulnerable children and adults, improving educational outcomes, providing cultural services within the borough such as libraries and museums, supporting a range of environmental functions such as planning, waste collection, car parking management, highways management, and district assemblies, as well as a small corporate function to provide legal, financial and other support.

| | **Budget** | **Outturn** | **Variation** |
|---|---|---|---|
| | £000s | £000s | £000s |
| Inside Expenditure limit (EL) | | | |
| Children, Learning & Economic Services | 58,376 | 56,851 | (1,525) |
| Community, Environmental, Adult And Health Services | 89,076 | 85,012 | (4,064) |
| Director Of Governance | 2,773 | 991 | (1,782) |
| Director Of Finance | 6,790 | 5,266 | (1,524) |
| Corporate & Democratic Core | 2,021 | 1,487 | (534) |
| **Sub Total** | **159,036** | **149,607** | **(9,429)** |
| Outside Expenditure Limit | | | |
| Other Support Costs | 32,140 | 31,485 | (654) |
| Capital, Financing and Other | 25,630 | 22,031 | (3,599) |
| **Sub Total** | **57,770** | **53,516** | **(4,253)** |
| **Total** | **216,806** | **203,123** | **(13,683)** |

The Council had a surplus against the budget of £13.7m at the end of the financial year. There were a number of variances at the year-end but these were issues that had been previously reported to Members. Overspending occurred in the area of children's safeguarding, mainly due to demand pressures, and overspending would have occurred in the area of adult social care had one-off resources not been deployed by that service. Under spending occurred in many service areas as savings targets for future years were delivered ahead of time, largely as a result of the staff voluntary severance scheme put in place during the year, which was designed to reduce overall staff costs quickly.

### d. Capital Investment

The Council spends money on capital projects in accordance with the definition of capital expenditure as in the Local Authorities (Capital Finance and Accounting) Regulations 2003. This relates to spending on assets that have a life of more than one year.

The Council spent £41.9m on its capital programme in 2011/12.

The capital programme is made up of a large number of individual projects which it is impracticable to list. The most significant projects and spending areas in 2011/12 are set out below, together with the corporate priority objectives that they relate to.

| Priority Themes | Capital Programme |
|---|---|
| Learning Environment | The Asset and Investment Partnership Management Service delivered 9 new high schools in 2011/12 including:<br><br>• St Damian's Science College;<br>• New Charter Academy;<br>• Samuel Laycock;<br>• White Bridge College;<br>• Elmbridge School;<br>• Denton Community College;<br>• Hyde Community College;<br>• Droylsden Academy; and<br>• Thomas Ashton.<br><br>These new schools were in addition to Mossley Hollins which opened in February 2011. Funding was also secured to complete the £200 million Building Schools for the Future programme, for Astley Sports College and Cromwell High School.<br><br>This means that over 8,200 high school pupils in Tameside will be learning in future in brand new or remodelled schools equipped with new IT.<br><br>Over 20 Primary schools also received investment from the Primary Capital Strategy for Change Programme with major remodelling schemes being completed for Broadbent Fold, Yew Tree, Dowson, Our Lady of Mount Carmel, St Peters Ashton and St Josephs, Mossley, Broadbottom and smaller schemes at other schools. The £12 million investment programme will be completed next year when the final school Russell Scott is remodelled.<br><br>In addition, over £2m repair and maintenance works were also completed with £500,000 each being spent on Copley and Longdendale high school's roof works.<br><br>Successful bids were also submitted in October 2011, for four new primary schools, Silver Springs Academy, Holden Clough, Broadoak and Flowery Field primary schools. |
| Prosperous Society | • **Hyde Town Centre** – The project aims to improve the environment around the market area and the street scene of the town centre, including any works needed at the market hall and improved traffic management. The main works to the market square started in January 2012 and are due to complete September 2012, works is being carried out in a phased approach to ensure the market stays open throughout this period.<br><br>• **Ashton Northern By-Pass –** The new road between the junction of Wellington Rd / Turner Lane and Penny Meadow / Crickets Lane, Ashton has now been |

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| | substantially completed which was designed and built by the Councils in-house teams. The new mosque was completed in September 2011 and the old building has now been demolished. The forecast outturn for the scheme remains within the £16m budget identified for the project by TfGM. |
| Attractive Borough | • **Stamford Park** is currently undergoing a major restoration project which will enhance the park for the people of Tameside. The project will conserve the best of the park's Victorian heritage whilst providing modern new facilities including a new Pavilion building, aviary, water feature and infrastructure. Work started on site in January 2011 and is expected to complete in June 2012, a phased approach is being taken to ensure the park can stay open whilst the work takes place. This project has been made possible through a combination of internal and external funding: £1.200m of internal capital funding has brought in a further £3.999m of grant aid from the Heritage Lottery Fund. The combination of internal and external funding will make a real difference and leave a lasting legacy for the future.<br><br>• The new community centre has been completed at **Dukinfield Park.** The modular building is situated in a prime location overlooking the bowling green has two large community rooms, a small office, kitchen and toilets together with the latest heating and lighting systems. Further landscaping works will take place in early summer 2012.<br><br>• **Refurbishment of Recycling Facilities** – A number of modern looking "bring" sites have been completed in the year, which carry bespoke Tameside art work. These sites are "smart" by design, allowing for a reduction in contamination. The new sites are more appealing aesthetically and easier to use. There has been a significant drop in the amount of recyclate that is wasted through poor use. There are now 12 bring sites across the borough, ensuring additional recycling facilities capture material from areas of heaviest use. |
| Healthy Population | • **Hyde Leisure Phase 2** - The first stage of works to drain and resurface the Walker Lane pitch have now been carried out, with the redundant land at the rear of Hyde FC reclaimed and cleared, the car park extension has been constructed together with new concrete fencing surrounding the site. A multi-use games area at Millennium Green has been installed and is now in use. |
| Supportive Communities | • **Disabled Facility Grants –** This agency service provides adaptations for individual householders to help them to live as independently as possible in their own |

| | |
|---|---|
| | homes. A total of 298 grants have been approved in the year with 231 completions, together with over 1,362 minor adaptations completed.<br><br>• **Affordable Housing –** The development of new affordable housing has been achieved by working in partnership with registered providers. New Charter will provide 31 new homes at St. Petersfield and Peak Valley Housing has completed 44 new homes at Honiton Ave / Padstow Walk Hattersley. |
| Safe Environment | • **Designing Out Crime / Safe and Secure –** Six alleygating schemes were completed in the St Michaels ward during the year together with 25 other target hardening schemes across the borough on both domestic properties and at both Mottram Moor and Colliery Fields allotments.<br><br>• **Retaining Walls -** Works on the retaining wall major maintenance project continued in 2011/12. All available funding has been used to deliver the schemes programmed for completion in 2011/12. These schemes included Stamford Rd Mossley, Park Rd Dukinfield, Stockport Rd Mossley, Stamford St Stalybridge, Mottram Rd Embankment and Huddersfield Rd Stalybridge. |

### e. Year End Balances

| | General Fund | Schools (ISB) |
|---|---|---|
| Balance Brought Forward as at 1 April 2011 | 35,483 | 9,301 |
| Contributions to/ (from) balances in 2011/12 | 13,682 | 3,721 |
| Planned contribution (from) balances / reserve | (3,231) | 0 |
| Balances as at 31 March 2012 | 45,934 | 13,022 |

**General Fund**
The surplus against budget has enabled the Council to increase General Fund balances by £10.4m. Much of the surplus within the year is planned to be deployed during 2012/13, either as work programmes are completed later than originally planned, or as savings generated in 2011/12 are used to contribute to or help achieve 2012/13 savings targets.

**Schools**
Individual schools can carry forward a surplus or deficit and in total schools balances increased by £3.72m from £9.3m at 31 March 2011 to £13.0m at 31 March 2012

### f. Pensions Liability

Calculated using the IAS 19 basis, liabilities are estimated to have risen from £137.9m to £226.1m in 2011/12. This is mainly due investment returns being worse than previously anticipated due to the persistently adverse economic environment (reducing the long term estimate of the value of the fund) and also to inflation rates being expected to increase sooner than previously anticipated (increasing the estimated long term liabilities of the fund).

### g. Collection Fund

The Collection Fund is maintained separately from the Council's General Fund specifically to record income and expenditure associated with Council Tax and National Non Domestic Rates. At the end of 2011/12, the Collection Fund accumulated balance was £1.1m which is an increase from the accumulated balance at the end of 2010/11.

### h. Council Borrowing

The authorised limit for external debt for the Council for 2011/12 was £257.25m. The actual level of outstanding debt at the yearend totalled £159.42m. The Balance Sheet shows that at 31 March 2012, the Council had £151.37m of long term borrowing. The majority of this borrowing is from the Public Works Loan Board (PWLB), these loans have fixed rates and varying maturity dates from 1-2 years to more than 15 years. The Council also has debt in the form of Lender Option Borrower Option (LOBO) market loans totalling £41.72m. In addition there was £8.04m of loans repayable within 12 months. The Council paid £8.45m (£15.11m) including PFI of interest and similar charges in year and received £1.78m of interest and investment income.

### i. Post Balance Sheet Event (PBSE)

The IFRS require the disclosure of the date that the financial statements were authorised for issue and therefore the date after which events will not have been recognised in the Statement of Accounts. This date was agreed as 28 June 2012 in respect of the preparation of the draft 2011/12 Statement of Accounts. There have been no adjusting post Balance Sheet events.

## 5) Developments during 2011/12

The following information sets out developments in 2011/12, which had an influence on the financial position of the Council.

### a. Internal activity and external pressures

#### Emerging external pressures

The impact of the government's austerity programme has now been widely discussed in the documents of the Council and in the national media. Its impact on the Council can be seen in three key areas. First, funding has reduced rapidly from 2010. Second, a new funding system is now anticipated from April 2013 - the 'Rates Retention Scheme' - which will see councils retaining a local share of business rates (rather than pooling them nationally prior to redistribution through the Formula Grant, as at present). Third, the responsibilities of local government are changing, most notably with the localisation of support for council tax from April 2013 (replacing Council Tax Benefit), the transfer of public health services from the NHS from the same date, and the introduction of Universal Credit from October 2013 (which will include the replacement of housing benefit). Each of these changes will bring their own operational and financial challenges.

**Existing efficiency strategies**

In the years before 2010, it was already recognised by the Council that the expanding scope of Local Government's responsibilities and the increasing weight of demand were outstripping the funding available. An ongoing search for better ways of working and more efficient ways to provide services was therefore already in hand – for example, partnerships, earlier intervention, working with the third sector, and cross-Manchester collaboration. This has continued through 2011/12, and is in part responsible for the positive balance of income and expenditure achieved in the year.

**Responses to new external pressures and 'the new Normal'**

As the external financial context has become clearer, existing plans for service review and redesign on the basis of service transformation have been accelerated, and schemes to support the voluntary exit of staff have been put into place. At the same time, a directive to ensure spending restraint was exercised to restrict all new commitments.

Analysis and impact assessment of the CSR and Local Government financial settlement outcomes during autumn 2010 and winter 2011/12 led to early planning for significant funding reductions in 2011/12 and for further cuts in 2012/13. Corporate financial management has considered the position across the whole of the planning period and sought consistent responses across it all, managing increasing level of financial risk by taking early actions to secure the necessary savings. This strategy essentially means trying to stay a year ahead.

This strategy has continued from 2010/11, through 2011/12, and continues to form the backdrop to the Councils financial planning for 2013/14 and beyond. It is clear beyond doubt that despite the lack of detail in some areas, public sector spending restraint and reduced resources will be an on-going feature of the environment of local government for some years to come – as the Chief Executive has set out in briefings for senior managers and staff, this is 'the new Normal'.

**Discussion and consultation**

Planning discussions included senior officers and members during 2010/11 and throughout 2011/12. There was on-going review of the MTFS during 2011/12 to ensure financial stability in the medium term. On-going dialogues were further developed with staff and other stakeholders over the extent of the funding reduction and the Council's responses to it, including all tiers from the Senior Management Team (the top 20 managers) and the Corporate Delivery Team (including SMT and the next tier of managers), and out to frontline service delivery teams. Councillors have also been involved in these discussions, including Executive Members and backbench councillors.

**2011/12 outturn in context**

The overall expenditure less than budget secured for 2011/12 must therefore be seen as part of the wider response of the Council to the identified financial pressures identified in the Medium Term Financial Strategy. Almost all of this balance will be carried forward into the new financial year as part of a planned process led by service areas to achieve their savings targets. The surplus indicates how far service redesigns within the Council have already progressed.

Further work will be needed in the large demand led service areas which support vulnerable children and adults resident in the borough. The Children's Safeguarding service has overspent against budget in 2011/12 and work is already underway to address this – balancing the financial imperatives faced by the whole council with the need to ensure that vulnerable children and properly looked after. Similarly, adults social services only achieved a balanced budget position at the year-end through planned use of one-off resources. This means that further savings will be required in future years to maintain a balanced position. Again, financial necessity will be balanced against the need to properly provide a safe service. The Council will give due consideration to the relative priority of both areas in comparison with other services it offers as part of this process.

**b. Retirement Benefits**

The Council is required to include information on retirement benefits within the Statement of Accounts which must now be in accordance with the IAS19 (the International equivalent of FRS17). This sets out the treatment of pensions and other forms of retirement benefits.

The majority of staff who work for the Council are members of the Greater Manchester Pension Fund (GMPF). Tameside MBC administers this fund on behalf of the ten Greater Manchester Councils. The most recent report from the Actuary was based on estimated figures of the next 20 years and stated that the Fund's liabilities were more than its assets. This figure takes into account the future obligations to existing staff as well as the on-going obligation to current pensioners.

The various factors taken into account by the actuary in assessing the net surplus or deficit on the pension fund has been analysed to identify the impact of a slight change in the various assumptions. This is set out in the table below, and shows that a marginal change in the initial assumptions generates different outcome of +/- £47.5m. This indicates that while the overall deficit on the fund is not removed as a result of different assumptions, a small change in those assumptions has a material impact on the overall position to be reported. This sensitivity analysis was discussed with Councillors as part of the Audit Panel meeting in May.

The figure included in the accounts must therefore be regarded as a 'best estimate', but one prepared by experts in the area of pension fund valuations who have access to a wealth of knowledge and experience in this field which exceeds the capacity of officers to prepare an alternative, robust valuation.

| | | | £000 | £000 |
|---|---|---|---|---|
| **actuarial valuation (IAS 19)** | | | **(226,100)** | **(226,100)** |
| Key Variables | | % impact on valuation | £ impact (-ve) | £ Impact (+ve) |
| 0.5% change in discount rate | Assumed rate of return on investments; affects all members | 9% | (20,358) | 20,358 |
| 0.5% change in pension increase rate | CPI - assumed change in pension values; affects all members | 7% | (15,834) | 15,834 |
| 1 y ear change in life expectancy | Affects all members | 3% | (6,786) | 6,786 |
| 0.5% change in salary increase rate | Assumed level of change in salaries; does not affect all members | 2% | (4,524) | 4,524 |
| **total impact** | | | **(47,502)** | **47,502** |
| | | | | |
| alternative values | | | **(273,602)** | **(178,598)** |
| | | | | |

**c. Manchester Airport PLC**

The Council's shareholding represents 5% of the airport's capital and is carried at historic cost. The investment has been subjected to a variety of valuation methods, but given the wide spread of valuations arising from these exercises the conclusion has been drawn that the fair value cannot be valued reliably. Accounting convention therefore requires that the council values the investment at original cost without impairment.

## 6) 2012/13 and Future Years

The following outlines key developments in that will influence the environment in which Tameside MBC operates.

### a. Local Government Resource Review and the Rates Retention Scheme

The terms of reference for this review were published in May 2011 by the Department of Communities and Local Government. Further information was published in August 2011 and later in May 2012. The objective of the review was to make Councils more financially independent of central government, primarily through removing the Formula Grant system.

The Formula Grant system has operated for a number of years. Business rates collected locally by Councils are pooled with HM Treasury. This funding is then reallocated to Councils using a complex formula which recognises the level of local need (a key driver of Council costs) as well as the ability of different councils to raise Council Tax income locally. Together, the redistributed national business rates and the income from local taxation are key components of the funding all council services.

The outcome of the system is clearly seen in the Comprehensive Income and Expenditure Statement which shows the service expenditure at the top, and the income received from local and national taxation at the bottom.

While this system is complex and hard to explain, it had the advantage of regularly reviewing the relative needs and resources in local areas and equalising the available resources between different areas - so that a resident in Surrey can expect similar council services to a resident in Salford. However, critics of the system have emphasised the difference between amounts collected and received since Councils in prosperous areas collect far more local taxation then they eventually receive back from government, effectively subsidising council spending in less prosperous areas.

The government is now proposing to replace this system with the ‘Rates Retention Scheme’. This scheme has evolved from an initial proposal to simply localise all business rates (which would have led to huge variations in funding gains and losses nationwide), to a more developed system which will see government taking a share of business rates (about 50% rather than 100% as at present) back to the centre to be then redistributed via simpler mechanisms, with the balance remaining locally with the Council. Government hopes that this will provide an incentive for Councils to work hard to promote local economic growth, since a share of all growth so generated can be retained.

The final details of this system have yet to be announced. However, while it is likely to be easier to explain than the previous formula grant, it will transfer significant financial risks to Local Councils – since poor growth in the local economy (or even contraction) will have a direct impact on the ability to fund the services provided. Importantly, the initial funding levels within the new system will remain unchanged for a longer period than in the old system. This is expected to mean that councils in more prosperous areas will be able to provide a wider and better range of services than those in poorer areas, and that this difference is likely to become much more acute over time.

Clearly, the introduction of this scheme will have a profound impact on the financial management of the Council.

### b. Council Tax Benefit.

Similarly to the Rates Retention Scheme, the Government has announced that it will change arrangements for Council Tax Benefit from 2013. There will be three changes. First, the eligibility for the scheme will be locally defined (within parameters set out by government). Second, the scheme will be cash-limited, rather than demand-led as at present. Third, the cash limit available will be reduced by 10% from current expenditure levels. The impact of this on Tameside MBC will depend on the level of benefit being claimed, but if the funding is reduced by 10% as currently indicated this will create a funding shortfall of around £2m which will either require funding or a more constrained local benefit scheme. However, the 'true' funding cut will be higher, since demand for this benefit is expected to increase at around 4% per year (based on current trends) and so the actual effective cut will be 14% to18%.

**c. Dedicated Schools Grant.**

Proposals put forward by the Government mean that, in the future, the DSG will not be passed to schools via local councils but rather paid direct to the schools. The Department for Education has published an initial consultation document which requires that councils work to harmonise the existing funding formulas used to determine schools funding in their local areas before transferring the administration of the harmonised system to government, probably after 2014/15.

**d. Medium Term Financial Strategy for 2012/13 and future savings targets**

Taking into account the items set out above, as well as other pressures on the Council, a rolling 3 year financial plan has been prepared. This indicates the level of savings anticipated to be required. To ensure financial and operational sustainability, the Council plans to achieve savings early where possible, and is currently planning savings for 2013/14 and 2014/15 together.

As was the case in 2011/12, the Council continues to plan on a prudent basis so the levels of future savings required will be held under review as further details emerge of the proposed changes outlined above.

## Further Information

Further information about these accounts is available from the Executive Director of Finance, Tameside Council. Feedback from the users of financial information is always welcomed, so if you require further clarification or information about any of the items included in the accounts, please contact me at the address below. The full Statement of Accounts is available on the Council website. A Summary of the Accounts will be circulated for stakeholder comment and consultation after that date. Interested Members of the public have a statutory right for 20 working days to inspect the accounts before the audit is completed. For 2011/12 the inspection date will start on 4 July 2012 and the appointed day for raising queries with the External Auditors will be 1 August 2012.

## Acknowledgements

The production of the Statement of Accounts would not have been possible without the hard work of staff across the Council. I would like to express my gratitude to all colleagues, from the finance team and other services, who have assisted in the preparation of this document. I would also like to thank them for all their support during the financial year.

Signed: Date: 28 June 2012

P. J. Williams

***P. Williams***
*Executive Director of Finance*

Executive Director of Finance
Tameside Metropolitan Borough Council
Council Offices
Wellington Road
Ashton under Lyne
OL6 6DL

0161 342 3863

# Statement of Responsibilities

This is a signed statement by the Executive Director of Finance certifying that the accounts comply with requirements and 'present a true and fair view' of the Council's financial position as at 31 March 2012.

## The Statement of Responsibilities for the Statement of Accounts

**The Authority's Responsibilities**

The Authority 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 Authority, that officer is the Executive Director of Finance;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- Approve the audited Statement of Accounts.

**The Executive Director of Finance's Responsibilities**

The Executive Director of Finance 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*.

**In preparing this Statement of Accounts, the Executive Director of Finance 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 Executive Director of Finance has also:**

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

**EXECUTIVE DIRECTOR OF FINANCE'S CERTIFICATE**

I certify that the audited statement of accounts presents a true and fair view of the financial position of Tameside MBC and Greater Manchester Pension Fund at 31 March 2012, and its income and expenditure for the year ended 31 March 2012.

Signed: Date: 28 June 2012

P. J. Williams

***P. Williams***
*(Executive Director of Finance)*

**Approval of the accounts**

In accordance with the Accounts and Audit Regulations 2011, I certify that the Statement of Accounts was considered and approved by the Audit (Overview) Panel ** September 2012.

Signed: Date:

**Cllr. V. Ricci**
*(Chair of Audit Overview Panel)*

# Statement of Assurance

This is a signed statement by the Executive Leader and Chief Executive certifying how Tameside MBC is complying with the Authority's Code of Corporate Governance.

**The Statement of Assurance for the Statement of Accounts**

**Statement of Assurance**

Tameside MBC is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for, and that it is used economically, efficiently and effectively. In discharging this responsibility, members and senior officers must ensure that proper arrangements are put in place for the governance of Tameside MBC's affairs and the stewardship of the resources at its disposal. To this end, Tameside MBC has approved and adopted a Code of Corporate Governance, which is consistent with these principles and reflects the requirements of the CIPFA/SOLACE Framework *Corporate Governance in Local Government: A Keystone for Community Governance.* A copy of the code can be found on our website, at: Tameside Code of Governance

During 2011/12 we have maintained strong Corporate Governance arrangements by reviewing and updating several key plans/policies, protocols and systems, for example:

- Constitution;
- Annual Governance Statement;
- Corporate Plan 2011-14.

In the Annual Audit and Inspection Letter (presented to the Council's Audit Panel by the Audit Commission in December 2010), the District Auditor made the following highly positive comments:

- That the Council continues to manage its finances in an effective manner to deliver value for money and that existing practices have been sustained and developed.

- That the Council has continued to govern itself in a highly effective manner, commissioning services that provide value for money and deliver better outcomes for local people.

- That the Council has maintained its highly effective arrangements for managing its natural resources, physical assets and workforce to meet current and future needs and deliver value for money.

Tameside MBC has put in place appropriate management and reporting arrangements and is satisfied that its approach to corporate governance is both adequate and effective in practice. The annual review of Tameside MBC's corporate governance arrangements has taken place in accordance with the revised framework and has shown this to be the case.

Signed:

Dated: 28 June 2012

Councillor K. Quinn
Executive Leader of Tameside MBC

Dated: 28 June 2012

S. Pleasant
Chief Executive of Tameside MBC

On behalf of the members and senior officers of Tameside MBC

# Core Financial Statements

Core financial statements are applicable to all local authorities whatever their function and comprise:

- Movement in Reserves Statement
- Comprehensive Income and Expenditure Statement
- Balance Sheet
- Cash Flow Statement

## Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance. The Net Increase /Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the council.

## Movement in Reserves Statement as at 31 March 2012

| | Note | General Fund Balances £000 | Schools Balances £000 | Earmarked Reserves £000 | Capital Receipt Unapplied Account £000 | Capital Grants and Other Contributions Unapplied Reserve £000 | REFCUS Reserve £000 | Total Usable Reserves £000 | Unusable Reserves £000 | Total Authority Reserves £000 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Balance at 1 April 2010** | | **(36,945)** | **(5,780)** | **(47,867)** | **0** | **(25,691)** | **(2,889)** | **(119,172)** | **(105,938)** | **(225,110)** |
| **Movement in reserves during 2010/11** | | | | | | | | | | |
| (Surplus) or deficit on the provision of services | | (63,241) | 0 | 0 | 0 | 0 | 0 | (63,241) | 0 | (63,241) |
| Other Comprehensive Income and Expenditure | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (179,548) | (179,548) |
| **Total Comprehensive Income and Expenditure** | | **(63,241)** | **0** | **0** | **0** | **0** | **0** | **(63,241)** | **(179,548)** | **(242,789)** |
| Adjustments between accounting basis & funding basis under regulations | **38** | 47,641 | 0 | 0 | 0 | 19,566 | 191 | 67,398 | (67,398) | 0 |
| **Net Increase/Decrease before Transfers to Earmarked Reserves** | | **(15,600)** | **0** | **0** | **0** | **19,566** | **191** | **4,157** | **(246,946)** | **(242,789)** |
| Transfers to/from Earmarked Reserves | **39** | 13,541 | 0 | (13,541) | 0 | 0 | 0 | 0 | 0 | 0 |
| Transfers to/from Other Reserves | | 0 | 0 | 0 | 0 | (99) | 99 | 0 | 0 | 0 |
| Other Appropriations | | 3,521 | (3,521) | 0 | 0 | 0 | 5 | 5 | (5) | 0 |
| **(Increase) / Decrease in Year** | | **1,462** | **(3,521)** | **(13,541)** | **0** | **19,467** | **295** | **4,162** | **(246,951)** | **(242,789)** |
| **Balance at 31 March 2011** | | **(35,483)** | **(9,301)** | **(61,408)** | **0** | **(6,224)** | **(2,594)** | **(115,010)** | **(352,889)** | **(467,899)** |
| **Movement in reserves during 2011/12** | | | | | | | | | | |
| (Surplus) or deficit on the provision of services | | 81,588 | 0 | 0 | 0 | 0 | 0 | 81,588 | 0 | 81,588 |
| Other Comprehensive Income and Expenditure | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 101,842 | 101,842 |
| **Total Comprehensive Income and Expenditure** | | **81,588** | **0** | **0** | **0** | **0** | **0** | **81,588** | **101,842** | **183,430** |
| Adjustments between accounting basis & funding basis under regulations | **38** | (99,624) | 0 | 0 | (0) | (6,119) | 1,016 | (104,726) | 104,726 | 0 |
| **Net Increase/Decrease before Transfers to Earmarked Reserves** | | **(18,036)** | **0** | **0** | **(0)** | **(6,119)** | **1,016** | **(23,138)** | **206,568** | **183,430** |
| Transfers to/from Earmarked Reserves | **39** | 3,941 | 0 | (4,958) | 0 | 1,017 | 0 | (0) | 0 | (0) |
| Transfers to/from Other Reserves | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Appropriations | | 3,644 | (3,721) | 0 | 0 | 77 | 0 | 0 | 0 | 0 |
| **(Increase) / Decrease in Year** | | **(10,451)** | **(3,721)** | **(4,958)** | **(0)** | **(5,025)** | **1,016** | **(23,138)** | **206,568** | **183,430** |
| **Balance at 31 March 2012** | | **(45,934)** | **(13,022)** | **(66,366)** | **(0)** | **(11,249)** | **(1,578)** | **(138,148)** | **(146,321)** | **(284,469)** |

## Comprehensive Income and Expenditure Statement

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. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

## Comprehensive Income and Expenditure Statement for the year ended 31 March 2012

| 2010/11 Restated | | | | | 2011/12 | | |
|---|---|---|---|---|---|---|---|
| Gross Expenditure £000 | Gross Income £000 | Net Expenditure £000 | | Note | Gross Expenditure £000 | Gross Income £000 | Net Expenditure £000 |
| 20,502 | (16,129) | 4,373 | Central Services to the Public | | 32,938 | (22,450) | 10,488 |
| 22,409 | (4,197) | 18,212 | Cultural and Related Services | | 20,329 | (3,043) | 17,286 |
| 18,474 | (4,898) | 13,576 | Environmental and Regulatory Services | | 15,399 | (4,518) | 10,881 |
| 13,991 | (8,054) | 5,938 | Planning Services | | 6,757 | (2,536) | 4,221 |
| 225,800 | (194,014) | 31,786 | Children's and Education Services - Education Services | | 233,083 | (168,444) | 64,639 |
| 27,223 | (3,462) | 23,760 | Children's and Education Services - Children's Social Care | | 25,864 | (2,019) | 23,845 |
| 16,728 | (4,794) | 11,934 | Highways and Transport Services | | 15,460 | (4,398) | 11,062 |
| 99,297 | (89,649) | 9,648 | Housing Services | | 102,615 | (92,534) | 10,081 |
| 92,970 | (39,680) | 53,290 | Adult Social Care | | 86,064 | (31,086) | 54,978 |
| 8,010 | 0 | 8,010 | Exceptional Costs of Equal Pay Settlements (Creation of Provision) | **32** | 0 | 0 | 0 |
| (78,700) | 0 | (78,700) | Exceptional Costs of Pensions Changes | **52** | 0 | 0 | 0 |
| 6,218 | (875) | 5,343 | Corporate and Democratic Core | | 3,190 | (176) | 3,014 |
| 14 | 0 | 14 | Non Distributed Costs | | 24,017 | 0 | 24,017 |
| **472,937** | **(365,753)** | **107,184** | **Cost Of Services** | | **565,716** | **(331,204)** | **234,512** |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | **Other Operating Expenditure** | | | | |
| 25 | 0 | 25 | Parish Council Precepts | | 25 | 0 | 25 |
| 25,211 | 0 | 25,211 | Levies | | 28,092 | 0 | 28,092 |
| 9 | 0 | 9 | Payments to the Government Housing Capital Receipts Pool | | 2 | 0 | 2 |
| 27,927 | (252) | 27,675 | (Gain)/Loss and Derecognition on Disposal of Non Current Assets | **17** | 39,686 | (146) | 39,540 |
| | | | **Financing and Investment Income and Expenditure** | | | | |
| 8,932 | 0 | 8,932 | Interest Payable and Similar Charges | | 8,452 | 0 | 8,452 |
| 1,377 | 0 | 1,377 | PFI Interest Payable | | 6,657 | 0 | 6,657 |
| 509 | 0 | 509 | Interest Element of Finance Leases (lessee) | | 236 | 0 | 236 |
| 8,100 | 0 | 8,100 | Pensions Interest Cost and Expected Return on Pensions Assets | **52** | 800 | 0 | 800 |
| 0 | (1,780) | (1,780) | Interest and Investment Income | | 0 | (1,778) | (1,778) |
| 0 | 0 | 0 | Interest Received on Finance Leases (Lessor) | | 0 | 0 | 0 |
| 5,786 | (2,624) | 3,162 | Inc and Exp in Relation to Investment Properties and Changes in their Fair Value | **12** | 8,985 | (4,463) | 4,522 |
| 7,102 | (7,704) | (602) | (Surpluses)/Deficits on Trading Undertakings not Included in Cost of Services | **11** | 7,924 | (8,674) | (750) |
| | | | **Taxation and Non-Specific Grant Income** | | | | |
| 0 | (77,690) | (77,690) | Council Tax Income | | 0 | (77,391) | (77,391) |
| 0 | (92,122) | (92,122) | Non Domestic Rates | | 0 | (81,524) | (81,524) |
| 0 | (38,637) | (38,637) | Capital Grants and Contributions | **7** | 77 | (34,357) | (34,280) |
| 0 | (34,594) | (34,594) | Non Ringfenced Government Grants | **7** | 0 | (45,527) | (45,527) |
| | | **(63,241)** | **(Surplus) or Deficit on Provision of Services** | | | | **81,588** |
| | | | **(Surplus) or Deficit on Revaluation of Non Current Assets** | | | | |
| | | (29,678) | Revaluation Gains | | | | (7,569) |
| | | 2,030 | Revaluation Losses (Chargeable to Revaluation Reserve) | | | | 18,111 |
| | | | **Actuarial (Gains)/Losses on Pension Assets/Liabilities** | | | | |
| | | (151,900) | Matching the Entry to the Pensions Reserve | | | | 91,300 |
| | | **(179,548)** | **Other Comprehensive Income and Expenditure** | | | | **101,842** |
| | | **(242,789)** | **Total Comprehensive Income and Expenditure** | | | | **183,430** |

## The Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

## Balance Sheet as at 31st March 2012

| 1 April 2010 £000 | 31 March 2011 £000 | | Note | 31 March 2012 £000 | 31 March 2012 £000 |
|---|---|---|---|---|---|
| | | **Property, Plant & Equipment** | **17** | | 660,664 |
| 509,484 | 514,226 | Land and Buildings | | 518,417 | |
| 9,432 | 8,133 | Vehicles, Plant and Equipment | | 13,614 | |
| 73,831 | 77,814 | Infrastructure | | 87,746 | |
| 4,332 | 7,784 | Community Assets | | 12,582 | |
| 32,233 | 77,853 | Assets Under Construction | | 2,139 | |
| 9,150 | 8,553 | Surplus Assets | | 26,166 | |
| 12,427 | 12,460 | Heritage Assets | **18** | | 12,471 |
| 43,265 | 38,578 | Investment Properties | **19** | | 33,493 |
| 440 | 1,422 | Intangible Assets | **20** | | 1,421 |
| 10,223 | 10,224 | Long Term Investments | **22** | | 10,224 |
| 13,171 | 13,724 | Long Term Debtors | **23** | | 13,375 |
| **717,988** | **770,771** | **Long Term Assets** | | | **731,648** |
| 53,941 | 21,762 | Cash & Cash Equivalents | **28** | | 84,008 |
| 55,296 | 61,071 | Short Term Investments | | | 15,943 |
| 646 | 558 | Inventories | **26** | | 595 |
| 36,940 | 37,930 | Short Term Debtors | **27** | | 43,230 |
| 2 | 0 | Assets Held for Sale | **21** | | 0 |
| **146,825** | **121,321** | **Current Assets** | | | **143,776** |
| (2,108) | (4,189) | Cash & Cash Equivalents | **28** | | 0 |
| (16,911) | (2,985) | Short Term Borrowing | | | (8,044) |
| (56,858) | (51,761) | Short Term Creditors | **29** | | (53,199) |
| 0 | (8,010) | Provisions | **33** | | (8,280) |
| (409) | (171) | Short Term Finance Leases | **35** | | (21) |
| (215) | (890) | PFI Finance Leases | **36** | | (1,817) |
| (3,197) | (37) | Capital Grants & Contributions Receipts In Advance | | | (54) |
| **(79,698)** | **(68,043)** | **Current Liabilities** | | | **(71,415)** |
| (157,660) | (157,034) | Long Term Borrowing | | | (151,374) |
| (11,084) | (10,375) | Other Long Term Liabilities | **30** | | (9,582) |
| (3,506) | (3,463) | Provisions | **33** | | (3,350) |
| (15,065) | (34,059) | Long Term Finance Leases: PFI | **36** | | (115,828) |
| (2,838) | (2,667) | Long Term Finance Leases: Other | **35** | | (2,648) |
| (359,200) | (137,900) | Liability Related to Defined Benefit Pension Scheme | **54** | | (226,100) |
| (10,652) | (10,652) | Donated Assets Account | | | (10,658) |
| **(560,005)** | **(356,150)** | **Long Term Liabilities** | | | **(519,540)** |
| | | | | | |
| **225,110** | **467,899** | **Net Assets** | | | **284,469** |
| | | **Usable Reserves** | | | (138,149) |
| (36,945) | (35,483) | General Fund Balances | | (45,934) | |
| (5,780) | (9,301) | Schools Balances | **10** | (13,022) | |
| (47,867) | (61,408) | Earmarked Reserves | **39** | (66,366) | |
| 0 | 0 | Capital Receipt Unapplied Account | **31** | 0 | |
| (25,691) | (6,224) | Capital Grants & Other Contributions Unapplied | **31** | (11,249) | |
| (2,889) | (2,594) | REFCUS Reserve | **31** | (1,578) | |
| | | **Unusable Reserves** | | | (146,320) |
| (83,575) | (104,356) | Revaluation Reserve | **32** | (90,584) | |
| 359,200 | 137,900 | Pensions Reserve | **32** | 226,100 | |
| (379,571) | (383,281) | Capital Adjustment Account | **32** | (278,627) | |
| (110) | (66) | Deferred Capital Receipts | **32** | (32) | |
| (821) | (610) | Financial Instruments Adjustment Account | **32** | (397) | |
| (675) | (608) | Collection Fund Adjustment Account | **32** | (974) | |
| 5,316 | 3,834 | Short Term Accumulating Compensated Absences Account | **32** | 3,896 | |
| (5,702) | (5,702) | Holding in Manchester Airport Plc | **48** | (5,702) | |
| **(225,110)** | **(467,899)** | **Total Reserves** | | | **(284,469)** |

# The Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the authority.

**Cash Flow Statement (Indirect Method) as at 31 March 2012**

| 31 March 2011 £000 | | Note | 31 March 2012 £000 |
|---|---|---|---|
| (63,241) | Net (surplus) or deficit on the provision of services | | 81,511 |
| 7,445 | Adjust net surplus or deficit on the provision of services for non-cash movements | | (153,014) |
| 39,806 | Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities | | 34,424 |
| (15,990) | Net cash flows from Operating Activities | **40** | (37,079) |
| 31,129 | Investing Activities | **41** | (33,810) |
| 19,122 | Financing Activities | **42** | 4,454 |
| 34,260 | Net (increase) or decrease in cash and cash equivalents | | (66,435) |
| 51,833 | Cash and cash equivalents at the beginning of the reporting period | | 17,573 |
| **17,573** | **Cash and cash equivalents at the end of the reporting period** | | **84,008** |

# Notes to the Core Financial Statements

The notes to the core financial statements are shown together, as required by the International Financial Reporting Standards, after the core financial statements.

## Contents for Notes to the Core Statements

## 1. Accounting Policies

### General Policies

The Statement of Accounts summarises the Council's transactions for the 2011/12 financial year and its position at the year-end of 31 March 2012.

The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2003 (as amended), which require the accounts to be prepared in accordance with proper accounting practices.

These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (the 'Code') and Service Reporting Code of Practise (SERCOP) 2011/12, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

### Fundamental Principles

This Statement of Accounts has been prepared in accordance with the fundamental accounting principles set out below:

- Financial information should be relevant, reliable, comparable and understandable.
- Materiality of information must be considered, i.e. information must be of sufficient significance to justify its inclusion.
- The accounts must be prepared on both an accruals basis (i.e. income and expenditure must be recognised in the accounting period in which the effects of these are experienced) and assuming that the Council will continue to be operational in the foreseeable future (the principle of going concern).
- Local Authority finance operates within a framework of legislation and regulation, and where legislative and accounting principles conflict, legislative requirements shall apply.

### Statutory and other guidance

These Accounts have been prepared in accordance with *The Code of Practice on Local Authority Accounting in the United Kingdom 2011 (The Code):* issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). The Code adopted International Financial Reporting Standards (IFRS) for financial statements produced from 2010/11. The financial statements for prior periods were also restated to comply with these new standards and ensure valid comparatives are applied.

The accounting policies adopted have been used consistently throughout the current and prior period. Any significant non-compliance with the Code is disclosed as part of the relevant financial statement.

### The Accounting Policies

The following explanations are areas that are considered significant in regards to the way items have been treated in the accounts.

The purpose of this statement of accounting policies is to set out clearly and unambiguously the specific principles, bases, conventions, rules and practices applied by an entity in preparing and presenting financial statements.

**Changes in Estimated Values.**

Where a value in the accounts has been estimated and the basis of that estimation has been changed from that used in the previous year, the notes to the accounts show possible alternative estimates and the rationale as to why the estimate selected is the most prudent to be used.

**Prior 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 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.

**Non Current Assets – Tangible Assets**

**Recognition**

All expenditure on the acquisition, creation or enhancement of fixed assets is capitalised on an accruals basis in the Accounts. Expenditure is capitalised, provided that the asset yields benefits to the authority, for a period of more than one year, and it meets the accepted definition of capital expenditure in line with IAS 16 Property, Plant and Equipment. This excludes expenditure on routine repairs and maintenance which is charged direct to service Revenue Accounts. A deminimus level of £1,000 has been adopted by the Council in relation to capital expenditure.

**Measurement**

Non-current assets are initially measured at cost, comprising all expenditure directly attributable to bringing the asset into working condition for its intended use. Non-current assets are valued on the basis required by the Code and in accordance with the Appraisal and Valuation Standard issued by The Royal Institution of Chartered Surveyors (RICS). Land and Property valuations are carried out and certified by qualified members of the RICS.

The only exception to our valuation policy relates to land at Manchester Airport. This is included in the Balance Sheet based on a valuation provided by the Manchester City Council's Valuer in 2011/12 based on the market value of this land.

Non-current assets are classified into the groupings required by the Code with assets being valued on the following basis:-

- Land and Buildings are included in the Balance Sheet at fair value in their existing use, net of any subsequent depreciation

- Vehicles, Plant and Equipment are carried at historic cost net of any depreciation

- Investments properties which are held for income or capital appreciation purposes only are valued at the fair market value.

- Assets Held for Sale are defined as fixed assets which are marketed for sale and it is expected that a sale will occur within a 12 month period from the accounting date. These assets are valued at the lower of the carrying fair value on the classification as assets held for sale or the expected sale proceeds less cost of disposal.

- Assets surplus to service requirements are those assets that do not fall into any of the prior categories and are valued at fair value.

- Infrastructure assets, (mainly roads), are included in the Balance Sheet at historical cost, net of depreciation.

- Financial Assets represented by loans and receivables are carried in the Balance Sheet at amortised cost basis i.e. principal amount adjusted for any interest payable / receivable at the year end date.

- Heritage assets, includes such items as paintings and artefacts in local museums and libraries. The valuation basis has taken insurance values as an estimate of the value of these assets. Other values could be used, such as market value or by using values for comparable assets elsewhere. However, many of these assets are unique, and many have been gifted to the Council in previous years with restrictions over the ability to sell them, meaning that a market value is either impossible to identify or is misleading.

- The Council's 5% shareholding in Manchester Airport PLC represents shares transferred to Tameside MBC on the demise of Greater Manchester County Council at nil cost (as opposed to cash purchases). The shares are shown in the Balance Sheet at their original cost price less any impairment.

**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 then an interim valuation will be undertaken. Investment properties are reviewed annually to determine any material change in the carrying value.

A Revaluation Reserve for Fixed Assets (other than investment properties) is held in the Balance Sheet made up of unrealised revaluation gains relating to individual Fixed Assets, with movements in valuations being managed at an individual fixed asset level.

Movement in the valuation of investment properties are charged or credited to the Comprehensive Income Expenditure Statement (CIES). Gains arising from the revaluation of investment properties are not held within a revaluation reserve.

The Revaluation Reserve contains revaluation gains recognised since 1st April 2007 only, the date of this reserve's formal implementation. Gains arising before that date were subsequently consolidated into the Capital Adjustment Account. Movement in the valuations of properties do not impact upon the General Reserve and are not a charge or credit to council tax levies.

**Disposal**

Receipts from the disposal of Fixed 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 off 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 Fixed Assets is fully provided for under separate arrangements for capital financing. The asset value written off is appropriated to the Capital Adjustment Account, the capital receipt to the Usable Capital Receipts Reserve, 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.

**Investment Properties**

Investment property is included in the Balance Sheet at Market Value.

**Intangible Assets**

Intangible Assets represent Fixed 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 Fixed 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.

**Depreciation**

Depreciation is provided for on all Fixed 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 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 Account but does not impact on council tax and is written off to the Capital Adjustment Account via the Movement in Reserves Statement. Where the fixed 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.

**Charges to Revenue**

**a) Charges to service areas**
Service Revenue Accounts, Support Services and trading accounts are charged with the following amounts to record the real cost of holding fixed assets throughout the year:-

- depreciation attributable to the assets used by the relevant service;
- impairment losses attributable to fixed assets used by the service in excess of the balances held in the revaluation reserve; and
- amortisation of intangible assets attributable to the service;

**b) Charges non attributable to services**
Changes in the fair value of Investment Properties.

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, (equal to approximately 4% of the Capital Financing Requirement). Depreciation, impairment losses, amortisation and gains or losses on the disposal of Fixed Assets are therefore written out in the Movement in Reserves Statement, by way of an adjusting transaction within the Capital Adjustment Account.

**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 fixed 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 authority does not control the economic benefits arising from this expenditure.

**Impairments**

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.

Impairment reflecting a general fall in prices would be recognised in the fixed asset 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.

**Capital Receipts**

Capital receipts arising from the sale of fixed assets are credited to Capital Receipts Unapplied as ‘useable’.

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 useable.

Useable 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.

**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*).

These replace the detailed formulae for calculating MRP with a duty to make an amount of MRP which the authority considers "prudent".

For capital expenditure incurred before 1 April 2008 or which in the future will be Supported Capital Expenditure the Council's policy will be to adopt the existing practice (4% of capital financing requirement) outlined in the former DCLG regulations. From 1 April 2009 for all unsupported borrowing, the Councils MRP policy will also be based on the estimated life of the asset, in accordance with the proposed regulations and will be applied for any expenditure capitalised under a Capitalisation Directive.

**Debtors and Creditors**

The revenue and capital accounts of the Council are, in general, maintained on an accruals basis in accordance with recognised accounting policies. The accounts reflect sums due to or incurred by the Council during the year, whether or not the amount has actually been received or paid in the year. Appropriate provision has been made, therefore, for Creditors and Debtors at 31st March 2012.

**Government Grants and other contributions**

Revenue grants are accrued and credited to income in the period in which the conditions of the grant have been complied with and there is reasonable assurance that the grant or contribution will be received. Where this is in advance of the related expenditure being incurred an earmarked reserve is credited to reflect the expenditure commitments in future years. Where the grant or contribution is for capital purposes then the grant income is recognised in the year it is received, although this is subject to any outstanding conditions having been met.

Capital Grant income recognised in the Comprehensive Income and Expenditure Statement in advance of the related expenditure is transferred to the Capital Grants Unapplied Reserve. This accounting treatment for grants is in accordance with IAS 20 Accounting for Government Grants.

**Donated Asset Account**

Heritage Assets are recognised in the Balance Sheet, both owned items and those on long term loan to the Council. Any items which have been donated with conditions attached,are shown within the Donated Asset Account to reflect the long term liability of its conditions.

**VAT**

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

**Leases**

The Council has entered into leasing arrangements of both an operating and finance lease nature. Where under IAS 17 Leases it is judged that substantially all of the risks and rewards incidental to the ownership of an asset have been transferred, then the lease is classified as a finance lease. A finance lease gives rise to the recognition of the fixed asset on the Balance Sheet together with a corresponding liability for future payments.

**Embedded Leases**

The Council has reviewed its operational contractual arrangements to determine whether any embedded leasing of assets exists within these types of arrangements.

**Private Finance Initiative (PFI) and Service Contracts.**

PFI contracts are fixed-term agreements whereby the Council receives a service from a PFI contractor and the responsibility for making available the fixed assets needed to provide the services passes to the PFI contractor. These Fixed Assets are deemed to be owned by the Council because:

- The Council control the services that are provided under its PFI schemes for the duration of the fixed-term contract; and

- Ownership of the Fixed Assets passed to the Council at the end of the contract for no additional charge.

If the PFI arrangement meets the above two criteria, it is the Accounting Policy of the Council to carry the Fixed Assets used under this type of contract onto its Balance Sheet. In addition the Council recognises a liability for amounts due to the PFI operator to pay for those assets for the duration of the PFI Contract.

The non-current assets associated with PFI Contracts, which are recognised on the Balance Sheet are depreciated and re-valued in the same way as all other Fixed Assets directly owned by the Council.

The amounts payable to the PFI contractor on an annual basis for the provision of services are referred to as Unitary Charges. The Unitary Charge is split into the following elements:

- Payment for the provision of day-to-day services during the year. These are charged to the relevant SERCOP service headings in the Comprehensive Income and Expenditure Statement

- Payment towards reducing the liability associated with the cost of the asset. This is included within the annual Minimum Revenue Provision which the Council sets aside to repay external debt and liabilities; and

- Interest charges on the outstanding Balance Sheet liability which are charged against Interest Payable in the Comprehensive Income and Expenditure Account.

**Interest Charges and Income**

Interest payable on external borrowing, together with interest income, is accrued and accounted for in the period to which it relates.

**Financial Instruments**

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

As reflected in the Code, accounting standards on Financial Instruments IAS 32, 39 and IFRS 7 cover the concepts of recognition, measurement, presentation and disclosure. A financial asset or liability should be recognised on 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 Account 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 10 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 - General Fund Balance. The accounting policy is to charge gains and losses to Net Operating Expenditure in the year of repurchase/settlement.

**Inventories: Stocks, Work in progress, and Stores**

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.

**Allocation of Support Services Costs**

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practise 2011.

All recharges of support services costs are consistent with the principles outlined in the Service Reporting Code of Practise. The total absorption costing principle is used. This means the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core costs (as these relate to the Council's status as a multi-functional, democratic organisation).

- Non-Distributed costs (as these are the costs of discretionary benefits awarded to employees retiring early).

These two cost categories are accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Cost of Services.

Accommodation costs are allocated on a floor area basis to all services deemed to be occupying administrative buildings.

**Provisions**

Provision has been made in the Comprehensive Income and Expenditure Account 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 local authority has a present obligation, as a result of a past event, where it is probable that a transfer of economic benefits 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 Account.

**Reserves**

The Council maintains a General Fund Working Balance and also holds reserves earmarked for specific purposes which are detailed in the Notes to the Core Financial Statements. These reserves together with the Capital Grant Unapplied Reserve are deemed to be distributable reserves, which could be utilised to support future expenditure.

Under arrangements for Local Management of Schools (LMS) budget allocations are made to individual schools at the start of each financial year. Any underspendings or overspendings against budget allocations are carried forward into the following financial year's budget allocation by way of the schools' balances.

When expenditure to be financed from a reserve is incurred, it is charged to the appropriate line in under the net cost of services section of the Comprehensive Income and Expenditure Statement for that year. The reserve is then appropriated back into the General Fund Balance statement so that there is no net charge against Council Tax for the expenditure.

Non-distributable reserves include the Revaluation Reserve and the Capital Adjustment Account and represent “technical” or “non-cash” reserves. These are maintained to manage the accounting processes for non-current assets and are accounting entries required by the double entry process of accounting rather than tangible cash amounts.

The Pension Reserve is a reserve which has been set up to manage the accounting process for retirement benefits and does not represent usable resources for the Council.

**Contingent Assets and Liabilities**

Contingent amounts, both assets and liabilities, will be disclosed where they exist and are material to an understanding of the accounts.

A contingent amount is recognised where a present or future economic benefit or obligation may exist but that amount depends (is contingent upon) other the outcome of actions outside the control of the Council – for example, a court case.

Contingent amounts not accrued in the accounting statements but are disclosed in the notes to the accounts.

**Pensions**

The pension liabilities of the Council are to be accounted for using IAS 19 principles. Employees of the Council are members of two separate pension schemes:

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Children, Schools and Families (DCSF).

- The Local Government Pensions Scheme, administered by Tameside MBC via the Greater Manchester Pension Fund on behalf of the 10 Greater Manchester Metropolitan Authorities.

Both schemes provided defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

However, the arrangements for the Teachers' scheme mean that liabilities for these benefits cannot be identified to the Council. The scheme is therefore accounted for as if it were a defined contributions scheme – no liability for future payments of benefits is recognised in the Balance Sheet and the Services for Children and Young People revenue account is charged with the employer's contributions payable to Teachers' Pensions in the year.

**The Local Government Pension Scheme**

The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the Greater Manchester Pension Fund 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, etc., and projections of projected earnings for current employees.

- Liabilities are discounted to their value at current prices, using a discount rate of 4.8% (based on the gross redemption yield on the Iboxx Sterling Corporate Index).

- The assets of the Greater Manchester pension fund attributable to the Council are included in the Balance Sheet at their fair value:

    - Quoted securities – current bid price.
    - Unquoted securities – professional estimate.
    - Unitised securities – current bid price.
    - Property – market value.

The change in the net pension's liability is analysed into seven components:

- 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 revenue accounts of services for which the employees worked.

- Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Net Cost of

Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.

- Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to Net Operating Expenditure in the Comprehensive Income and Expenditure Statement.

- Expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to Net Operating Expenditure in the Comprehensive Income and Expenditure Statement.

    - Gains/losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited to the Net Cost of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.

    - 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 – debited to the Comprehensive Income and Expenditure Statement.

    - Contributions paid to the Greater Manchester Pension Fund – cash paid as employer's contributions to the pension fund.

Statutory provisions limit the Council to raising council tax to cover the amounts payable by the Council to the pension fund in the year. This means that in the Movement in Reserves Statement there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year-end.

**Discretionary Benefits**

The Council also 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 as are applied to the Local Government Pension Scheme. Current retirements are met via employer contributions and historically awarded benefits are met on a pay as you go basis.

**Group Accounts**

Modified Group accounting requirements which require all local authorities to consider all their interests and to prepare a full set of Group Financial Statements where they have material interests in subsidiaries, associates or joint ventures. After consideration of all the Council's interests, it has been determined that such Group Financial Statements are not required for 2011/12.

**Presentation of Accounting Statements**

The analysis of expenditure in the Comprehensive Income and Expenditure Statement conforms to the service expenditure analysis set out in the Service Expenditure Reporting Code of Practice.

**Council Tax Income**

Billing authorities in England are required by statute to maintain a separate fund for the collection and distribution of amounts due in respect of Council Tax and National Non-Domestic Rates, called the 'Collection Fund'.

The Code provides guidance on how local authorities account for the Collection Fund. The Billing Authority collects and distributes Council Tax on behalf of itself and other major preceptors such as the Council and National Non-domestic Rates on behalf of the government. The collection of Council Tax by a billing authority is in substance an agency arrangement, and the cash collected by billing authorities from Council Tax debtors belongs proportionately to the billing authority and major preceptors

Council Tax income collected by Billing Authorities is credited to the Collection Fund on an annual basis. The amount credited to the General Fund under statute is the Council's precept or demand for the year, plus the authority's share of the surplus (or deficit) on the Collection Fund for the previous year.

The Council's Comprehensive Income and Expenditure Statement now shows the value of accrued Council Tax Income in a financial year rather than the current year's precept plus or minus the previous year's share of each Billing Authority's Collection Fund surplus or deficit.

The difference between accrued precepts received and actual precepts received does not impact on the General Fund or the Revenue Budget of the Council in the year, and is taken to the Collection Fund Adjustment Account in the Balance Sheet and included as a reconciling item in the Movement in Reserves Statement.

The Council also makes provision for the following values in its Balance Sheet at year end for the following:

- Debtor provision for the Council's share of Council Tax arrears;
- Provision for bad debts of Debtors in relation to Council Tax arrears;
- Creditor provision for Council Tax over-payments and pre-payments; and
- Creditor or Debtor provision where the Council has under or over collected Council Tax in-year against what it actually paid over to the preceptors in the year.

**Cash and Cash Equivalents**

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

**Short Term Compensated Employee Benefits**

The Council in accordance with IAS 19 makes accruals for short term employee compensated absences such as untaken holiday pay and accumulated flexi time as at the period end. These balances are recognised within provisions and under statutory guidance an offsetting balance is included within the reserves section of the Balance Sheet.

**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

Statement of 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 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).

**Exceptional Items**

When items of income and expense 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 Authority's financial performance.

**Acquired and discontinued operations**

Where the Council has acquired or discontinued operations during the year, this will be disclosed in the accounts. The basis of measurement of benefits and obligations arising from such transactions will be identified in the same disclosure.

The Council has not acquired or disposed of any such operations during 2011/12.

**Foreign Currency Translation**

Where the Authority has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective.

Where amounts in foreign currency are outstanding at the Year-end, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

## 2. Accounting Standards that have been issued but have not yet been adopted

Paragraph 3.3.2.13 of the 2011/12 Code and 2011/12 Code Update requires changes in accounting policy to be applied retrospectively unless alternative transitional arrangements are specified in the Code. In addition, paragraph 3.3.4.3 requires the Authority to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code for the relevant financial year.

The amendments to IFRS 7-Financial Instruments: Disclosures (transfers of financial assets, issued October 2010), are intended to assist users of the financial statements to evaluate the risk exposures that relate to transfers of financial assets and the effect of those risks on the authority's financial position. However, CIPFA/LASAAC is of the view that the transfers described by the standard do not occur frequently in local authorities. Relevant circumstances would arise where an authority retains ownership of a financial asset but contracts to reassign or otherwise pay over the cash flows generated by the instrument, at the same time as retaining substantially all the risks and rewards of ownership.

The Council has reviewed its financial assets and has none that would fall under this definition and as such there will be no impact from the future adoption of IFRS 7 Financial Instruments: Disclosures (transfers of financial assets).

## 3. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in note 1, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events.

The critical judgement made in the Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for Local Government.

- 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 reassessing the lease the Council has estimated the implied interest rate within the lease to calculate interest and principal payments.

- Investment properties have been estimated using the identifiable criteria under IFRS of being held for rental income or for capital appreciation.

- The group boundaries have been estimated using the criteria associated with the Code of Practice. In line with the Code, the Council has not identified any companies within the group boundary that would require it to complete Group Accounts on grounds of materiality

- Manchester Airport - The Council's shareholding represents 5% of the airport's capital and is carried at historic cost. The investment has been subjected to a variety of valuation methods, but given the wide spread of valuations arising from these exercises the conclusion has been drawn that the fair value cannot be valued reliably. Accounting convention therefore requires that the council values the investment at original cost without impairment.

- PFI Contracts have been considered to have an implied finance lease within the agreement. In reassessing the 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.

However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 2012 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

**Depreciation of Property, Plant and Equipment**

Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. 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 lives assigned to assets. If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets will fall.

**Property Valuations and Impairment assessments**

The Council obtains professional valuations of all its land and property assets in accordance with Accounting Guidance. In practice this is done on a rolling 5 year basis with each asset being valued at least once every 5 years. Before the recession the trend had been upwards but in recent years some assets have reduced in value between valuations, whilst others have increased in value. In the opinion of our valuers, there is no trend that would recommend a general impairment of Council property. If such a trend were to appear this would be reflected by a reduced asset value and a reduction in either the Capital Adjustment Account or the Revaluation Reserve.

**Pensions Liability**

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate 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. During 2011/12, the actuaries advised that the net pensions liability has increased due to the combined impact of lower than expected investment returns and stronger financial assumptions. This has led to an increase in the Pension Liability for Tameside MBC.

## 5. Other Operating Expenditure

Details of operating expenditure are included within the Comprehensive Income and Expenditure Statement.

## 6. Impairment Losses

During 2011/12 the Council recognised impairment losses of £21.655m of which £2.277m was offset against previous revaluation gains. The balance of £19.378m was charged to the Surplus/(Deficit) on the Provision of Services.

The impairment is as a result of the following;

- Demolition of two schools (Denton Community College and Droylsden Academy) to enable new schools to be built on the existing sites. The total impairment loss charged to the Surplus/(Deficit) on the Provision of Services is £18.379m,

- The impairment of the Councils Traffic Light Signals which have been transferred to Transport for Greater Manchester (TfGM) as at 1st April 2011, once the impairment of £0.999m was charged to the Surplus/Deficit on the Provision of Services.

## 7. Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2011/12:

| 2010/11 £000 | | 2011/12 £000 |
|---|---|---|
| | **Credited to Taxation and Non-Specific Grant Income** | |
| | **Revenue** | |
| (21,217) | Area Based Grant (ABG) | 0 |
| (13,377) | Revenue Support Grant (RSG) | (25,199) |
| 0 | Early Intervention Grant | (11,770) |
| 0 | Learning Disabilities Reform Grant | (5,430) |
| 0 | Council Tax Freeze Grant | (1,934) |
| 0 | New Homes Bonus Scheme | (638) |
| 0 | Local Services Support Grant | (556) |
| **(34,594)** | **Total Revenue** | **(45,527)** |
| | **Capital** | |
| (15,567) | Building Schools for the Future | (13,446) |
| (5,945) | Ashton Northern By Pass | (5,935) |
| (4,953) | Young People Learning Agency | 0 |
| (4,230) | Other Capital Grants | (678) |
| (1,568) | Retaining Walls | (3,845) |
| (1,500) | Local Transport Plan | (2,103) |
| (1,438) | Modernisation | 0 |
| (1,402) | Primary Capital Programme | 0 |
| (1,193) | Devolved Formulae Capital Grant | (502) |
| (841) | Other Contributions | (27) |
| 0 | HLF Stamford Park | (3,094) |
| 0 | Schools Basic Need | (2,395) |
| 0 | Schools Capital Maitenance | (2,332) |
| 0 | Regional Housing Pool Capital Grant | 0 |
| **(38,637)** | **Total Capital** | **(34,357)** |
| **(73,231)** | **Total credited to Taxation and Non Spec Grant Income** | **(79,884)** |

| 2010/11 £000 | | 2011/12 £000 |
|---|---|---|
| | **Credited to Services** | |
| | **Revenue** | |
| (130,984) | Dedicated Schools Grant (DSG) | (142,927) |
| (16,875) | Standards Fund | (1,926) |
| (9,103) | Surestart | 0 |
| (8,008) | Other Grants | (2,073) |
| (6,808) | School Standards Grant | 0 |
| (2,497) | Housing Benefits Administration Grant | (2,293) |
| (2,126) | Social Care Reform | 0 |
| (1,501) | Learning Skills Council – School Sixth Forms | (553) |
| (1,375) | Home Office Grants | (311) |
| (1,240) | Adult Pooled Treatment | (1,668) |
| (1,168) | Access and Systems Grant | 0 |
| (1,110) | Post 16 Learning Skills Council | (966) |
| (667) | Rent Rebates | |
| (100,121) | Housing Benefit Subsidy Grant | (105,823) |
| (20) | Independent Domestic Violence Advisors Service | (20) |
| 0 | Pupil Premium Grant | (2,753) |
| 0 | Youth Justice Board Grant | (718) |
| (1,718) | Education Funding Agency: PFI Grants | (8,177) |
| 0 | Young Peoples Learning Agency | (650) |
| 0 | Department of Health: Drug Intervention Grant | (503) |
| **(285,321)** | **Total Revenue** | **(271,361)** |
| | | |
| | **Capital** | |
| (902) | Disabled Facilities Grant | (925) |
| (761) | Sure Start | 0 |
| (650) | Primary Capital Programme | 0 |
| (646) | Building Schools for the Future | (1,158) |
| (306) | Other Capital Grants | (1,071) |
| (266) | Other Contributions | (778) |
| **(3,531)** | **Total Capital** | **(3,932)** |
| | | |
| **(288,852)** | **Total credited to Services** | **(275,293)** |

Independent Domestic Violence Advisors Service is a grant received towards the cost of Independent Domestic Violence Advisors, whose role is to address the safety of survivors of domestic violence and in particular those who are at high risk.

The Department of Health: Drug Intervention Grant supports Drug Action Teams (DATA's) in the local delivery of the drug strategy. The funding enables the delivery of a range of interventions and means of support to those who misuse drugs.

The Authority has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The balances at the year-end are as follows:

| 2011/12 £000 | Receipts in Advance - Capital Grants and Other Contributions | 2011/12 £000 |
|---|---|---|
| (37) | Other Capital Grants and Contributions | (54) |
| (37) | **Total** | **(54)** |

## 8. Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education which is the Dedicated Schools Grant (DSG). The DSG is ring fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2008.

Details of the deployment of the DSG received for 2011/12 is as follows;

| | Schools Budget Funded by Dedicated Schools Grant | | |
|---|---|---|---|
| | **Central Expenditure** | **Individual Schools Budget** | **Total** |
| | **£000** | **£000** | **£000** |
| Final DSG for 2011/12 | 10,441 | 132,486 | **142,927** |
| Brought forward from 2010/11 | 0 | 0 | **0** |
| Carry forward to 2012/13 agreed in advance | 0 | 0 | **0** |
| **Agreed budgeted distribution in 2011/12** | **10,441** | **132,486** | **142,927** |
| Actual central expenditure | 10,441 | 0 | **10,441** |
| Actual ISB deployed to schools | 0 | 132,486 | **132,486** |
| Local Authority contribution for 2011/12 | 0 | 0 | **0** |
| **Carry forward to 2012/13 agreed in advance** | **0** | **0** | **0** |

## 9. School Balances

The cumulative level of School Balances at the 31 March 2012 amounted to £13.0m

The tables detailed below provide an analysis of these balances:

| 2010/11 £000 | | 2011/12 £000 |
|---|---|---|
| 5,780 | Balances as at 1 April | 9,301 |
| 3,521 | In year contribution to / from balances | 3,721 |
| **9,301** | **Balances as at 31 March** | **13,022** |

The level of gross school balances at 31 March 2012 is represented below:

| 31 March 2011 £000 | | 31 March 2012 £000 |
|---|---|---|
| 9,678 | Gross level of school balances | 13,511 |
| 630 | HM Revenue and customs - Schools | 610 |
| 115 | School Debtors | 147 |
| (1,122) | School Creditors | (1,246) |
| **9,301** | **Balances as at 31 March** | **13,022** |

The final balances are now reported within the Council's accounts on a gross creditor and debtor basis. Schools pay invoices on a gross basis and reclaim associated VAT from HMRC retrospectively. The specific debtor relating to HMRC relates to VAT due to Tameside schools at 31 March 2012.

The net level of school balances can be analysed further as follows:

| Number of Schools | 31 March 2011 £000 | | Number of Schools | 31 March 2012 £000 |
|---|---|---|---|---|
| 82 | 9,815 | Schools with surplus balances | 85 | 13,195 |
| 9 | (514) | Schools with deficit balances | 5 | (173) |
| **91** | **9,301** | | **90** | **13,022** |

**10. Financing and Investment Income and Expenditure**

Details of the financing and investment income and expenditure are included within the Comprehensive Income and Expenditure Statement.

## 11. Trading Services

The Council operates the following Trading Services in a commercial environment:

| 2010/11 | | | | 2011/12 | | |
|---|---|---|---|---|---|---|
| **Turnover £000** | **Expenditure £000** | **(Surplus) / Deficit £000** | **Trading Service** | **Turnover £000** | **Expenditure £000** | **(Surplus) / Deficit £000** |
| 1,618 | 1,503 | (115) | Cemeteries & Crematorium | 1,735 | 1,481 | (254) |
| 852 | 376 | (476) | Commercial Refuse Collection | 924 | 278 | (646) |
| 443 | 370 | (73) | Vehicle Maintenance | 353 | 510 | 157 |
| 3,763 | 3,743 | (20) | Civil Engineering | 5,110 | 4,804 | (306) |
| 239 | 321 | 82 | Catering | 83 | 158 | 75 |
| 517 | 529 | 12 | Community Buildings | 237 | 505 | 268 |
| 272 | 260 | (12) | Building Control | 232 | 188 | (44) |
| **7,704** | **7,102** | **(602)** | **Total** | **8,674** | **7,924** | **(750)** |

The catering trading service figures detailed in 2011/12 are for the period April to October 2011. From 1st November 2011 the catering service was transferred to the Tameside Investment Partnership.

## 12. Principal Investment Properties

| 2010/2011 | | | | 2011/2012 | | |
|---|---|---|---|---|---|---|
| **Turnover £000** | **Expenditure £000** | **(Surplus) / Deficit £000** | **Service** | **Turnover £000** | **Expenditure £000** | **(Surplus) / Deficit £000** |
| (924) | 424 | (500) | Industrial Holdings | (821) | 380 | (441) |
| (1,700) | 1,495 | (205) | Markets | (1,639) | 1,351 | (288) |
| 0 | 5,566 | 5,566 | Revaluation loss on Investment Properties (Industrial Holdings and Markets) | 0 | 4,577 | 4,577 |
| 0 | 2,228 | 2,228 | Revaluation loss on Investment Properties (other) | 0 | 2,676 | 2,676 |
| 0 | (3,927) | (3,927) | Revaluation gain on all Investment Properties | (2,003) | 0 | (2,003) |
| **(2,624)** | **5,786** | **3,162** | **Total** | **(4,463)** | **8,984** | **4,521** |

## 13. Taxation and Non Specific Grant Income

Details of taxation and nonspecific grant income are included within the Comprehensive Income and Expenditure Statement.

## 14. Material Items of Income and Expense

Included within Non distributed costs is a charge of £22.616m relating to revaluation losses of assets to surplus requirements.

As disclosed in the Comprehensive Income and Expenditure Statement, a charge of £6.657m is included on the line PFI Interest payable. The increase in this charge since 2010/11 is as a result of 5 new PFI schools which have been recognised in year.

## 15. Related Parties

The Council is required to disclose material transactions with related parties. Related parties are individuals or organisations that have the potential to control or to be controlled or influenced by the Council. This note sets out details of transactions between related parties and the Council.

**Central Government**
The Government has effective control over the general operations of the Council. It is responsible for providing the framework within which the Council operates. It also provides the majority of funding for Council services. Details of transactions with Government Departments are set out in the Cash Flow Statement. Details of amounts owing to/from Government Departments are disclosed in Note 27 Short-term Debtors and Note 29 Short-term Creditors.

**Members of the Council** Members have direct control over the Council's financial and operating policies. All members' interests, both pecuniary and non-financial, that could conflict with those of the Council are open to public inspection. Each year members are asked to declare such interests for both themselves and close family members. In respect of the 2011/12 financial year, no members declared any significant interests in any other organisations leading to such transactions with the Council.

**Levies and Precepts**
Levies and precepts have been charged for services not directly provided by Tameside MBC. The costs of these are shown within net operating expenditure.

| | **2010/11 Payments £000** | **2011/12 Payments £000** |
|---|---:|---:|
| Passenger Transport Levy | 14,561 | 15,288 |
| Waste Disposal Levy | 10,544 | 12,699 |
| Flood Defence Levy | 106 | 105 |
| | **25,211** | **28,092** |

The following related parties are disclosed elsewhere in the accounts:

- The council acts as the accountable body administering funding for a number of initiatives. Expenditure and grant income incurred by the Council concerning these partnerships is included within the Council's Comprehensive Income and Expenditure Statement in accordance with the Best Value Code of Practice.

- Retirement Benefits- disclosed in Note 52 to the Accounts.

- Greater Manchester Pension Fund (GMPF) - Tameside MBC hosts the GMPF, but there are separate management and governance arrangements in place to ensure the Pension Fund is able to act as an independent entity. No related party transactions have occurred in 2011/12 other than those disclosed elsewhere in the accounts. Further details can be found in the GMPF supplementary statement.

## 16. Amounts Reported for Resource Allocation Decisions

| SERVICE AREA | Budget £000s | Outturn £000s | Variation £000s | Inside EL £000s | Outside EL £000's |
|---|---|---|---|---|---|
| **CHILDREN, LEARNING & ECONOMIC SERVICES** | | | | | |
| Schools, Youth & Community (1) | 0 | 0 | 0 | 0 | 0 |
| Specialist Services & Safeguarding (1) | 0 | 0 | 0 | 0 | 0 |
| Asset & Investment Management Partnership (1) | 0 | 0 | 0 | 0 | 0 |
| Performance & Change | 462 | (133) | (594) | (594) | 0 |
| Planning & Economic Development | 2,707 | 2,458 | (249) | (243) | (6) |
| Housing | 1,703 | 1,600 | (103) | (124) | 21 |
| Technical Services (1) | 0 | 0 | 0 | 0 | 0 |
| Tameside Investment Partnership | 5,395 | 5,656 | 261 | 261 | 0 |
| | 10,267 | 9,581 | (685) | (700) | 15 |
| **SERVICES** | | | | | |
| Environmental Services | 19,473 | 18,677 | (796) | (722) | (74) |
| District Assemblies | 10,371 | 8,823 | (1,548) | (1,548) | 0 |
| Community Regeneration | 1,437 | 1,084 | (353) | (353) | 0 |
| Adult Services (1) | 0 | 0 | 0 | 0 | 0 |
| Health & Wellbeing | 2,879 | 2,235 | (644) | (644) | 0 |
| Cultural & Customer Services | 9,055 | 8,212 | (842) | (785) | (57) |
| | 43,215 | 39,031 | (4,183) | (4,052) | (131) |
| **DIRECTOR OF GOVERNANCE** | | | | | |
| Governance | 2,788 | 1,035 | (1,753) | (1,782) | 29 |
| | 2,788 | 1,035 | (1,753) | (1,782) | 29 |
| **DIRECTOR OF FINANCE** | | | | | |
| Resource Management | 15 | (715) | (730) | (730) | 0 |
| Audit & Risk Management | (20) | (317) | (298) | (298) | 0 |
| Exchequer (1) | 0 | 0 | 0 | 0 | 0 |
| ICT Services | 2,397 | 2,119 | (278) | (278) | 0 |
| | 2,393 | 1,087 | (1,306) | (1,306) | 0 |
| **CORPORATE & DEMOCRATIC CORE** | | | | | |
| Chief Executive | 23 | 23 | 0 | 0 | 0 |
| Democratic Services | 2,550 | 2,395 | (155) | 0 | (155) |
| Other Services | 4,306 | 3,468 | (838) | (534) | (304) |
| | 6,879 | 5,886 | (993) | (534) | (459) |
| **TOTAL** | **65,542** | **56,621** | **(8,921)** | **(8,375)** | **(546)** |
| Capital, Financing and Other | 25,630 | 22,031 | (3,599) | 0 | (3,599) |
| **TOTAL** | **91,172** | **78,652** | **(12,520)** | **(8,375)** | **(4,145)** |
| **DEDICATED SCHOOL GRANT** | | | | | |
| **Individual Schools Budget (ISB Gross Budget)** | **137,746** | **137,746** | **0** | **0** | **0** |
| **TOTAL** | **228,918** | **216,398** | **(12,520)** | **(8,375)** | **(4,145)** |

1) Service areas shown separately in the segmental reporting note.

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement (CIES) is that specified by the *Best Value Accounting Code of Practice*. However, decisions about resource allocation are taken by Cabinet on the basis of budget reports analysed across services. These reports are prepared on a different basis from the accounting policies used in the financial statements.

The income and expenditure of the Council's principal services recorded in the budget reports for the year are as follows:-

| **2011/12** | **Environmental Services £000** | **Technical Services £000** | **Adult Services £000** | **Children & Learning £000** | **Exchequer £000** | **Total £000** |
|---|---|---|---|---|---|---|
| Fees, charges & other service income | (6,039) | (22,306) | (30,062) | (34,658) | (5,259) | (98,324) |
| Government grants & contributions | 0 | 0 | 0 | (23,941) | (108,591) | (132,532) |
| **Total Income** | **(6,039)** | **(22,306)** | **(30,062)** | **(58,599)** | **(113,850)** | **(230,856)** |
| | | | | | | |
| Employee expenses | 4,566 | 7,839 | 20,638 | 30,935 | 5,025 | 69,003 |
| Other service expenses | 18,275 | 35,080 | 68,384 | 65,533 | 108,342 | 295,614 |
| Support service recharges | 1,875 | 1,346 | 1,458 | 3,328 | 1,120 | 9,127 |
| Depreciation, amortisation and impairment | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total Operating Expenses** | **24,716** | **44,265** | **90,480** | **99,796** | **114,487** | **373,744** |
| | | | | | | |
| **Net Cost Of Services** | **18,677** | **21,959** | **60,418** | **41,197** | **637** | **142,888** |

**Reconciliation of service Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement**

This reconciliation shows how the figures in the analysis of the service income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

| | **2011/12 £000** |
|---|---|
| Net expenditure in the service analysis | 142,888 |
| Net expenditure of services and support services not included in the analysis | 59,816 |
| | **202,704** |
| Amount included in the analysis but shown within Other Operating Expenditure | (67,657) |
| Amount included in the analysis but shown within Financing & Investment Income and Expenditure | (17,339) |
| Amount included in the analysis but shown within Taxation and Non-Specific Grant Income | 34,280 |
| Amount in the CIES not included in management reporting (adjustments required to comply with proper accounting practices) | (3,838) |
| Amount included in management reporting not included in the CIES | 86,362 |
| **Cost of Services in CIES** | **234,512** |

## Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of the service income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

| 2011/12 | Directorate Analysis £000 | Services and Support Services not in Analysis £000 | Amounts included in the analysis but shown within Other Operating Expenditure £000 | Amounts included in the analysis but shown within Financing & Investment Income and Expenditure £000 | Amounts included in the analysis but shown within Taxation and Non-Specific Grant Income £000 | Amounts not reported to management for decision making £000 | Amounts not included in CIES £000 | Cost of Services £000 | Corporate Amount £000 | Total £000 |
|---|---|---|---|---|---|---|---|---|---|---|
| Fees, charges & other service income | (98,324) | (224,882) | | | | | | **(323,206)** | | **(323,206)** |
| Government grants & contributions | (132,532) | (136,804) | | | | | | **(269,336)** | | **(269,336)** |
| Interest and Investment Income | | | | 1,778 | | | | **1,778** | (1,778) | **0** |
| Income from Council Tax | | | | | | | | **0** | (77,391) | **(77,391)** |
| Non domestic rates | | | | | | | | **0** | (81,524) | **(81,524)** |
| Non ringfenced government grants | | | | | | | | **0** | (45,527) | **(45,527)** |
| Capital grants and contributions | | | | | 34,280 | | | **34,280** | (34,280) | **0** |
| Surplus on trading undertakings | | | | 750 | | | | **750** | (750) | **0** |
| Gain on Disposal of Fixed Assets | | | | | | | | **0** | | **0** |
| **Total Income** | **(230,856)** | **(361,686)** | **0** | **2,528** | **34,280** | **0** | **0** | **(555,734)** | **(241,250)** | **(796,984)** |
| | | | | | | | | | | |
| Employee expenses | 69,003 | 134,362 | | | | (3,838) | | **199,527** | 800 | **200,327** |
| Other services expenses | 295,614 | 161,580 | | | | | 86,362 | **543,556** | | **543,556** |
| Support service recharges | 9,127 | 15,715 | | | | | | **24,842** | | **24,842** |
| Depreciation, amortisation and impairment | | 109,845 | | | | | | **109,845** | | **109,845** |
| Interest Payments | | | | (15,345) | | | | **(15,345)** | 15,345 | **0** |
| Precepts & Levies | | | (28,117) | | | | | **(28,117)** | 28,117 | **0** |
| Payments to Housing Capital Receipts Pool | | | | | | | | **0** | 2 | **2** |
| Inc and Exp in relation to investment properties and changes in their fair value | | | | (4,522) | | | | **(4,522)** | 4,522 | **0** |
| Deficit on trading undertakings | | | | | | | | **0** | | **0** |
| Loss on Disposal of Fixed Assets | | | (39,540) | | | | | **(39,540)** | 39,540 | **0** |
| **Total Expenditure** | **373,744** | **421,502** | **(67,657)** | **(19,867)** | **0** | **(3,838)** | **86,362** | **790,246** | **88,326** | **878,572** |
| | | | | | | | | | | |
| **(Surplus) or Deficit on Provision of Services** | **142,888** | **59,816** | **(67,657)** | **(17,339)** | **34,280** | **(3,838)** | **86,362** | **234,512** | **(152,924)** | **81,588** |

**BUDGET MONITORING 2010/11 (OUTTURN)**

| SERVICE AREA | Budget £000s | Outturn £000s | Variation £000s |
|---|---|---|---|
| **ECONOMY AND ENVIRONMENTAL SERVICES** | | | |
| District Assemblies | 11,606 | 11,283 | (323) |
| Engineering Services (1) | 26,799 | 26,461 | (338) |
| Environmental Services (1) | 19,358 | 19,503 | 145 |
| Property | 9,473 | 9,375 | (98) |
| Planning & Economic Development | 3,054 | 2,964 | (90) |
| Housing and Community Regeneration | 11,536 | 11,567 | 31 |
| Subtotal | 81,826 | 81,153 | (673) |
| **SERVICES FOR CHILDREN & YOUNG PEOPLE** | | | |
| Achievement & Learning | 13,401 | 13,091 | (310) |
| Area Support & Youth | 11,463 | 11,209 | (254) |
| Specialist Services & Safeguarding | 19,117 | 19,464 | 347 |
| Commissioning & Resources | (3,103) | (2,895) | 208 |
| Not delegated to Schools | 156 | 154 | (2) |
| Capital Resources & Planning | 25,537 | 25,454 | (83) |
| Subtotal (1), (2) | 66,571 | 66,477 | (94) |
| **COMMUNITY SERVICES** | | | |
| Adult Services (1) | 61,025 | 60,295 | (730) |
| Cultural & Customer Services | 11,535 | 11,242 | (293) |
| Health Improvement | 310 | 270 | (40) |
| Subtotal | 72,870 | 71,807 | (1,063) |
| **EXECUTIVE /CORPORATE SERVICES** | | | |
| **Governance** | 2,321 | 2,120 | (201) |
| **Finance** | | | |
| Borough Treasurer | 4,220 | 3,782 | (438) |
| Exchequer (1) | 2,165 | 2,273 | 108 |
| ICT Services | 1,544 | 1,016 | (528) |
| Other Services | 9,247 | 8,559 | (688) |
| **Executive Support** | | | |
| Chief Executive | 13 | 13 | 0 |
| Executive Support | 3,058 | 2,928 | (130) |
| People & Performance | 1,090 | 874 | (216) |
| Performance & Change | 625 | 441 | (184) |
| Subtotal | 24,283 | 22,006 | (2,277) |
| **Total service expenditure** | **245,550** | **241,443** | **(4,107)** |
| Capital, Financing and other (2) | (35,943) | (37,910) | (1,967) |
| **Total all expenditure** | **209,607** | **203,533** | **(6,074)** |
| Adjustment to 'Capital, financing and other costs' previously reported to reflect property revaluation gains (3) | 2,806 | 2,806 | 0 |
| **Total all expenditure (adjusted)** | **212,413** | **206,339** | **(6,074)** |

1) Service areas shown separately in the segmental reporting note.

2) Services for Children and Young People (capital resources and planning) and Capital and Financing budgets and actual outturn shown above have been amended from the Revenue Outturn Report for a £0.04m adjustment reflecting notional charges applicable for minimum revenue provision (MRP) amounts relating to the Hattersley Schools PFI, in accordance with proper accounting practices.

3) Capital, Financing and other costs have been amended by £2.84m from the Revenue Outturn Report for notional gains arising from the revaluation of properties, in accordance with proper accounting practice.

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement (CIES) is that specified by the *Best Value Accounting Code of Practice*. However, decisions about resource allocation are taken by Cabinet on the basis of budget reports analysed across services. These reports are prepared on a different basis from the accounting policies used in the financial statements.

The income and expenditure of the Council's principal services recorded in the budget reports for the year are as follows

| 2010/11 | Environmental Services £000 | Engineering Services £000 | Adult Services £000 | Services for Children & Young People £000 | Exchequer £000 | Total £000 |
|---|---|---|---|---|---|---|
| Fees, charges & other service income | (6,445) | (19,679) | (33,467) | (33,640) | (4,739) | (97,970) |
| Government grants & contributions | (85) | (777) | (2,320) | (174,699) | (105,792) | (283,673) |
| **Total Income** | **(6,530)** | **(20,456)** | **(35,787)** | **(208,339)** | **(110,531)** | **(381,643)** |
| Employee expenses | 6,600 | 8,863 | 26,273 | 153,486 | 5,857 | 201,079 |
| Other service expenses | 16,764 | 32,398 | 67,235 | 92,183 | 103,884 | 312,464 |
| Support service recharges | 2,192 | 1,780 | 2,174 | 5,085 | 3,038 | 14,269 |
| Depreciation, amortisation and impairment | 477 | 3,876 | 400 | 24,062 | 25 | 28,840 |
| **Total Operating Expenses** | **26,033** | **46,917** | **96,082** | **274,816** | **112,804** | **556,652** |
| **Net Cost Of Services** | **19,503** | **26,461** | **60,295** | **66,477** | **2,273** | **175,009** |

**Reconciliation of service Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement**

This reconciliation shows how the figures in the analysis of the service income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

| | **2010/11 £000** |
|---|---|
| Net expenditure in the service analysis | 175,009 |
| Net expenditure of services and support services not included in the | 31,330 |
| | **206,339** |
| Amount included in the analysis but shown within Other Operating Expenditure | (35,599) |
| Amount included in the analysis but shown within Financing & Investment Income and Expenditure | (11,598) |
| Amount included in the analysis but shown within Taxation and Non-Specific Grant Income | 38,637 |
| Amount in the CIES not included in management reporting (adjustments required to comply with proper accounting practices) | (73,231) |
| Amount included in management reporting not included in the CIES | (17,364) |
| **Cost of Services in CIES** | **107,184** |

## Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of the service income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

| 2010/11 | Directorate Analysis £000 | Services and Support Services not in Analysis £000 | Amounts included in the analysis but shown within Other Operating Expenditure £000 | Amounts included in the analysis but shown within Financing & Investment Income and Expenditure £000 | Amounts included in the analysis but shown within Taxation and Non-Specific Grant Income £000 | Amounts not reported to management for decision making £000 | Amounts not included in CIES £000 | Cost of Services £000 | Corporate Amount £000 | Total £000 |
|---|---|---|---|---|---|---|---|---|---|---|
| Fees, charges & other service income | (97,970) | (165,335) | | | | | | **(263,305)** | | **(263,305)** |
| Government grants & contributions | (283,673) | (43,032) | | | | (3,573) | | **(330,278)** | | **(330,278)** |
| Interest and Investment Income | | | | 1,780 | | | | **1,780** | (1,780) | **0** |
| Income from Council Tax | | | | | | | | **0** | (77,690) | **(77,690)** |
| Non domestic rates | | | | | | | | **0** | (92,122) | **(92,122)** |
| Non ringfenced government grants | | | | | | | | **0** | (34,594) | **(34,594)** |
| Capital grants and contributions | | | | | 38,637 | | | **38,637** | (38,637) | **0** |
| Surplus on trading undertakings | | | | 602 | | | | **602** | (602) | **0** |
| Gain on Disposal of Fixed Assets | | | | | | | | **0** | | **0** |
| **Total Income** | **(381,643)** | **(208,367)** | **0** | **2,382** | **38,637** | **(3,573)** | **0** | **(552,564)** | **(245,425)** | **(797,989)** |
| | | | | | | | | | | |
| Employee expenses | 201,079 | 41,709 | | | | (70,966) | | **171,822** | 8,100 | **179,922** |
| Other services expenses | 312,464 | 145,738 | | | | 214 | (17,364) | **441,052** | | **441,052** |
| Support service recharges | 14,269 | 16,375 | | | | | | **30,644** | | **30,644** |
| Depreciation, amortisation and impairment | 28,840 | 35,875 | | | | 1,094 | | **65,809** | | **65,809** |
| Interest Payments | | | | (10,818) | | | | **(10,818)** | 10,818 | **0** |
| Precepts & Levies | | | (25,236) | | | | | **(25,236)** | 25,236 | **0** |
| Payments to Housing Capital Receipts Pool | | | | | | | | **0** | 9 | **9** |
| Inc and Exp in relation to investment properties and changes in their fair value | | | | (3,162) | | | | **(3,162)** | 3,162 | **0** |
| Deficit on trading undertakings | | | | | | | | **0** | | **0** |
| Loss on Disposal of Fixed Assets | | | (10,363) | | | | | **(10,363)** | 27,675 | **17,312** |
| **Total Expenditure** | **556,652** | **239,697** | **(35,599)** | **(13,980)** | **0** | **(69,658)** | **(17,364)** | **659,748** | **75,000** | **734,748** |
| | | | | | | | | | | |
| **(Surplus) or Deficit on Provision of Services** | **175,009** | **31,330** | **(35,599)** | **(11,598)** | **38,637** | **(73,231)** | **(17,364)** | **107,184** | **(170,425)** | **(63,241)** |
| | | **206,339** | | | | | | | | |

## 17. Property, Plant and Equipment

Details of movements in property, plant and equipment in 2011/12 are below;

| | Land & Buildings £000 | Vehicles, Plant & Equipment £000 | Infrastructure £000 | Community Assets £000 | Surplus Assets £000 | Assets Under Construction £000 | Total Property, Plant and Equipment £000 | PFI Asets Included in Property, Plant and Equipment £000 |
|---|---|---|---|---|---|---|---|---|
| **Cost or Valuation** | | | | | | | | |
| At 1 April 2011 | 602,884 | 16,310 | 85,632 | 11,374 | 14,297 | 77,853 | 808,350 | 43,018 |
| Additions | 14,606 | 5,364 | 9,621 | 4,495 | 49 | 605 | 34,740 | |
| Donations | 0 | | | | | | 0 | |
| PFI Recognition | 83,923 | | | | | | 83,923 | 83,923 |
| Revaluation increases recognised in the Revaluation Reserve | 6,501 | | | | | | 6,501 | |
| Revaluation increase reversing prior year loss to Surplus/Deficit on the Provision of Services | 204 | | | | | | 204 | (10,980) |
| Revaluation (decreases) recognised in the Revaluation Reserve | (50,612) | | | | (4,964) | | (55,576) | (4,552) |
| Revaluation (decreases) recognised in the Surplus/Deficit on the Provision of Services | (44,155) | | | | (24,890) | | (69,045) | |
| De-recognition - disposals | (5,935) | | (1,735) | | (3,134) | | (10,804) | |
| De-recognition - De-recognition of Academy | (40,066) | | | | | | (40,066) | |
| Assets reclassified (to)/from Held for Sale | 0 | | | | | | 0 | |
| Other reclassifications | 18,472 | 1,896 | 5,493 | 303 | 50,159 | (76,319) | 4 | 3,902 |
| Other movements in cost or valuation | | | | | | | 0 | |
| **At 31 March 2012** | **585,822** | **23,570** | **99,011** | **16,172** | **31,517** | **2,139** | **758,231** | **115,310** |
| | | | | | | | | |
| **Accumulated Depreciation and Impairment** | | | | | | | | |
| At 1 April 2011 | (88,658) | (8,177) | (7,818) | (3,590) | (5,744) | | (113,987) | (2,050) |
| Depreciation charge | (12,035) | (1,718) | (2,447) | | | | (16,201) | (1,097) |
| Revaluation increases - depreciation/ impairment written out to the Revaluation Reserve | 979 | | | | | | 979 | |
| Revaluation increases - depreciation/ impairment written out to the Surplus/Deficit on the Provision of Services | 89 | | | | | | 89 | 1,567 |
| Revaluation/Impairment losses recognised in the Revaluation Reserve | 27,798 | | | | | | 27,798 | |
| Revaluation/Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services | (8,712) | | (999) | | 2,274 | | (7,437) | |
| De-recognition - disposals | 10,193 | | | | 998 | | 11,191 | |
| De-recognition - other | | | | | | | 0 | |
| Assets reclassified (to)/from Held for Sale | | | | | | | 0 | |
| Other reclassifications | 2,941 | (61) | | | (2,879) | | 1 | (175) |
| Other movements in depreciation and impairment | | | | | | | 0 | |
| **At 31 March 2012** | **(67,405)** | **(9,956)** | **(11,265)** | **(3,590)** | **(5,351)** | **0** | **(97,567)** | **(1,754)** |
| | | | | | | | | |
| **Net Book Value** | | | | | | | | |
| **At 31 March 2012** | **518,417** | **13,614** | **87,746** | **12,582** | **26,166** | **2,139** | **660,664** | **113,556** |
| **At 31 March 2011** | **514,226** | **8,133** | **77,813** | **7,784** | **8,553** | **77,853** | **694,363** | **40,968** |
| | | | | | | | | |
| **Nature of asset owned at 31 March 2012** | | | | | | | | |
| Owned | 404,792 | 13,422 | 87,746 | 12,582 | 26,166 | 2,139 | 546,847 | 113,556 |
| Finance Lease | 69 | 192 | | | | | 261 | |
| PFI | 113,556 | | | | | | 113,556 | |
| | **518,417** | **13,614** | **87,746** | **12,582** | **26,166** | **2,139** | **660,664** | **113,556** |

Details of comparative movements in property, plant and equipment during 2010/11 are below;

| | Land & Buildings £000 | Vehicles, Plant & 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 2010 | 611,039 | 15,652 | 79,472 | 7,922 | 14,487 | 32,233 | 760,805 | 22,400 |
| Additions | 8,470 | 1,174 | 7,045 | 1,255 | 14 | 48,623 | 66,581 | 106 |
| Donations | | | | | | | 0 | |
| PFI Recognition | 20,645 | | | | | | 20,645 | 20,645 |
| Revaluation increases recognised in the Revaluation Reserve | 9,874 | | | | | | 9,874 | |
| Revaluation (decreases) recognised in the Revaluation Reserve | (8,705) | | | | | | (8,705) | |
| Revaluation (decreases) recognised in the Surplus/Deficit on the Provision of Services | (9,068) | | (700) | | (14) | | (9,782) | (133) |
| De-recognition - disposals | | | | | | | 0 | |
| De-recognition - De-recognition of Academy | (31,134) | | | | | (22) | (31,156) | |
| Assets reclassified (to)/from Held for Sale | (673) | | | | | | (673) | |
| Other reclassifications | 2,444 | (516) | (185) | 2,197 | (190) | (2,981) | 769 | |
| Other movements in cost or valuation | (8) | | | | | | (8) | |
| **At 31 March 2011** | **602,884** | **16,310** | **85,632** | **11,374** | **14,297** | **77,853** | **808,350** | **43,018** |
| **Accumulated Depreciation and Impairment** | | | | | | | | |
| At 1 April 2010 | (101,555) | (6,220) | (5,641) | (3,590) | (5,337) | 0 | (122,343) | (1,362) |
| Depreciation charge | (20,617) | (1,957) | (2,177) | | | | (24,751) | (688) |
| Revaluation increases - depreciation/ impairment written out to the Revaluation Reserve | 22,563 | | | | | | 22,563 | |
| Impairment losses/(reversals) recognised in the Revaluation Reserve | 6,675 | | | | | | 6,675 | |
| Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services | 0 | | | | | | 0 | |
| De-recognition - disposals | | | | | | | 0 | |
| De-recognition - other | 3,645 | | | | | | 3,645 | |
| Assets reclassified (to)/from Held for Sale | 211 | | | | | | 211 | |
| Other reclassifications | 413 | | | | (407) | | 6 | |
| Other movements in depreciation and impairment | 7 | | | | | | 7 | |
| **At 31 March 2011** | **(88,658)** | **(8,177)** | **(7,818)** | **(3,590)** | **(5,744)** | **0** | **(113,987)** | **(2,050)** |
| **Net Book Value** | | | | | | | | |
| **At 31 March 2011** | **514,226** | **8,133** | **77,814** | **7,784** | **8,553** | **77,853** | **694,363** | **40,968** |
| **At 31 March 2010** | **509,484** | **9,432** | **73,831** | **4,332** | **9,150** | **32,233** | **638,462** | **21,038** |
| **Nature of asset owned at 31 March 2011** | | | | | | | | |
| Owned | 470,789 | 7,586 | 77,814 | 7,784 | 8,553 | 77,853 | 650,379 | |
| Finance Lease | 2,469 | 547 | | | | | 3,016 | |
| PFI | 40,968 | | | | | | 40,968 | |
| | **514,226** | **8,133** | **77,814** | **7,784** | **8,553** | **77,853** | **694,363** | **0** |

## Revaluations

The Authority carries out a rolling programme that ensures all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years effective from 1st April respectively. All valuations were carried out by a qualified R.I.C.S valuers. Valuations of Land & Buildings were carried out in accordance with the methodologies and the basis for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors (R.I.C.S)

| | Land & Buildings £000 | Vehicles, Plant & Equipment £000 | Infrastructure £000 | Community Assets £000 | Surplus Assets £000 | Assets Under Construction £000 | Total Property, Plant and Equipment £000 |
|---|---|---|---|---|---|---|---|
| **Carried at Historical Cost** | **10,077** | **23,570** | **99,011** | **16,172** | **11,220** | **2,139** | **162,189** |
| Fair Value at year end | | | | | | | |
| 31st March 2008 | 38,162 | | | | | | **38,162** |
| 31st March 2009 | 169,859 | | | | | | **169,859** |
| 31st March 2010 | 27,216 | | | | | | **27,216** |
| 31st March 2011 | 163,962 | | | | | | **163,962** |
| 31st March 2012 | 176,546 | | | | 20,297 | | **196,843** |
| **Total Cost or Valuation** | **585,822** | **23,570** | **99,011** | **16,172** | **31,517** | **2,139** | **758,231** |

## Effects of Changes in Estimates

In 2011/12, the Authority made material changes to its accounting estimates for Property, Plant and Equipment:

During the revaluation of the Authority's Land and Buildings this financial year the valuations, remaining useful lives and residual values were reviewed critically for all the properties subject to review. As a result, the depreciation charge for Land and Buildings of £12.035m for 2011/12 was £5.039m less than it would have been if the useful lives and residual values assessed in previous years had been used for the calculations. The impact of this change will carry forward into 2012/13 and future years.

The major capital commitments under capital contracts as at 31 March 2012 were as follows:

| | Full Contract Value £000 | Value Outstanding as at 31 March 2012 £000 |
|---|---|---|
| Droylsden Academy New Build | | |
| Stamford Park Improvements | 4,344 | **1,089** |
| Ashton Northern Bypass - Markazi Jamia Mosque) | 4,714 | **76** |
| New Charter Academy New Build School | | |
| Samuel Laycock New Build School | | |
| Ravensfield New School | | |
| Aldwyn and Hawthorns New Build Schools | | |
| Lyndhurst New Build School | | |
| Ashton Market Hall Construction | 14,803 | **15** |
| Stockport Road, Mossley, GM Retaining Walls | 1,180 | **29** |

**18. Heritage Assets**

| | Civic Regalia & Silver | Art Collection | Militeria | Statues & Other Monuments | Total Heritage Assets |
|---|---|---|---|---|---|
| **Cost or Valuation** | | | | | |
| At 1 April 2011 | 578 | 9,501 | 1,475 | 906 | 12,460 |
| Additions | 0 | 6 | 0 | 4 | 10 |
| Disposals | 0 | 0 | 0 | 0 | 0 |
| Revaluations | 0 | 0 | 0 | 0 | 0 |
| Impairment Losses /(reversals) recognised in the Revaluation Reserve | 0 | 0 | 0 | 0 | 0 |
| Impairment Losses /(reversals) recognised in the Surplus or Deficit on the Provision of Service | 0 | 0 | 0 | 0 | 0 |
| Revaluation (decreases) recognised in the Surplus/Deficit on the Provision of Services | 0 | 0 | 0 | 0 | 0 |
| Other movements in cost or valuation | 0 | 0 | 0 | 0 | 0 |
| **At 31 March 2012** | **578** | **9,507** | **1,475** | **910** | **12,471** |
| **At 31 March 2011 (Restated)** | **578** | **9,501** | **1,475** | **906** | **12,460** |

**Heritage Assets**

The Authority's 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 Authority'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 the Donated Assets Account as a creditor in the Balance Sheet until any outstanding conditions cease.

Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Authority's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets as detailed below.

The Authority's collections of heritage assets are accounted for as follows.

- **Art Collection** – The art collection includes sculptures, paintings and sketches and is reported in the Balance Sheet at market value. There is a programme of valuations for insurance purposes and the items in the collection are valued by an external valuer. The assets within the art collection are deemed to have an indeterminate lives and high residual value, hence the Authority does not consider it appropriate to charge depreciation. Any acquisitions are initially recognised at cost and donations are recognised at valuation with valuations provided by the external valuers. The last valuation was carried out in October 2009 and will be reviewed periodically.

- **Militeria** – The Authority holds on behalf of the trustees of the Museum of the Manchester Regiment, a collection of militeria relating to its historical connection to the former Manchester Regiment. This collection has been acquired either by donation or long term loan. There is a programme of valuations for insurance purposes and the items in the collection are valued by external valuer. The assets within the collection are deemed to have an indeterminate lives and high residual value, hence the Authority does not consider it appropriate to charge depreciation. Any acquisitions are initially recognised at cost and donations are recognised at valuation with valuations provided by the external valuers. The last valuation was carried out in October 2009 and will be reviewed periodically.

- **Civic Regalia and Silver** - The Authority holds a collection of Civic Regalia and Silver, this collection mainly relates to the former district councils that merged under Local Government Reorganisation (1974) to form the Borough of Tameside. There is a programme of valuations for insurance purposes and the items in the collection are valued by an external valuer. The assets within the collection are deemed to have an indeterminate lives and high residual value, hence the Authority does not consider it appropriate to charge depreciation. Any acquisitions are initially recognised at cost and donations are recognised at valuation with valuations provided by the external valuers. The last valuation was carried out in October 2009 and will be reviewed periodically.

- **Social and Industrial History** – The Authority retains a collection of artefacts relating to the social and industrial history of the Borough. These items are not recognised on the Balance Sheet, as cost information is not readily available and the Authority believes that the cost involved in obtaining valuations for these assets would be disproportionate cost in comparison to the benefits to the users of the Authority's financial statements. Nearly all the items in the collection are believed to have a value of less than £50 and as far as the Authority is aware no individual item is worth more than £500.

- **Statues and Other Monuments** – There are a number of statues, war memorials and other monuments located across the borough. For those assets where cost information is available, they are recognised with the Balance Sheet at historic cost. Where cost information is not readily available, the assets are not recognised within the Balance Sheet. The Authority believes that the cost involved in obtaining valuations for these assets would be disproportionate cost in comparison to the benefits to the users of the Authority's financial statements.

The carrying amounts of heritage assets are reviewed where there is evidence of impairment e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Authority's general policies on impairment. Any acquisitions or disposals of heritage assets are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts.

### 19. Investment Properties

| **2010/11 £000** | | **2011/12 £000** |
|---|---|---|
| **43,265** | **Balance at start of the year** | **38,578** |
| | | |
| 225 | Additions | 175 |
| (3,867) | Net gains / losses from fair value adjustments | (9) |
| (275) | Derecognition - other | (5,251) |
| | Assets reclassified (to)/from Held for Sale | 0 |
| (770) | Other reclassifications | 0 |
| 0 | Other movements in cost or valuation | 0 |
| **38,578** | **Balance at end of the year** | **33,493** |

### 20. Intangible Assets

| **2010/11 £000** | | **2011/12 £000** |
|---|---|---|
| | **Balance at start of year:** | |
| 546 | Gross Carrying amounts | 1,580 |
| (106) | Accumulated Amortisation | (158) |
| **440** | **Total** | **1,422** |
| 1,034 | Additions | 243 |
| (52) | In Year Amortisation | (240) |
| 0 | Upward Revaluation | 0 |
| 0 | Other Changes | (4) |
| **1,422** | **Total** | **1,421** |

## 21. Assets Held for Sale

| | 2010/11 | 2011/12 |
|---|---|---|
| | Current Assets £000 | Current Assets £000 |
| **Balance outstanding at start of year** | 2 | 0 |
| Assets newly clasified as held for sale: | | |
| Property, Plant and Equipment | 462 | 0 |
| Intangible Assets | 0 | 0 |
| Other assets/liabilities in disposal groups | 0 | 0 |
| | | |
| Revaluation losses | (186) | 0 |
| Revaluation gains | 883 | 0 |
| Impairment losses | 0 | 0 |
| | | |
| Assets declassifiied as held for sale: | 0 | 0 |
| Property, Plant and Equipment | 0 | 0 |
| Intangible Assets | 0 | 0 |
| Other assets/liabilities in disposal groups | 0 | 0 |
| | | |
| Assets sold | (1,159) | 0 |
| Transfers from non current to current | 0 | 0 |
| Other Movements | (2) | 0 |
| | | |
| **Balance outstanding at year end** | **0** | **0** |

## 22. Long Term Investments

| 31 March 2011 £000 | | 31 March 2012 £000 |
|---|---|---|
| 10,214 | Manchester Airport PLC | 10,214 |
| 10 | Other Long Term Investments | 10 |
| **10,224** | **Total** | **10,224** |

### a. Manchester Airport PLC

Tameside, in common with all Greater Manchester Districts, other than Manchester City Council, which holds 55%, has a 5% share holding in Manchester Airport plc. Dividends of £1m were received in 2011/12 (£1m in 2010/11) from the Authority's investment in Manchester Airport plc.

The group financial statements have not yet been published and details will be inserted within the Statement of Accounts when received.

The shares in Manchester Airport are not traded in an active market and as such a reliable fair value cannot be established. The Council therefore shows its shareholding at historic cost. The dividend return from this investment (£1m in 2011/12) is included in the Councils medium term financial strategy as a key item of revenue income. As such, it is highly unlikely that the Council will dispose of its shareholding.

## 23. Long Term Debtors

| 31 March 2011 £000 | | 31 March 2012 £000 |
|---|---|---|
| 1 | Advances to Companies | 1 |
| 200 | Advances / Loans to Individuals | 117 |
| 1,229 | Tameside Local Education Partnership Loan | 1,229 |
| 7,295 | Manchester Airport Plc (Terminal 2) | 7,295 |
| 1,382 | Manchester Airport Plc (GMMDAF) | 1,382 |
| 66 | Mortgages | 32 |
| 3,551 | Tameside Sports Trust | 3,319 |
| **13,724** | **Total** | **13,375** |

### a. Manchester Airport PLC (Terminal 2 Loan Debt)

In order to finance the construction of a new terminal (T2) at Manchester Airport and with Government approval, Manchester City Council borrowed from the Public Works Loan Board and lent on to the Airport. Following agreement reached between the City Council and the other nine District Councils in Greater Manchester, Tameside MBC assumed responsibility for a share of the loan debt relating to T2. The Council's share of the debt is £7.295m.

The Airport re-negotiated this loan agreement with the 10 Greater Manchester Authorities in 2010/11 and pays an annual fixed interest of 12% on the outstanding balance at 9th February 2010. Previously the Airport reimbursed the Council for all servicing costs on the underlying loans. The Airport has agreed to repay the loan to the Council by the end of the agreement 2055.

### b. Manchester Airport (GMMDAF Loan Debt)

As part of the re-negotiated debt agreement with the Airport mentioned above, the Council also assumed responsibility for a proportion of the debt owing to the Greater Manchester Metropolitan Debt Administration Fund (GMMDAF) by the Airport (£1.382m). The Airport previously serviced directly to the GMMDAF the repayment on this debt. The Airport pays an annual fixed interest of 12% to the Council on this balance and will repay the loan by 2055.

### c. Tameside Sports Trust Loan

During 2008/09, the Council borrowed £4.280m from the Public Works Loan Board, which it then loaned to Tameside Sports Trust to finance the refurbishment by the Trust of 3 leisure centres across the borough. The Trust reimburses the Council with the full cost of servicing this debt.

## 24. Financial Instruments

### a. Financial Instrument Balances

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

Under accounting requirements the financial instruments value shown in the Balance Sheet includes the principal amount borrowed or lent plus accrued interest and further adjustment for breakage costs or stepped interest loans (measured by an effective interest rate calculation). Accrued interest is shown separately in current assets/liabilities where the payments/receipts are due within one year.

| 31 March 2011 | | | 31 March 2012 | |
|---|---|---|---|---|
| Long Term £000 | Current £000 | | Long Term £000 | Current £000 |
| 156,267 | 1,047 | Financial Liabilities Principal Amount | 150,600 | 6,094 |
| 767 | 1,938 | Adjustment for Amortised Cost | 774 | 1,950 |
| 157,034 | 2,985 | Financial Liabilities at Amortised Cost | 151,374 | 8,044 |
| 0 | 0 | Financial Liabilities at Fair value though Income and Expenditure | | |
| **157,034** | **2,985** | **Total Borrowings** | **151,374** | **8,044** |
| 0 | 74,657 | Total Loans and recievables Principal Amount | | 76,260 |
| 0 | 70 | Adjustment for Amortised Cost | | 53 |
| 0 | (13,656) | Loans and Recievables treated as Cash Equivilants | | (60,375) |
| 0 | 61,071 | Loans and Recievables at amortised cost | | 15,938 |
| 10 | 0 | Available for Sale Financial Assets | 10 | |
| 0 | 0 | Financial assets at fair value through income and expenditure | | |
| 10,214 | 0 | Unquoted Equity Investment at cost | 10,214 | |
| **10,224** | **61,071** | **Total Investment** | **10,224** | **15,938** |

### b. 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 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 12 months the fair value is taken to be the principal outstanding;
- 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 value of non-PWLB debt has also been calculated using the same procedures and interest rates and this provides a sound approximation for fair value for these instruments.

The fair values are as follows:

| 31 March 2011 | | | 31 March 2012 | |
|---|---|---|---|---|
| Carrying Amount £000 | Fair Value £000 | | Carrying Amount £000 | Fair Value £000 |
| 118,328 | 135,901 | PWLB Debt | 117,702 | 149,804 |
| 41,691 | 43,777 | Non PWLB Debt | 41,716 | 40,387 |
| 19,158 | 19,158 | Trade Creditors | 26,081 | 26,081 |
| **179,177** | **198,836** | | **185,499** | **216,272** |

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.

| 31 March 2011 | | | 31 March 2012 | |
|---|---|---|---|---|
| Carrying Amount £000 | Fair Value £000 | | Carrying Amount £000 | Fair Value £000 |
| | | Money Market Loans | | |
| 74,729 | 74,729 | Less Than 1 Year | 76,313 | 76,313 |
| 0 | 0 | Greater Than 1 Year | 0 | 0 |
| 10,071 | 10,071 | Trade Debtors | 11,017 | 11,017 |
| **84,800** | **84,800** | **Total Loans and Recievables** | **87,330** | **87,330** |

## 25. 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 to the Council.
- 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 requiring 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 rates 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 set out 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;
    - 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 Council Tax setting budget. 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 semi-annually to Members.

The 2011/12 Budget Report, which incorporates the prudential indicators, was approved by Council on 22 February 2011 and is available on the Council website. The key indicators issues within the indicators were:

- The Authorised Limit for 2011/12 was set at £257.249m. This is the maximum limit of external borrowings or other long term liabilities.

- The Operational Boundary was expected to be £237.249m. This is the functioning level of debt and other long term liabilities during the year.

- The maximum amounts of fixed and variable interest rate exposure were set at 450% and 100% based on the Council's net debt.

- The maximum and minimum exposures to the maturity structure of debt are shown in Appendix 2c of the 2011/12 Budget Report.

These policies are implemented by the central treasury 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 of Practice 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 & Poor Ratings Services. The Annual Investment Strategy also imposes a maximum amount and time limits in respect of each financial institution. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above. Additional selection criteria are also applied after this initial criteria is applied.

The key areas of the Investment Strategy are that the minimum criteria for investment counterparties are:

- Credit ratings of Short Term F1, Long Term A+ or greater, Support B/C and Individual 3 (Fitch or equivalent rating), with the lowest available rating being applied to the criteria.

- Domiciled in a country which has a minimum sovereign rating AA.

- UK Institutions provided with support from the UK Government.

The full investment strategy for 2011/12 was approved by Full Council on 22 February 2011 and is available on the Council's website.

The Authority's maximum exposure to credit risk in relation to its investments in banks and financial institutions of £ 76.260m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2012 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 2012 £000s | Historical experience of default % | Adjustment for market conditions at 31 March 2012 % | Estimated maximum exposure to default £000s |
|---|---|---|---|---|
| | (a) | (b) | ( c) | (a * c) |
| Deposits with banks and financial institutions (principal amount) | 76,260 | 0.08 | 0.08 | 61.01 |
| Trade debtors | 11,017 | 12.42 | 12.42 | 1,368.54 |
| **Total** | **87,277** | | | **1429.55** |

There were no breaches of the Council's counterparty criteria occurred during the reporting period 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 year end date a balance of £11.017m was outstanding for payment. The outstanding amount can be analysed by age as follows:

| 31 March 2011 £000 | Trade Debtors | 31 March 2012 £000 |
|---|---|---|
| 5,399 | Less than three months | **8,251** |
| 72 | Three to four months | **139** |
| 3,019 | Four to five months | **158** |
| 1,581 | More than five months | **2,469** |
| **10,071** | **Total** | **11,017** |

**Liquidity risk**

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well through a comprehensive cash flow management system, as required by the CIPFA Code of Practice. 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:

All investments placed in the year were restricted to a maximum maturity period of 3 months, this policy reduced the risk that the Council would hold an investment with an institution that had a declining credit rating.

All trade and other payables are due to be paid in less than one year and trade debtors of £11.017m are not shown in the table above.

| 31 March 2011 £000 | | 31 March 2012 £000 |
|---|---|---|
| 74,657 | Less than one year | 76,260 |
| 0 | Between one and two years | 0 |
| 0 | Between two and three years | 0 |
| 0 | More than three years | 0 |
| **74,657** | **Total** | **76,260** |

**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 placed for greater than one year in duration are the key parameters used to address this risk. The Council's approved treasury and investment strategies address the main risks and the central treasury 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 by Council in the 201/12 Budget Report):

| 31 March 2011 £000 | | Approved maximum limits £000 | Approved minimum limits £000 | 31 March 2011 £000 |
|---|---|---|---|---|
| 1,047 | Less than one year | 15,669 (10%) | nil (0%) | 6,094 |
| 5,667 | Between one and two years | 23,504 (15%) | nil (0%) | 18,973 |
| 31,015 | Between two and five years | 47,008 (30%) | nil (0%) | 13,149 |
| 8,576 | Between five and ten years | 62,677 (40%) | nil (0%) | 7,838 |
| 111,009 | More than ten years | 156,694 (100%) | 78,347 (50%) | 110,640 |
| **157,314** | **Total** | | | **156,694** |

**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 Comprehensive Income and Expenditure Statement 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 Income and Expenditure Account 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 Comprehensive Income and Expenditure Statement. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Comprehensive Income and Expenditure Statement and effect the General Fund Balance, 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 Comprehensive Income and Expenditure Statement

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together 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 section 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 2010<br>£000 | | 31 March 2011<br>£000 |
|---|---|---|
| 21,160 | Decrease in the fair value of fixed rate borrowings liabilities (no impact on Comprehensive Income and Expenditure Account) | 20,517 |

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 the Note 24b – Fair value of Financial Assets and Liabilities Carried at Amortised Cost.

**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 5% shareholding in Manchester Airport plc. (except Manchester City Council which holds 55%). As there is no active market for this holding, the shares are shown at the Balance Sheet date at £10.214m, being cost less any impairment. 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.

**26. Inventories**

| | Consumable Stores | | Maintenance Materials | | Client Services Work in Progress | | Property Acquired or Constructed for Sale | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | **2011/12** | **2010/11** | **2011/12** | **2010/11** | **2011/12** | **2010/11** | **2011/12** | **2010/11** | **2011/12** |
| | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** |
| **Balance outstanding at start of year** | **393** | 289 | **195** | 177 | **58** | 92 | **0** | 0 | **646** | **558** |
| Purchases | 2,392 | 1,615 | 664 | 643 | 255 | 3 | 0 | 0 | 3,311 | **2,261** |
| Recognised as an expense in the year | (2,497) | (1,586) | (680) | (593) | (221) | (42) | 0 | 0 | (3,398) | **(2,221)** |
| Written off balances | 1 | (9) | (2) | 6 | 0 | 0 | 0 | 0 | (1) | **(3)** |
| Reversals of write-offs in previous years | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | **0** | **0** |
| **Balance outstanding at year-end** | **289** | **309** | **177** | **233** | **92** | **52** | **0** | **0** | **558** | **595** |

**27. Short-term Debtors**

| 31 March 2011 £000 | | 31 March 2012 £000 |
|---|---|---|
| 11,129 | Central Government Bodies | 9,010 |
| (3,079) | Doubtful Debts Reserve | (4,036) |
| 6 | Debtor - NHS Bodies | 266 |
| 161 | Other Local Authorities | 901 |
| 22,290 | Other Entities and Individuals | 25,114 |
| 135 | Debtor - Public Corporations & Trading Funds | 20 |
| **30,642** | **Total** | **31,274** |
| | **Other** | |
| 4,349 | Capital Debtors | 4,825 |
| 2,885 | Payments In Advance | 7,085 |
| 54 | Transferred Services | 45 |
| **37,930** | **Total including others** | **43,230** |

## 28. Cash and Cash Equivalents

| 31 March 2011 £000 | | 31 March 2012 £000 |
|---|---|---|
| | Bank Current Accounts | |
| (4,189) | Cash in the Hand of Collectors | 9,508 |
| | Cash Overdrawn at Schools | 0 |
| 8,067 | Cash at Bank - Schools | 14,085 |
| 13,656 | Short-term Investments | 60,375 |
| 39 | Cash held by the Authority | 40 |
| **17,573** | **Total** | **84,008** |

## 29. Short-term Creditors

| 31 March 2011 £000 | | 31 March 2012 £000 |
|---|---|---|
| (9,871) | Central Government Bodies | (8,152) |
| (219) | Creditor - NHS Bodies | (342) |
| (1,750) | Other Local Authorities | (1,998) |
| (19,158) | Other Entities and Individuals | (30,648) |
| (1,408) | Creditor - Public Corporations & Trading Funds | (190) |
| **(32,406)** | **Total** | **(41,330)** |
| | **Other** | |
| (9,770) | Capital Creditors | (4,789) |
| (5,752) | Deposits & Receipts in Advance | (3,184) |
| (3,834) | Short Term Accumulating Compensated Absences | (3,896) |
| **(51,761)** | **Total including others** | **(53,199)** |

## 30. Other Long Term Liabilities

| 31 March 2011 £000 | | 31 March 2012 £000 |
|---|---|---|
| (9,874) | Former Greater Manchester County Council Debt | (9,191) |
| (501) | Former Lancashire County Council Debt | (391) |
| **(10,375)** | **Balance at 31 March** | **(9,582)** |

The Greater Manchester County Council ceased to exist on 31 March 1986. The debt associated with the non-current assets of the Greater Manchester County Council passed to the successor authorities with debt administration being managed by Tameside MBC on behalf of those authorities.

This Balance Sheet shows the proportion, mainly allocated on a population basis, of the Greater Manchester County Council Debt transferred directly to this Authority.

The balance of former Greater Manchester County Council Debt at 31 March 2012 includes £1.202m of debt relating to the Airport, which the Council assumed responsibility for as part of the re-negotiated terms of the debt agreement between the Airport and the 10 Greater Manchester Authorities during 2009/10. The Airport previously serviced directly the repayment on this element of the debt.

The debt outstanding at 31 March 2012 (£9.191m) is net of Greater Manchester Probation Service Debt at 31 March 2012 (£0.116m), which is serviced directly by the Probation Service.

The debt outstanding on those assets transferred from Lancashire County Council at the 1974 reorganisation continues to be administered by Lancashire County Council.

## 31. Usable Reserves

Movements in the Authority's Usable Reserves are detailed in the Movement in Reserves Statement and Note 39 Transfer to/from Earmarked Reserves.

### Capital Receipts Unapplied Account

| 2010/11 £000 | | 2011/12 £000 |
|---|---|---|
| **0** | **Balance at 1 April** | **0** |
| (1,178) | Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES | (147) |
| 1,188 | Use of the Capital Receipts Reserve to finance new capital expenditure | 174 |
| 9 | Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool | 2 |
| (19) | Transfer from the Deferred Capital Receipts Reserve upon receipt of cash | (29) |
| **0** | **Balance at 31 March** | **0** |

### REFCUS Reserve

| 2010/11 £000 | | 2011/12 £000 |
|---|---|---|
| **(2,889)** | **Balance at 1 April** | **(2,594)** |
| 899 | Grants & contributions received in previous years - applied to fund REFCUS | 1,414 |
| 5 | Grants & contributions received in previous years - applied | 0 |
| (708) | Grants & contributions received in year - not applied | (398) |
| 99 | Transfer to Capital Grants and Other Contributions Unapplied Reserve | 0 |
| **(2,594)** | **Balance at 31 March** | **(1,578)** |

### Capital Grants and Other Contributions Unapplied Reserve

| 2010/11 £000 | | 2011/12 £000 |
|---|---|---|
| (25,691) | **Balance at 1 April** | **(6,224)** |
| 23,689 | Grants & contributions received in previous years - applied | 1,466 |
| 39 | Grants & contributions received in previous years - applied to fund REFCUS | 871 |
| (4,162) | Grants & contributions received in year - not applied | (8,660) |
| (99) | Transfer from REFCUS Reserve | 0 |
| | Transfer to Earmarked Reserves | 1,017 |
| | Amounts repaid to Funding Body | 204 |
| | Prior Year Adjustments | 77 |
| **(6,224)** | **Balance at 31 March** | **(11,249)** |

## 32. Unusable Reserves

### Revaluation Reserve

| 2010/11 £000 | | 2011/12 £000 |
|---|---|---|
| **(82,706)** | **Balance at 1 April** | **(104,356)** |
| **(869)** | **Initial recognition of Heritage Assets 1st April 2010** | **0** |
| (32,471) | Upward revaluation of assets | (7,569) |
| 2,030 | Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services | 18,111 |
| **(30,441)** | Surplus or deficit on revaluation of non-current assets posted to the Surplus/Deficit on the Provision of Services | **10,542** |
| 6,867 | Difference between fair value depreciation and historical cost depreciation | 3,222 |
| 2,793 | Revaluation gains on Property, Plant and Equipment (used to reverse previous revaluation losses) | 0 |
| 0 | Accumulated gains on assets sold or scrapped (prior year) | 0 |
| 0 | Accumulated gains on assets sold or scrapped | 8 |
| **9,660** | Amount written off to the Capital Adjustment Account | **3,230** |
| **(104,356)** | **Balance at 31 March** | **(90,584)** |

**Pensions Reserve**

| 2010/11 £000 | | 2011/12 £000 |
|---|---|---|
| **359,200** | **Balance at 1 April** | **137,900** |
| (151,900) | Actuarial gains or losses on pension assets and liabilities | 91,300 |
| (50,200) | Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the provision of services in the CIES | 16,000 |
| (19,200) | Employer's pensions contributions and direct payments to pensioners payable in the year | (19,100) |
| **137,900** | **Balance at 31 March** | **226,100** |

**Capital Adjustment Account**

| 2010/11 £000 | | 2011/12 £000 |
|---|---|---|
| **(379,571)** | **Balance at 1 April** | **(383,281)** |
| | *Reversal of items relating to capital expenditure debited or credited to the CIES:* | |
| 24,751 | - Charges for depreciation of non current assets | 16,201 |
| 0 | - Charges for impairment of non current assets | 19,379 |
| 9,864 | - Revaluation losses on Property, Plant and Equipment | 66,771 |
| | - Revaluation gains on Property, Plant and Equipment (used to reverse previous revaluation losses) | (204) |
| 52 | - Amortisation of intangible assets | 240 |
| 5,198 | - Revenue expenditure funded from capital under statute | 614 |
| 27,927 | - Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES | 39,686 |
| 8,010 | - Unequal Pay Back Pay | 0 |
| 191 | - Prior year adjustments | 0 |
| **75,993** | | **142,687** |
| (9,660) | Adjusting amounts written out of the Revaluation Reserve | (3,230) |
| **66,333** | Net written out amount of the cost of non current assets consumed in the year | **139,457** |
| | *Capital financing applied in the year:* | |
| (1,188) | - Use of the Capital Receipts Reserve to finance new capital expenditure | (174) |
| (5) | - Use of the Capital Investment Reserve to finance new capital expenditure | (35) |
| (33,768) | - Capital grants and contributions credited to the CIES that have been applied to capital financing | (25,503) |
| (23,694) | - Application of grants to capital financing from the Capital Grants & Other Contributions Unapplied Account and REFCUS Reserve | (1,466) |
| (9,889) | - Statutory provision for the financing of capital investment charged against the General Fund | (10,565) |
| (5,366) | - Capital expenditure charged against the General Fund | (2,311) |
| **(73,910)** | | **(40,054)** |
| 3,867 | Movements in the market value of Investment Properties debited or credited to the CIES | 5,251 |
| 0 | Movement in the Donated Assets Account credited to the CIES | 0 |
| **(383,281)** | **Balance at 31 March** | **(278,627)** |

**Deferred Capital Receipts Reserve**

| 2010/11 £000 | | 2011/12 £000 |
|---|---|---|
| **(110)** | **Balance at 1 April** | **(66)** |
| 0 | Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the CIES | 0 |
| 19 | Transfer to the Capital Receipts Reserve upon receipt of cash | 29 |
| 25 | Mortgage Principal Repaid in Previous Years | 5 |
| **(66)** | **Balance at 31 March** | **(32)** |

Deferred Capital Receipts are amounts to be derived from the sale of assets, which will be received in instalments over agreed periods of time. The balance at 31 March 2012 is the outstanding amount due to the Council from providing mortgages to tenants on the sale of council houses; the mortgages are shown under long-term debtors.

**Financial Instruments Adjustment Account**

| 2010/11 £000 | | 2011/12 £000 |
|---|---|---|
| **(821)** | **Balance at 1 April** | **(610)** |
| 0 | Premiums incurred in the year and charged to the CIES | 0 |
| 212 | Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements | 213 |
| 212 | Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements | 213 |
| **(610)** | **Balance at 31 March** | **(397)** |

**Collection Fund Adjustment Account**

| 2010/11 £000 | | 2011/12 £000 |
|---|---|---|
| **(675)** | **Balance at 1 April** | **(608)** |
| 67 | Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements | (366) |
| **(608)** | **Balance at 31 March** | **(974)** |

**Short Term Accumulating Compensated Absences Account**

| 2011/12 £000 | | 2011/12 £000 |
|---|---|---|
| **5,316** | **Balance at 1 April** | **3,834** |
| (5,316) | Settlement or cancellation of accrual made at the end of the preceding year | 62 |
| 3,834 | Amounts accrued at the end of the current year | 0 |
| (1,482) | 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 | 62 |
| **3,834** | **Balance at 31 March** | **3,896** |

**33. Provisions**

**Short Term Provisions**

| 31 March 2011 £000 | | 31 March 2012 £000 |
|---|---|---|
| 0 | CRC Provision | (270) |
| (8,010) | Unequal Pay Back Pay | (8,010) |
| **(8,010)** | **Total** | **(8,280)** |

**Provisions**

| | Insurance Fund | | Ruby Street | | Other Provisions | | Total | |
|---|---|---|---|---|---|---|---|---|
| | 2010/11 £000 | 2011/12 £000 | 2010/11 £000 | 2011/12 £000 | 2010/11 £000 | 2011/12 £000 | 2010/11 £000 | 2011/12 £000 |
| Balance at 1 April | (3,265) | (3,213) | (114) | (114) | (127) | (136) | (3,506) | (3,463) |
| Additional Provisions Made in Year | (1,435) | (2,841) | 0 | (19) | (9) | (1,099) | (1,444) | (3,959) |
| Amounts Used in Year | 1,487 | 2,771 | 0 | 133 | 0 | 1,168 | 1,487 | 4,072 |
| **Balance at 31 March** | **(3,213)** | **(3,283)** | **(114)** | **0** | **(136)** | **(67)** | **(3,463)** | **(3,350)** |

**Insurance Fund**

The fund is mainly to cover the third party and employer's liability claims that are settled for amounts less than the excess on the policy for that year. External insurers continue to cover claims for amounts above the excess.

**Other Provisions**

Other provisions includes the Stalybridge Railway Clock Fund and the Pension Probate.

## 34. Capital Expenditure and Capital Financing

| 2010/11 £000 | | 2011/12 £000 |
|---|---|---|
| 216,028 | **Opening Capital Financing Requirement plus PFI added in Year** | 236,508 |
| | Capital Investment | |
| 87,226 | Property, Plant and Equipment | 118,073 |
| 225 | Investment Properties | 175 |
| 1,034 | Intangible assets | 243 |
| 9,666 | Revenue Expenditure Funded from Capital under Statute | 6,831 |
| | Sources of Finance | |
| (1,188) | Capital Receipts | (174) |
| (61,932) | Government Grants and Other Contributions | (33,186) |
| (4,683) | Direct Revenue Contributions | (2,311) |
| (688) | Contribution from Capital Reserve | (35) |
| (9,180) | Minimum Revenue Provision | (9,775) |
| **236,508** | **Closing Capital Financing Requirement** | **316,349** |

### Explanation of Movements in Year

| 2010/11 £000 | | 2011/12 £000 |
|---|---|---|
| 377 | Increase in underlying need to borrow (supported by government financial assistance) | (205) |
| 309 | Increase in underlying need to borrow (unsupported by government financial assistance) | (1,884) |
| (409) | Assets acquired under finance leases | (169) |
| 20,204 | Assets acquired under PFI / PPP contracts | 82,099 |
| **20,481** | **Increase / (decrease) in Capital Financing Requirement** | **79,841** |

## 35. Leases

### Finance Leases

The Council had 48 assets under finance leases in 2011/12. The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

| 31 March 2011 £000 | | 31 March 2012 £000 |
|---|---|---|
| 2,469 | Other Land and Buildings | 81 |
| 263 | Vehicles, Plant, Furniture and Equipment | 16 |
| **2,732** | **Total** | **97** |

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 Authority and finance costs that will be payable by the Authority in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

| 31 March 2011 £000 | | 31 March 2012 £000 |
|---|---|---|
| | Finance lease liabilities (net present value of minimum lease payments): | |
| (171) | · current | (36) |
| (2,667) | · non current | (2,650) |
| (17,706) | Finance costs payable in future years | (17,395) |
| **(20,544)** | **Minimum lease payments** | **(20,081)** |

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

| Minimum Lease Payments 2010/11 | Finance Lease Liabilities 2010/11 | | Minimum Lease Payments 2010/11 | Finance Lease Liabilities 2010/11 |
|---|---|---|---|---|
| (486) | (171) | Not later than one year | (35) | (23) |
| (1,164) | (39) | Later than one year and not later than five years | (1,144) | (33) |
| (18,894) | (2,628) | Later than five years | (18,902) | (2,629) |
| **(20,544)** | **(2,838)** | | **(20,081)** | **(2,686)** |

The Council has sub-let some of the office accommodation held under these finance leases. At 31 March 2012 the minimum payments expected to be received under non-cancellable sub-leases was £15k.

**Operating Leases**

The Council had 195 assets under operating leases in 2011/12, with typical lives of 3-5years. The future minimum lease payments due under non-cancellable leases in future years are:

| 2010/11 £000 | | 2011/12 £000 |
|---|---|---|
| 484 | Not later than one year | 472 |
| 472 | Later than one year and not later than five years | 0 |
| 0 | Later than five years | 0 |
| **956** | | **472** |

The expenditure charged to the Central Services line in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

| | £000 | 2011/12 £000 |
|---|---|---|
| Minimum lease payments | 2,234 | 1,197 |
| Contingent rents | 0 | 0 |
| [Sublease payments receivable] | 0 | 0 |
| | **2,234** | **1,197** |

**Authority as Lessor**

During 2011/12 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:

| 2010/11 £000 | | 2011/12 £000 |
|---|---|---|
| 743 | Not later than one year | 743 |
| 2,686 | Later than one year and not later than five years | 2,686 |
| 44,127 | Later than five years | 43,489 |
| **47,556** | | **46,919** |

The expenditure charged to the Central Services line in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

| 2010/11 £000 | | 2011/12 £000 |
|---|---|---|
| 47,556 | Minimum lease payments | 46,919 |
| 0 | Contingent rents | 0 |
| 0 | [Sublease payments receivable] | 0 |
| **47,556** | | **46,919** |

## 36. Private Finance Initiatives & Similar Contracts

### a. Private Finance Initiative - Hattersley Schools PFI Project

The Council entered into a 30-year PFI contract on 19 June 2002, with Interserve plc and the Halifax Bank of Scotland, (trading as Pyramid Schools (Tameside) Ltd) to provide a 210 place school for Arundale Primary and Nursery School in Hattersley, a 420 place school for Pinfold Primary School also in Hattersley and a 750 place school for Alder Community High School in Gee

Cross, Hyde. Services commenced at the primary schools on 9 September 2002 and at the high school in April 2003. The Council pays a unitary charge for the provision of accommodation and facilities management at the schools. The capital costs within the unitary charge are offset by the specific grant payment reflecting the notional credit approval issued by Department for Education (DfE). The total contractual unitary charge payment for the two primary schools and the high school in 2011/12 was £2.855m (£2.854m in 2010/11). The grant received was £1.738m (£1.742m in 2010/11).

The grant was initially based on the notional debt outstanding at the beginning of each financial year, which reduced by a nominal 4% on an annual basis. This changed in 2006/07 when an annuity basis of payment was introduced, giving a constant grant payment for the remainder of the scheme's life. The unitary charge will increase on an annual basis to reflect increases in line with the retail price index on the indexed element (44%). The Council has, therefore, 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 period of the contract. The reserve is also to be credited with the Council's share of any deductions made for unavailability and performance, refinancing gains, capital and revenue contributions from the schools and other relevant Services for Children and Young People budgets that are not expended in year, and interest.

The affordability of future unitary charge payments will be assessed on an annual basis and contributions to the reserve considered when determining the overall SCYP budget allocation. The balance on the reserve at 31 March 2011 was £1.518m (£1.893m in 2010/11).

The table below shows details of the value of assets and liabilities held under the Hattersley PFI contract:

| | **2011/12 £000** |
|---|---|
| **Cost or Valuation** | |
| **Balance at 1 April** | **22,506** |
| Additions | 53 |
| Revaluation decreases recognised in the Revaluation Reserve | (4,124) |
| **Balance at 31 March** | **18,435** |
| | |
| **Accumulated Depreciation and Impairment** | |
| **Balance at 1 April** | **(2,047)** |
| Depreciation Charge | (687) |
| **Balance at 31 March** | **(2,734)** |

| | |
|---|---|
| **NBV at 31 March 2012** | **15,701** |
| **NBV at 1 April 2011** | **20,459** |

| | |
|---|---|
| **PFI Liability at 31 March 2012** | **14,627** |
| **PFI Liability at 1 April 2011** | **14,892** |

The estimated balance outstanding of the amount that will eventually be paid under the contract is £79.736m, assuming the contract ends on its due date of 8 September 2032 and the table below summarises these values:

| Hattersley Schools PFI Contract | Estimated Contract Payment | | | | | |
|---|---|---|---|---|---|---|
| | 2012/13 | 2013/14-2017/18 | 2018/19-2022/23 | 2023/24-2027/28 | 2028/29-2032/33 | Total from 2012/13 Onwards |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Liability | 365 | 1,693 | 2,014 | 4,160 | 6,395 | 14,627 |
| Finance Costs | 1,596 | 7,468 | 6,417 | 4,976 | 2,212 | 22,669 |
| Contingent Rental Finance Costs | 325 | 1,948 | 2,503 | 3,609 | 4,329 | 12,714 |
| Service Charges | 866 | 5,616 | 7,607 | 7,231 | 8,406 | 29,726 |
| **Total Charges** | **3,152** | **16,725** | **18,541** | **19,976** | **21,342** | **79,736** |

### b. Building Schools for the Future

The objective of the Building Schools for the Future (BSF) programme is to transform Secondary Education both through the development of personalised learning and new ways of learning and teaching, as well as providing major capital investment into school facilities and Information Communication Technology (ICT) services.

The Council secured over £186m capital and ICT funding through PFI and traditional grant in Wave 3 of the national BSF programme. This includes the design and build contracts for the co-located New Charter Academy and Samuel Laycock School and Droylsden Academy buildings and the PFI contracts for the Mossley Hollins, St Damian's Science College, Hyde Technology School, Thomas Ashton School, Denton Community College, White Bridge College and Elmbridge School buildings.

Alder Community High School's network cabling was upgraded during the summer term 2009 and the School also commenced a full ICT Managed Service from September 2010. The Council has also earmarked £21.7m of capital receipts from the disposal of surplus secondary school sites to the BSF programme but only 50% of that sum, pending a clearer view of the level of capital receipts is achievable in the current economic climate.

The cost of providing full facilities management services and life cycle maintenance for all maintained Secondary schools that will be developed through the BSF programme (for both PFI and traditionally funded schools) has been included within the final business cases for each phase of schemes. The affordability gap between the cost of the PFI Unitary Charge and Facilities Management services less school contributions was £1.487m per annum at April 2009 prices when the contract was let. The Schools Forum has agreed to meet this shortfall through on-going contributions from the Dedicated Schools Grant and the creation of a reserve which will accrue interest and contribute to the affordability of the on-going services. The affordability position will be reviewed in 2012/13 to take account of changes in any of the assumptions of expenditure, income, interest and inflation rates. It will also be reviewed to take account of the impact of any changes in School status. (ie Academisation).

The actual balance of the reserve at 31 March 2012 is £6.537m (£5.717m at 31 March 2011), which is made up of the following contributions:

| | £'000 |
|---|---|
| **Balance as at 31st March 2011** | **5,717** |
| Retained Devolved Formula Capital | 80 |
| Retained DSG | 890 |
| BSF Grant | 6,459 |
| School DSG Contributions | 1,887 |
| Investment Income & Reserve Interest | 121 |
| YPLA Sixth Form Grant | 1,016 |
| One-off Business Rate Refunds | 363 |
| Use of the Reserve | (9,996) |
| **Total** | **6,537** |

The Council entered into a 25 year PFI agreement to deliver new schools and facilities management services for Mossley Hollins and St Damian's high schools on 4 February 2009. Construction started on site on 9 March 2009 and Mossley Hollins was completed in February 2011 and St Damian's in April 2011. Both schools are now operational. The total value of the PFI contract is £82.569m including £38.736m operating costs and £43.833m funding needed during construction at April 2008 prices. The capital cost of the two PFI schools is £39.532m. The unitary charge is £5.405m per annum plus inflation. Both schools have signed Governing Body agreements committing them to making their contribution to the PFI unitary charge and the ICT services contract revenue costs. Each school will contribute £580 per pupil, per year, to the cost of the unitary charge, based on a capacity of 750 pupils each and £105 per pupil based on pupil numbers on roll, again at April 2008 prices.

The table below shows details of the value of assets and liabilities held under BSF PFI contract:

| | 2011/12 £000 |
|---|---|
| **Cost or Valuation** | |
| **Balance at 1 April** | **20,512** |
| Additions / Recognition | 18,602 |
| Revaluation decreases recognised in the surplus/deficit on the provision of services | (593) |
| **Balance at 31 March** | **38,521** |
| | |
| **Accumulated Depreciation and Impairment** | |
| **Balance at 1 April** | **(3)** |
| Depreciation Charge | (407) |
| **Balance at 31 March** | **(410)** |

| | |
|---|---|
| **NBV at 31 March 2012** | **38,111** |
| **NBV at 1 April 2011** | **20,509** |

| | |
|---|---|
| **PFI Liability at 31 March 2012** | **37,821** |
| **PFI Liability at 1 April 2011** | **20,057** |

The estimated balance outstanding of the amount that will eventually be paid under the contract is £175.268m. In line with the contract modelled below, the total cost over the life of the project includes for example both operating costs and assumed costs in respect of interest and inflation charges.

The table below summarises these values on the assumption the contract ends on its due date of 27th February 2036:

| Mossley Hollins and St Damian's PFI Contract | Estimated Contract Payment | | | | | | |
|---|---|---|---|---|---|---|---|
| | 2012/13<br>£000 | 2013/14-2017/18<br>£000 | 2018/19-2022/23<br>£000 | 2023/24-2027/28<br>£000 | 2028/29-2032/33<br>£000 | 2033/34-2035/36<br>£000 | Total from 2012/13 Onwards<br>£000 |
| Liability | 258 | 3,299 | 4,958 | 7,874 | 10,217 | 9,525 | 36,131 |
| Finance Costs | 3,403 | 16,264 | 14,507 | 11,789 | 7,873 | 1,962 | 55,798 |
| Contingent Rental Finance Costs | 247 | 1,930 | 3,194 | 4,679 | 5,818 | 4,560 | 20,428 |
| Service Charges | 1,716 | 9,529 | 11,164 | 12,610 | 17,444 | 10,448 | 62,911 |
| **Total Charges** | **5,624** | **31,022** | **33,823** | **36,952** | **41,352** | **26,495** | **175,268** |

A second 25 year PFI contract was signed in April 2010, to deliver new facilities and services for Hyde Technology School, Thomas Ashton School, Denton Community College, White Bridge College and Elmbridge School. The first school, White Bridge College, was completed and handed over in September 2011, with the remaining four being completed and handed over in line with the original programme on 3 January 2012.

The total value of the PFI contract is £131.905m including £63.214m operating costs and £68.691m funding needed during the construction at April 2010 prices. The capital cost of the five PFI schools is £65.255m. The base unitary charge is £9.409m per annum plus inflation. Schools have signed Governing Body agreements committing them to making their contribution to the PFI unitary charge and the ICT services contract revenue costs. Each mainstream school will contribute a basic £580 per pupil, per year, to the cost of the unitary charge based on capacity each and £105 per pupil based on pupil numbers on roll, at April 2008 prices. Special schools and pupil referral units will make contributions based on premises budgets as the number of pupils to space ratio is much lower.

The table below shows details of the value of assets and liabilities held under this BSF PFI contract:

| | 2011/12 £000 |
|---|---|
| **<u>Cost or Valuation</u>** | |
| **Balance at 1 April** | **0** |
| Recognition | 65,255 |
| Revaluation decreases recognised in the surplus/deficit on the provision of services | (6,001) |
| **Balance at 31 March** | **59,254** |
| | |
| **<u>Accumulated Depreciation and Impairment</u>** | |
| **Balance at 1 April** | **0** |
| Depreciation Charge | 0 |
| **Balance at 31 March** | **0** |

| | |
|---|---|
| **NBV at 31 March 2012** | **59,254** |
| **NBV at 1 April 2011** | **0** |

| | |
|---|---|
| **PFI Liability at 31 March 2012** | **65,197** |
| **PFI Liability at 1 April 2011** | **0** |

The estimated balance outstanding of the amount that will eventually be paid under the contract is £294.777m. In line with the contract modelled below, the total cost over the life of the project includes for example, both operating costs and assumed costs in respect of interest and inflation charges.

The table below summarises these values on the assumption the contract ends on its due date in September 2037:

| **Five School PFI Contract** | **Estimated Contract Payment** | | | | | | |
|---|---|---|---|---|---|---|---|
| | **2012/13 £000** | **2013/14-2017/18 £000** | **2018/19-2022/23 £000** | **2023/24-2027/28 £000** | **2028/29-2032/33 £000** | **2033/34-2037/38 £000** | **Total from 2012/13 Onwards £000** |
| Liability | 916 | 5,691 | 7,638 | 12,011 | 16,122 | 22,818 | 65,196 |
| Finance Costs | 6,475 | 30,867 | 27,601 | 22,986 | 16,371 | 6,447 | 110,747 |
| Contingent Rental Finance Costs | 165 | 1,652 | 3,058 | 4,689 | 6,101 | 7,182 | 22,847 |
| Service Charges | 2,183 | 12,234 | 15,612 | 18,039 | 24,597 | 23,322 | 95,987 |
| **Total Charges** | **9,739** | **50,444** | **53,909** | **57,725** | **63,191** | **59,769** | **294,777** |

The Council in accordance with national policy is procuring the BSF programme through the establishment of a Local Education Partner (LEP) and has followed the European Union competitive dialogue procurement process. A Local Education Partnership (LEP) was established with Inspired Spaces (Carillion Plc. and Building Schools for the Future Investments Limited) on 4 February 2009. The Council also entered into a 6 year ICT managed services contract for all high schools and academies on 4 February 2009 with Ramesys Ltd. The Council has taken up its option to invest 10% share of equity in the LEP. It has also taken up its 10% investment in the PFI.

## 37. Events After the Balance Sheet Date

No events have occurred between the 1st April 2012 and the 28th June 2012 that might have a bearing upon the financial results of 2011/12 and the financial position presented in the Balance Sheet.

## 38. Adjustments between Accounting Basis and Funding Basis under Regulation

| | Usable Reserves | | | | |
|---|---|---|---|---|---|
| **2011/12** | **General Fund Balances £000** | **Capital Receipts Unapplied Account £000** | **Capital Grants and Other Contributions Unapplied Reserve £000** | **REFCUS Reserve £000** | **Movement in Unusable Reserves £000** |
| **Adjustments to Capital Adjustment A/C:** | | | | | |
| Reversal of items debited or credited to the CIES: | | | | | |
| Charges for depreciation of non current assets | (16,201) | | | | 16,201 |
| Charges for impairment of non current assets | (19,379) | | | | 19,379 |
| Revaluation losses on PPE | (66,771) | | | | 66,771 |
| Revaluation gains on PPE (used to reverse previous revaluation losses) | 204 | | | | (204) |
| Movements in the market value of Investment Properties | (5,251) | | | | 5,251 |
| Amortisation of Intangible Assets | (240) | | | | 240 |
| Capital grant and contributions received/repaid in year | 34,357 | | (8,456) | (398) | (25,503) |
| Capital grant and contributions received in previous years - applied | | | 1,466 | | (1,466) |
| Revenue Expenditure Funded from Capital under Statute | (2,899) | | 871 | 1,414 | 614 |
| Amounts of non current assets written off on disposal or sale as part of the gains/loss on disposal to the CIES | (39,686) | | | | 39,686 |
| Unequal Pay Back Pay | | | | | 0 |
| Prior Year Adjustments | | | | | 0 |
| Insertion of items not debited or credited to the CIES: | | | | | |
| Statutory provision for the financing of capital investment: - | | | | | |
| - Minimum revenue provision (MRP) for capital financing | 9,775 | | | | (9,775) |
| - GM and lancashire debt repayment | 790 | | | | (790) |
| Capital expenditure charged against General Fund balances | 2,311 | | | | (2,311) |
| Use of Capital Investment Reserve to Finance Capital Exp | 35 | | | | (35) |
| Use of the Capital Receipts Reserve to finance capital exp | | 174 | | | (174) |
| **Adjustments to Capital Receipts Unapplied Account:** | | | | | |
| Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES | 146 | (146) | | | 0 |
| Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool | (2) | 2 | | | 0 |
| **Adjustments to Deferred Capital Receipts Reserve:** | | | | | |
| Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the CIES | | | | | 0 |
| Transfer to Capital Receipts Reserve upon receipt of cash | | (29) | | | 29 |
| Mortgage principal repaid in previous years | (5) | | | | 5 |
| **Adjustments to Financial Instruments Adjustment A/C:** | | | | | |
| Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements | (212) | | | | 212 |
| **Adjustments to Pensions Reserve:** | | | | | |
| Reversal of items relating to retirement benefits debited or credited to the CIES (see note 47) | (16,000) | | | | 16,000 |
| Employer's pensions contributions and direct payments to pensioners payable in the year | 19,100 | | | | (19,100) |
| **Adjustments to Collection Fund Adjustment A/C:** | | | | | |
| Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements | 366 | | | | (366) |
| **Adjustment to Accumulating Compensated Absences Adjustment A/C:** | | | | | |
| 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 | (62) | | | | 62 |
| **Total Adjustments** | **(99,624)** | **0** | **(6,119)** | **1,016** | **104,725** |

| 2010/11 | Usable Reserves: General Fund Balances £000 | Usable Reserves: Capital Receipts Unapplied Account £000 | Usable Reserves: Capital Grants and Other Contributions Unapplied Reserve £000 | Usable Reserves: REFCUS Reserve £000 | Movement in Unusable Reserves £000 |
|---|---|---|---|---|---|
| **Adjustments to Capital Adjustment A/C:** | | | | | |
| Reversal of items debited or credited to the CIES: | | | | | |
| Charges for depreciation of non current assets | (24,751) | | | | 24,751 |
| Charges for impairment of non current assets | 0 | | | | 0 |
| Revaluation losses on PPE | (9,864) | | | | 9,864 |
| Revaluation gains on PPE (used to reverse previous revaluation losses) | 2,793 | | | | (2,793) |
| Movements in the market value of Investment Properties | (3,867) | | | | 3,867 |
| Amortisation of Intangible Assets | (52) | | | | 52 |
| Capital grant and contributions received/repaid in year | 38,637 | | (4,162) | (708) | (33,767) |
| Capital grant and contributions received in previous years - applied | | | 23,689 | | (23,689) |
| Revenue Expenditure Funded from Capital under Statute | (6,136) | | 39 | 899 | 5,198 |
| Amounts of non current assets written off on disposal or sale as part of the gains/loss on disposal to the CIES | (27,927) | | | | 27,927 |
| Unequal Pay Back Pay | (8,010) | | | | 8,010 |
| Prior Year Adjustments | (191) | | | | 191 |
| Insertion of items not debited or credited to the CIES: | | | | | |
| Statutory provision for the financing of capital investment: - | | | | | |
| - Minimum revenue provision (MRP) for capital financing | 9,180 | | | | (9,180) |
| - GM and lancashire debt repayment | 709 | | | | (709) |
| Capital expenditure charged against General Fund balances | 5,366 | | | | (5,366) |
| Use of Capital Receipts Reserve to Finance Capital Exp | 5 | | | | (5) |
| **Adjustments to Capital Receipts Reserve:** | | | | | |
| Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES | 1,178 | (1,178) | | | 0 |
| Use of the Capital Receipts Reserve to finance capital exp | | 1,188 | | | (1,188) |
| Contribution from the Capital Receipts Reserve towards administrative costs of non current asset disposals | | | | | 0 |
| Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool | (9) | 9 | | | 0 |
| **Adjustments to Deferred Capital Receipts Reserve:** | | | | | |
| Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the CIES | | | | | 0 |
| Transfer to Capital Receipts Reserve upon receipt of cash | | (19) | | | 19 |
| Mortgage principal repaid in previous years | (23) | | | | 23 |
| **Adjustments to Financial Instruments Adjustment A/C:** | | | | | |
| Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements | (212) | | | | 212 |
| **Adjustments to Pensions Reserve:** | | | | | |
| Reversal of items relating to retirement benefits debited or credited to the CIES (see note 47) | 50,200 | | | | (50,200) |
| Employer's pensions contributions and direct payments to pensioners payable in the year | 19,200 | | | | (19,200) |
| **Adjustments to Collection Fund Adjustment A/C:** | | | | | |
| Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements | (67) | | | | 67 |
| **Adjustment to Accumulating Compensated Absences Adjustment A/C:** | | | | | |
| 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 | 1,482 | | | | (1,482) |
| **Total Adjustments** | **47,641** | **0** | **19,566** | **191** | **(67,397)** |

## 39. Transfer to/from Earmarked Reserve

| Balance at 1 April 2010 £000 | Transfers Out 2010/11 £000 | Transfers In 2010/11 £000 | Balance at 31 March 2011 £000 | | Balance at 1 April 2011 £000 | Transfers Out 2011/12 £000 | Transfers In 2011/12 £000 | Balance at 31 March 2012 £000 |
|---|---|---|---|---|---|---|---|---|
| (5,144) | 5,144 | 0 | 0 | ABG Reserve | 0 | 0 | 0 | 0 |
| (90) | 0 | 0 | (90) | Automatic Number Plate Recognition | (90) | 0 | 0 | (90) |
| (53) | 0 | 0 | (53) | Aquifer Museum Reserve | (53) | 0 | (121) | (174) |
| (2) | 2 | 0 | 0 | Ashton Library Repairs | 0 | 0 | (8) | (8) |
| (3,779) | 952 | (2,890) | (5,717) | BSF Affordability Reserve | (5,717) | 9,938 | (10,759) | (6,538) |
| (200) | 0 | 0 | (200) | Schools Redeployment Reserve | (200) | 200 | 0 | 0 |
| (7,603) | 2,003 | (258) | (5,858) | Budget Strategy | (5,858) | 0 | (8,746) | (14,604) |
| 0 | 0 | 0 | 0 | Sustcom Budget Strategy Reserve | 0 | 0 | (490) | (490) |
| 0 | 0 | (500) | (500) | Governance Budget Strategy Reserve | (500) | 0 | (100) | (600) |
| 0 | 0 | (5,000) | (5,000) | Adults Budget Strategy Reserve | (5,000) | 0 | 0 | (5,000) |
| (125) | 0 | (1,220) | (1,345) | SCYP Budget Strategy Reserve | (1,345) | 1,220 | 0 | (125) |
| (3,816) | 4,847 | (1,853) | (822) | Capital Investment | (822) | 1,902 | (2,956) | (1,876) |
| (12) | 0 | 0 | (12) | Capital Tameside | (12) | 24 | (12) | 0 |
| (24) | 0 | (91) | (115) | Cemetery & Crematoria | (115) | 0 | (91) | (206) |
| (553) | 0 | (128) | (681) | Childrens Centre Reserve | (681) | 690 | (9) | 0 |
| (80) | 0 | 0 | (80) | Childrens Legal Costs Reserve | (80) | 80 | 0 | 0 |
| (236) | 0 | (210) | (446) | Corporate Initiatives | (446) | 13 | (2,204) | (2,637) |
| 0 | 0 | 0 | 0 | DAs Neighbourhood Management Transitional Budget R | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | DAs Operational Servs Transitional Budget Reserve | 0 | 0 | 0 | 0 |
| (150) | 0 | (393) | (543) | Co Location of Drugs Service Reserve | (543) | 0 | (7) | (550) |
| (4,327) | 6,879 | (8,693) | (6,142) | Early Retirements | (6,142) | 0 | (1,439) | (7,581) |
| (149) | 0 | 0 | (149) | Emergency Response | (149) | 0 | 0 | (149) |
| (1,101) | 0 | (354) | (1,455) | Energy Efficiency Reserve | (1,455) | 1,455 | 0 | 0 |
| (177) | 49 | (535) | (663) | Financial/Corporate Systems | (663) | 322 | 0 | (341) |
| (141) | 0 | (194) | (335) | Future Premiums | (335) | 0 | (904) | (1,239) |
| (1,003) | 0 | (4) | (1,007) | Hard Facilities Management Serv Contract Reserve | (1,007) | 0 | (4) | (1,011) |
| (300) | 0 | 0 | (300) | Hattersley Highway Reserve | (300) | 0 | 0 | (300) |
| (984) | 0 | 0 | (984) | Hattersley Regeneration Reserve | (984) | 256 | 0 | (728) |
| (588) | 41 | (118) | (665) | ICT Strategy Reserve | (665) | 1,509 | (1,344) | (500) |
| (1,579) | 0 | 0 | (1,579) | Improvement & Efficiency Reserve | (1,579) | 1,579 | 0 | 0 |
| (123) | 69 | (7) | (61) | Industrial Estates | (61) | 0 | (17) | (78) |
| (5,912) | 0 | (635) | (6,546) | Insurance Reserves | (6,546) | 0 | (829) | (7,375) |
| 0 | 0 | 0 | 0 | Planning LIA Reserve | 0 | 0 | (34) | (34) |
| 0 | 0 | (60) | (60) | Operational Depot Reserve | (60) | 0 | (100) | (160) |
| 0 | 0 | (1,436) | (1,436) | Partnership Strategy Reserve | (1,436) | 843 | 0 | (593) |
| (2,250) | 0 | 0 | (2,250) | Pay Equalities Reserve | (2,250) | 116 | 0 | (2,134) |
| (172) | 75 | 0 | (97) | Peer Support Reserve | (97) | 75 | 0 | (22) |
| (1,893) | 383 | (8) | (1,518) | PFI Reserve | (1,518) | 3,407 | (3,144) | (1,255) |
| (51) | 0 | 0 | (51) | Planning PDG Reserve | (51) | 0 | (5) | (56) |
| (122) | 2 | 0 | (120) | Pole Bank Depot | (120) | 0 | 0 | (120) |
| (109) | 0 | (63) | (172) | Patrollers Radio System | (172) | 0 | 0 | (172) |
| (3,610) | 43 | (5,077) | (8,644) | Unspent Revenue Grant & Contribution Reserves | (8,644) | 8,691 | (3,329) | (3,282) |
| (113) | 0 | (36) | (149) | Risk Initiatives | (149) | 42 | (41) | (148) |
| 0 | 0 | 0 | 0 | Ruby Street Reserve | 0 | 0 | (133) | (133) |
| (183) | 76 | (28) | (134) | Sports Club Development Fund Reserve | (134) | 0 | 0 | (134) |
| (229) | 180 | (150) | (199) | Schools Teachers Early Retirement Reserve | (198) | 0 | (120) | (318) |
| (200) | 0 | 0 | (200) | Children & Learning Early Retirements Reserve | (200) | 200 | 0 | 0 |
| (556) | 0 | (145) | (701) | Stamford Park Reserve | (701) | 0 | (145) | (846) |
| (100) | 0 | 0 | (100) | Supporting People Reserve | (100) | 100 | 0 | 0 |
| (120) | 0 | 0 | (120) | Former Surestart PCT Employees Reserve | (120) | 0 | 0 | (120) |
| (142) | 0 | 0 | (142) | Theatre Reserve | (142) | 0 | 0 | (142) |
| (650) | 99 | (99) | (650) | Traffic Management | (650) | 130 | (157) | (677) |
| (40) | 0 | (130) | (170) | Transport Replacement Fleet Reserve | (170) | 0 | (282) | (452) |
| (2,547) | 0 | (410) | (2,957) | Waste PFI Reserve | (2,957) | 0 | (139) | (3,096) |
| 0 | 0 | (150) | (150) | Winter Gritting Reserve | (150) | 0 | (65) | (215) |
| (40) | 0 | 0 | (40) | Youth Clubs | (40) | 0 | (16) | (56) |
| **(51,378)** | **20,844** | **(30,875)** | **(61,408)** | **Total** | **(61,408)** | **32,792** | **(37,750)** | **(66,365)** |

**Automatic Number Plate Recognition (Crime reduction)**
Alternative funding was secured in 2010/11 in order to fund the purchase of the Automatic Number Plate Recognition equipment. The funds in this reserve have now been earmarked to fund alternative projects in line with the key priority of crime and disorder reduction.

**Museum Reserve**
A reserve to contribute to the financing of the Aquifer Gallery project.

**Ashton Library Repairs**
In accordance with the Lottery grant requirements an annual sum needs to be provided for future repairs.

**BSF Affordability**
For further information about this reserve, see pages 91-97.

**Schools Redeployment**
A reserve to finance associated cost of redeployed employees from Tameside MBC schools.

**Budget Strategy**
These reserves are earmarked to support the delivery of the Medium Term Financial Strategy.

**Capital Investment**
Unspent monies earmarked for Capital Funding will be utilised in future years in financing the Council's capital programme.

**Capital Tameside**
Part of the receipt from the sale of Council houses to New Charter Trust has been earmarked for reinvestment to finance "Capital Tameside".

**Cemeteries and Crematoria**
The Council operates 1 crematorium and 8 cemeteries. This reserve is to set aside funds for the replacement of cremators as and when they are needed.

**Children's Centre**
A reserve to finance ongoing and future children's centre building maintenance programmes.

**Children's Legal Costs**
A reserve to finance an increase of court fees paid by local authorities in childcare and adoption proceedings.

**Corporate Initiatives**
Funds have been set aside to fund the implementation of projects which support the Councils cross-cutting corporate initiatives.

**Co - Location of Drugs Service**
Funds have been set aside to fund a project to co locate dispersed Substance Misuse Services within Tameside.

**Early Retirements**
A reserve has been set up to assist in meeting future years' additional pension costs arising from the "strain on the fund" due to earlier retirement than provided for in the fund valuation.

**Emergency Response**
This reserve has been earmarked to assist in funding expenditure in the event of any major emergency response situations within the borough

**Energy Efficiency**
These funds are to support investment in energy efficiency schemes to secure future cost reductions.

**Financial / Corporate Systems**
This reserve is to be used to fund future planned implementation / maintenance of corporate computer systems.

**Future Premiums**
This reserve has been established to finance the cost of premiums in relation to future debt re-scheduling.

**Hard Facilities Management Service Contract**
The purpose of this reserve is to fund the affordability gap between the cost of the Hard Facilities Management service for New Charter Academy and their revenue and devolved capital contributions.

**Hattersley Highway**
Part of the receipt from the sale of land at Hattersley has been earmarked for reinvestment to finance highway improvements in Hattersley.

**Hattersley Regeneration**
Part of the receipt from the sale of land at Hattersley has been earmarked for reinvestment to finance regeneration initiatives in Hattersley.

**ICT Strategy**
Reserve to finance an overall Information and Document Management Strategy for the organisation.

**Industrial Estates**
Service charges are levied on four of the Council's Industrial Estates. Monies collected, based on a percentage of rental income, are set aside to cover expenditure in respect of communal areas of each estate.

**Insurance**
An assessment has been made of the Insurance Fund in order to comply with Financial Reporting Standard 12. The value shown as a reserve relates to an estimate of claims incurred but not reported

**Planning LIA Reserve**
Monies earmarked for Building Economic Resilience set aside to fund remaining initiatives.

**Partnership Strategy**
This reserve will contribute towards the effective management of new schemes, taking place through the Tameside Improvement Partnership.

**Pay Equalities**
Funds have been earmarked to support litigation costs which are occurring.

**Peer Support Reserve**
A reserve has been created to fund future initiatives in respect of business process engineering across the North West Region.

**PFI**
For further information about this reserve, see Note 36 (as with BSF Affordability and Hard Facilities Management Service Contract, this has been provided as a separate note for the accounts).

**Planning Delivery Grant (HPDG)**
The HPDG Reserve is money from a grant received in 2010/11 put to one side to fund future years Joint Waste Development Plans within Planning & Economic Development.

**Pole Bank Park**
Amounts have been set aside from revenue savings for the refurbishment of Pole Bank Park.

**Patrollers Radio System**
Reserve to support the digital radio system for the Patroller Service with the capability to link to blue light services in the future.

**Unspent Revenue Grant & Contributions**
Adoption of IFRS has meant the crediting of the Comprehensive Income and Expenditure Statement with grants and contributions, with no conditions attached, in the year of receipt. The Revenue Grant Reserve is the amount of revenue grant, with no conditions attached, put into a reserve to fund future proscribed revenue expenditure.

**Tameside Risk Initiatives**
A reserve has been created to provide training in areas of high risk insurance claiming and aims to ensure that there is a reduction in claims for the future.

**Ruby Street**
Funding has been received from the Land Agency to correct problems at the site of the former football pitch. Work cannot take place until methane gas emissions are reduced.

**Sports Club Development Fund**
This reserve relates to the development of sports clubs around the borough.

**School – Teachers Early Retirement**
A reserve to finance the associated ongoing pension cost of teachers who retire before the age of 60.

**SCYP Early Retirement**
A reserve to finance capitalised costs associated with the early retirement of employees from ongoing service reviews

**Stamford Park**
This reserve is in respect of works which will not be funded as part of the Heritage Lottery Fund scheme.

**Supporting People**
This reserve has been set up to assist potential problems in future years when the supporting people grant reduces in value.

**Former Surestart PCT Employees**
A reserve to finance future years pension costs relating to former Surestart Primary Care Trust (PCT) employees who are now employed by Tameside MBC.

**Tameside Theatre**
Fund put in place to support the future of Theatrical Arts in the Borough after the closing of Tameside Theatre.

**Traffic Management**
Contributions received from developers upon completion of a development when new infrastructure is adopted by the Authority. The future maintenance of the infrastructure asset becomes the responsibility of the Authority in perpetuity. The monies are held in reserve for future maintenance of the highway infrastructure.

**Transport Replacement Fleet**
Revenue monies set aside for future maintenance of various types of vehicle procured via prudential borrowing over a period of 3 to 5 years. Any remaining amounts at the end of the borrowing periods will be used to fund future replacement purchases.

**Waste PFI**
These funds have been set aside to smooth the impact of future years levy increases and associated managed collection costs.

**Winter Gritting**
A reserve has been created to fund any additional winter maintenance costs in future years. This is as a result of rising costs due to the adverse weather conditions of 2010/11 and 2011/12.

**40. Cash Flow Statement - Operating Activities**

The cash flows for operating activities include the following items:

| Restated 2010/11 £000 | | 2011/12 £000 |
|---|---|---|
| (1,767) | Interest received | (1,798) |
| 10,912 | Interest paid | 15,319 |
| (1,000) | Dividends received | (1,000) |

**41. Cash Flow Statement - Investing Activities**

The cash flows for investing activities include the following items:

| Restated 2010/11 £000 | | 2011/12 £000 |
|---|---|---|
| 73,481 | Purchase of property, plant and equipment, investment property and intangible assets | 45,868 |
| 168,200 | Purchase of short-term and long-term investments | 37,976 |
| 9 | Other payments for investing activities | 2 |
| (1,233) | Proceeds from the sale of property, plant and equipment, investment property and intangible assets | (181) |
| (173,951) | Proceeds from short-term and long-term investments | (83,050) |
| (35,378) | Other receipts from investing activities | (34,424) |
| 31,129 | **Net cash flows from investing activities** | (33,810) |

### 42. Cash Flow Statement - Financing Activities

The cash flows for financing activities include the following items:

| Restated 2010/11 £000 | | 2011/12 £000 |
|---|---|---|
| (5) | Cash receipts of short- and long-term borrowing | **(14)** |
| (236) | Other receipts from financing activities | **(1,155)** |
| 624 | Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts | **1,396** |
| 14,471 | Repayments of short- and long-term borrowing | **634** |
| 4,268 | Other payments for financing activities | **3,593** |
| **19,122** | **Net cash flows from financing activities** | **4,454** |

### 43. Construction Contracts

As at 31 March 2012, there were no significant construction contracts in place, where the Council was undertaking construction programmes for external customers.

### 44. Acquired and Discontinued Operations

The Council has not acquired nor discontinued any operations during 2011/12.

### 45. Agency Services

The Council has the following agency agreements as detailed below;

**a. Hattersley / Mottram Project**

The Hattersley / Mottram project involves the regeneration of land previously owned by Manchester City Council and Tameside MBC mainly for residential use. In addition, the former Manchester City Council housing stock has now transferred and is owned by Peak Valley Housing Association (PVHA). This is being improved and refurbished as part of the latter's business plan, for which £18.5m has been provided from the proceeds from the sale of the land.

The Council's partners in the development project are English Partnerships, (now Homes and Communities Agency), Contour Housing Group Ltd, (now Symphony Housing Group), PVHA, and Manchester City Council. The partners operate under a Collaboration Agreement and, in accordance with this agreement signed by the principal partners, Tameside MBC acts as the Accountable Body on behalf of the partnership. Tameside MBC receives funds from the developers (Base Hattersley and CTP Property Holdings Ltd) as per the respective development agreements and distributes the funds to the partners in priority ranking as per the Collaborative Agreement.

The balance of £2.949k is to be carried forward into 2012/13 and used to fund the remaining elements of the Hattersley Business Plan. The new District Centre including a new food retail store is scheduled to open 9th July 2012 and the community facilities are expected to open September 2012. The first phase of new private house building commenced in June 2010 and a further phase of development is expected.

The financial movements in the year were as follows:

| 2010/11 | | | | 2011/12 | | |
|---|---|---|---|---|---|---|
| **Income £000** | **Expenditure £000** | **Total £000** | | **Income £000** | **Expenditure £000** | **Total £000** |
| | | **(3,997)** | **Balances Brought Forward** | | | **(4,017)** |
| | | | | | | 0 |
| | | | Receipts from Developers in year | (5,085) | 0 | (5,085) |
| (20) | 0 | (20) | Interest Earned on Balances | (22) | 0 | (22) |
| | 0 | | Payments to PVHA | 0 | 6,175 | 6,175 |
| **(20)** | **0** | **(20)** | **Subtotal** | **(5,107)** | **6,175** | **1,068** |
| **0** | **0** | **(4,017)** | **Balance carried forward** | **(5,107)** | **6,175** | **(2,949)** |

**b. Local E Government Standards Body**

The Local E Government Standards Body was re-launched at the NWeGG Annual Conference on the 7th November 2006. Established to support the needs of Local Authorities and the Transformational Government agenda, LeGSB is embarking on a journey to facilitate the take up of standards, which can then be mapped onto a Local Government standards architecture reference model and developed with the local government community.

TMBC is the Lead Partner and Accountable Body for the project. TMBC previously received contributions from DCLG, DWP & DCSF for any expenditure incurred on the project up to the level of grant funding. The under spend in year is the balance of the funding remaining and is needed to continue the work of the project into next year

Details of Income and Expenditure are detailed below:

| **2010/11 £000** | | **2011/12 £000** |
|---|---|---|
| | **Income** | |
| (163) | Balance b/fwd | (31) |
| (10) | Contributions | (118) |
| **(173)** | **Total Income** | **(149)** |
| | **Expenditure** | |
| 131 | Staff Costs (non TMBC) | 66 |
| 11 | Supplies & Services Expenses | 24 |
| **142** | **Total Expenditure** | **90** |
| **(31)** | **Receipt in Advance** | **(59)** |

## c. I-network

In November 2011 North West 'E' Government Group (NWEGG) was re-launched as i-Network. It brings together Local Authorities across the North West to support the delivery of the local government modernisation programme referred to as eGovernment. It was set up by Local Authorities for Local Authorities.

The membership of i-Network consists of 30 North West Local Authorities and is chaired by Tameside MBC who is also the accountable body. I-Network charges membership fees in order to sustain the partnership and deliver set outcomes, this is where a significant element of funding for this programme is obtained.

Details of Income and Expenditure are detailed below:

| 2010/11 £000 | | 2011/12 £000 |
|---|---|---|
| | **Income** | |
| (47) | Balance b/fwd Revenue | (94) |
| (313) | Contributions | (417) |
| (451) | Grant - North West Improvement and Efficiency Partnership | (383) |
| **(811)** | **Total Income** | **(894)** |
| | **Expenditure** | |
| 347 | Employee Expenses | 276 |
| 14 | Premises Expenses | 4 |
| 180 | Supplies & Services Expenses | 99 |
| 176 | Project Costs | 232 |
| **717** | **Total Expenditure** | **611** |
| **(94)** | **Receipt in Advance** | **(283)** |

## d. Customer Led Transformation

Customer-led Transformation is a project designed to promote customer insight and the development of second generation websites for user empowerment funded by the Department for Communities and Local Government (DCLG). Tameside MBC has been selected to be the lead authority and as a result acts as the administrator of the funds.

The Local Government Group (LGG) monitor the delivery of the project and provide updates to the key partners, DCLG, Tameside MBC and the Local Government Delivery Council. As part of this role they authorise Tameside MBC to release payments. All expenditure incurred in respect of this project will be funded from the grant and will not be a liability to Tameside MBC.

Income and Expenditure in 2011/12 is detailed below;

| 2010/11 £000 | | 2011/12 £000 |
|---|---|---|
| | **Income** | |
| (4,745) | Balance b/fwd | (838) |
| 0 | Grant Received | 0 |
| **(4,745)** | **Total Income** | **(838)** |
| | **Expenditure** | |
| 933 | Professional Services & Consultancy | 359 |
| 2,974 | Project Payments to Authorities | 165 |
| **3,907** | **Total Expenditure** | **524** |
| **(838)** | **Receipt in Advance** | **(314)** |

**e. Collection Fund**

The Council as a billing authority acts as the agent of major preceptors when collecting Council Tax on their behalf. The major preceptors are the Greater Manchester Police Authority and the Greater Manchester Fire and Rescue Authority. No fee is chargeable for the service.

The Council, as the Billing Authority, also acts as agent for the Government in collecting National Non Domestic Rates (NNDR). The Government paid an allowance for the cost of this collection in 2011/12 of £0.301m (£0.304m in 2010/11).

## 46. Pooled Budgets

**Joint Commissioning - Integrated Older People Services**

The Authority has entered into a pooled budget arrangement with Tameside & Glossop Primary Care Trust for the provision of an Integrated Older People's Service to ensure the maximum quality of life and independence of vulnerable older people, by working in partnership across agencies and by using a whole systems approach. The Authority and the Primary Care Trust have an agreement in place for funding these services that will run from year to year unless terminated (in accordance with Partnership Agreement), with the partners contributing funds to the agreed budget as calculated in accordance with the partnership agreement.

The pooled budget is hosted by Tameside MBC on behalf of the two partners to the agreement.

| 2010/11 £000 | | | 2011/12 £000 | |
|---|---|---|---|---|
| | | Funding provided to the pooled budget: | | |
| 21,051 | | · the Authority | 19,056 | |
| 26,755 | | · the Trust | 26,655 | |
| | 47,806 | | | 45,711 |
| | | Expenditure met from the pooled budget: | | |
| 21,013 | | · the Authority | 18,905 | |
| 26,711 | | · the Trust | 26,720 | |
| | 47,724 | | | 45,625 |
| | **82** | **Net surplus arising on the pooled budget during the year** | | **86** |
| | 38 | Authority share of the net surplus arising on the pooled budget | | 151 |

**Pooled Budget - Integrated Community Equipment Service**
Tameside MBC is the host for an Integrated Community Equipment Service (ICES). The aim of ICES is to provide a community equipment service, responsive to authorised requests, which removes the burden and responsibilities from the partners regarding equipment sourcing, centralised storing, distribution, fitting and technical demonstrations, collection, recycling and serving and maintenance.

| 2010/11 £000 | | | 2011/12 £000 | |
|---|---|---|---|---|
| | | Funding provided to the pooled budget: | | |
| 300 | | · the Authority | 300 | |
| 671 | | · the Trust | 663 | |
| 50 | | · Other Authority | 50 | |
| | 1,021 | | | 1,013 |
| | | Expenditure met from the pooled budget: | | |
| 295 | | · the Authority | 330 | |
| 660 | | · the Trust | 728 | |
| 49 | | · Other Authority | 55 | |
| | 1,004 | | | 1,113 |
| | **17** | **Net surplus / (Deficit) arising on the pooled budget during the year** | | **(100)** |
| | 5 | Authority share of the net surplus arising on the pooled budget | | (30) |

## 47. Other Balances

**Manchester Airport PLC**
The holdings (£5.702m) represent shares transferred to Tameside M.B.C. on the demise of Greater Manchester Council at nil cost as opposed to cash share purchases.

## 48. Member's Allowances

The Authority paid the following amounts to members of the council during the year.

| | 2010/11 £000 | 2011/12 £000 |
|---|---|---|
| Total | 1,264 | 1,282 |

## 49. Termination Benefits

The Council did not make any compulsory redundancies in 2011/12.

| 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** | |
|---|---|---|---|---|---|---|---|---|
| | 2010/11 | 2011/12 | 2010/11 | 2011/12 | 2010/11 | 2011/12 | **2010/11** | **2011/12** |
| | | | | | | | **£000** | **£000** |
| £0-£20,000 | 0 | 0 | 833 | 178 | 833 | 178 | **7,634** | **1,748** |
| £20,001-£40,000 | 0 | 0 | 158 | 20 | 158 | 20 | **4,229** | **549** |
| £40,001-£80,000 | 0 | 0 | 12 | 3 | 12 | 3 | **558** | **153** |
| **Total** | **0** | **0** | **1003** | **201** | **1003** | **201** | **12,420** | **2,450** |

**49. Officer's Remuneration**

The remuneration paid to the Authority's senior employees is as follows:

| | 2011/12 | | | | |
|---|---|---|---|---|---|
| **Post Holder Information** | **Salary, Fees and Allowances** £ | **Compensation for Loss of Office** £ | **Total Remuneration** £ | **Employers Pension Contribution** £ | **Total Remuneration including Pension Contributions** £ |
| Chief Executive - Steven Pleasant | 166,929 | 0 | 166,929 | 27,209 | **194,138** |
| Executive Director, Children, Learning and Economic Services | 133,277 | 0 | 133,277 | 21,724 | **155,001** |
| Executive Director, Economy & Environment | 20,634 | 0 | 20,634 | 3,363 | **23,997** |
| Executive Director, Community, Environment, Adults and Health Services | 123,804 | 0 | 123,804 | 18,942 | **142,746** |
| Executive Director, Executive Support | 55,544 | 0 | 55,544 | 9,054 | **64,598** |
| Executive Director of Governance, | 124,003 | 0 | 124,003 | 20,212 | **144,215** |
| Executive Director of Finance, | 115,205 | 0 | 115,205 | 18,778 | **133,983** |
| Executive Director, Pensions | 111,283 | 0 | 111,283 | 16,879 | **128,162** |
| **TOTAL** | | | **850,679** | **136,161** | **986,840** |

| | 2010/11 | | | | |
|---|---|---|---|---|---|
| **Post Holder Information** | **Salary, Fees and Allowances** £ | **Compensation for Loss of Office** £ | **Total Remuneration** £ | **Employers Pension Contribution** £ | **Total Remuneration including Pension Contributions** £ |
| Chief Executive - Steven Pleasant | 166,929 | 0 | 166,929 | 25,540 | **192,469** |
| Executive Director, Services for Children and Young People | 133,277 | 0 | 133,277 | 20,391 | **153,668** |
| Executive Director, Economy & Environment | 123,804 | 0 | 123,804 | 18,942 | **142,746** |
| Executive Director, Community Services | 123,804 | 0 | 123,804 | 18,942 | **142,746** |
| Executive Director, Executive Support (Deputy Chief Executive) | 93,238 | 0 | 93,238 | 14,449 | **107,687** |
| Executive Director of Governance, Borough Solicitor (Deputy Chief Executive) | 120,030 | 0 | 120,030 | 18,906 | **138,936** |
| Executive Director, Finance | 114,517 | 0 | 114,517 | 17,521 | **132,038** |
| Executive Director, Pensions | 110,850 | 0 | 110,850 | 16,960 | **127,810** |
| **TOTAL** | | | **986,449** | **151,651** | **1,138,100** |

**Employees' Remuneration**

The Authority’s other employees receiving more than £50,000 remuneration for the year (excluding employer’s pension contributions) were paid the following amounts:

| Number of employees including severance 2010/11 | Remuneration band | Number of employees excluding severance 2011/12 | Number of employees including severance 2011/12 |
|---|---|---|---|
| 80 | £50,000 - £54,999 | 70 | 75 |
| 66 | £55,000 - £59,999 | 61 | 65 |
| 23 | £60,000 - £64,999 | 17 | 22 |
| 15 | £65,000 - £69,999 | 19 | 24 |
| 6 | £70,000 - £74,999 | 6 | 8 |
| 16 | £75,000 - £79,999 | 14 | 14 |
| 3 | £80,000 - £84,999 | 1 | 2 |
| 2 | £85,000 - £89,999 | 3 | 4 |
| 7 | £90,000 - £94,999 | 0 | 0 |
| 3 | £95,000 - £99,999 | 1 | 2 |
| 0 | £100,000 - £104,999 | 1 | 2 |
| 0 | £105,000 - £109,999 | 0 | 1 |
| **221** | **Total** | **193** | **219** |

This table excludes the Chief Executive and members of the Executive Management Team.

A number of employees in 2011/12 received a one off severance payment under the Council's time limited scheme. The figures above have been presented both excluding and including this payment, since severance increased the number of employees receiving total remuneration in year over £50,000 by 28 and resulted in ten employees being placed in higher bands than their normal remuneration would have placed them.

**50. External Audit Costs**

| 2010/11 £000 | | 2011/12 £000 |
|---|---|---|
| 257 | Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor | 231 |
| 0 | Fees payable to the Audit Commission in respect of statutory inspection | 0 |
| 37 | Fees payable to the Audit Commission for the certification of grant claims and returns | 52 |
| 0 | Fees payable in respect of other services provided by the appointed Auditor | 0 |
| (18) | Rebate in respect of International Financial Reporting Standards | 0 |
| (11) | Value for Money rebate | 0 |
| **265** | **Total** | **283** |

**51. Pensions Schemes Accounted for as Defined Contribution Schemes**

Teachers employed by the Council are members of the Teachers Pension Scheme, administered by the Department for Education. This scheme provides teachers with specified benefits on their retirement and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The scheme is technically a defined benefit scheme. However, the scheme is unfunded and the Department for Education uses a notional fund as a basis for calculating the employers' contribution rate paid by local authorities. The Council is not able to identify its share of underlying financial position and performance of the scheme with sufficient reliability for accounting purposes. For the purposes of this statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2011/12 the Council paid £8.351m to the Teachers Pension Agency in respect of the employers' contribution rate for teacher pensions (£9.224m in 2010/11). These contributions are based on a national rate of 14.1% 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). Since 1997 when the regulations changed, 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 2011/12 these costs amounted to £1.951m (£1.908m in 2010/11) representing 3.26% (3.17% in 2010/11) of pensionable pay. All the above figures exclude teachers pay and pension contributions for the 2 academies and 1 foundation school 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 52 Defined Benefit Pension Schemes.

**52. 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 teachers) 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 2011/12 the Council paid an employer's contribution of £15.4m (£15.5m in 2010/11) into the Fund representing 18.5% (15.2% in 2010/11) of pensionable pay. In addition, the Council is responsible for all pension payments relating to added years that it has awarded, together with related increases. In 2011/12 these amounted to £1.713m, (£1.655m in 2010/11) representing 2.05% (1.62% in 2010/11) of pensionable pay.

The cost of retirement benefits are recognised in the Net Cost of Services when they are earned by employees rather than when the benefits are eventually paid as pensions. However the charge that the Council is required to make against Council Tax is based on the cash payable in the year so the real cost of retirement benefits is reversed out of the General fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General fund Balance via the Movement in Reserves Statement during the year:

| Local Government Pension Scheme 2010/11 £000 | Discretionary Benefits Arrangements 2010/11 £000 | | Local Government Pension Scheme 2011/12 £000 | Discretionary Benefits Arrangements 2011/12 £000 |
|---|---|---|---|---|
| | | **Comprehensive Income and Expenditure Statement** | | |
| | | **Cost of Services:** | | |
| 20,400 | | · current service cost | 13,800 | |
| (77,100) | (1,600) | · past service costs | 1,400 | 0 |
| | | · settlements and curtailments | 0 | 0 |
| | | **Financing and Investment Income and Expenditure** | 0 | 0 |
| 47,500 | 1,500 | · interest cost | 39,800 | 1,400 |
| (40,900) | | · expected return on scheme assets | (40,400) | 0 |
| **(50,100)** | **(100)** | ***Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services*** | **14,600** | **1400** |
| | | **Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement** | | |
| 0 | 0 | · actuarial gains and losses | 0 | 0 |
| **(50,100)** | **(100)** | **Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement** | **0** | **0** |
| | | Movement in Reserves Statement | | |
| **50,100** | **100** | **Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code** | **(14,600)** | **(1,400)** |
| 19,200 | | Actual amount charged against the General Fund Balance for pensions in the year: | 19,100 | 0 |
| 17,200 | | - employers' contributions payable to scheme | 17,100 | 0 |
| | 2,000 | - retirement benefits payable to pensioners | 0 | 2,000 |

The cumulative amount of actuarial gains and (losses) recognised in the Other Comprehensive Income and Expenditure Account (page 26 ) in the actuarial gains or losses on the pensions assets and liabilities line was at 31st March 2012 a loss of £91.3m and at 31st March 2011 was a gain of £151.9m.

a. **Assets and liabilities in relation to post employment benefits**

The expected return on scheme assets is based on the long-term future expected investment return for each asset class as at the beginning of the period (i.e. as at 31 March 2012).

The actual return on scheme assets in the year was £8.9m (£39.8m in 2010/11).

Reconciliation of fair value of the scheme assets:

| Local Government Pension Scheme 2010/11 £000 | | Local Government Pension Scheme 2011/12 £000 |
|---|---|---|
| 594,600 | **Opening balance at 1 April** | **615,100** |
| 40,900 | Expected rate of return | 40,400 |
| (18,600) | Actuarial gains and losses | (31,600) |
| 15,500 | Employer contributions | 15,400 |
| 6,500 | Contributions by scheme participants | 5,300 |
| (23,800) | Benefits paid | (25,700) |
| 0 | Entity combinations | 0 |
| 0 | Settlements | 0 |
| **615,100** | **Closing balance at 31 March** | **618,900** |

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

| Funded liabilities: Local Government Pension Scheme 2010/11 £000 | Unfunded liabilities: Discretionary Benefits 2010/11 £000 | | Funded liabilities: Local Government Pension Scheme 2011/12 £000 | Unfunded liabilities: Discretionary Benefits 2011/12 £000 |
|---|---|---|---|---|
| 924,900 | 28,900 | **Opening balance at 1 April** | **727,300** | **25,700** |
| 20,400 | 0 | Current service cost | 13,800 | 0 |
| 47,500 | 1,500 | Interest cost | 39,800 | 1,400 |
| 6,500 | 0 | Contributions by scheme participants | 5,300 | 0 |
| (169,400) | (1,100) | Actuarial gains and losses | 58,600 | 1,100 |
| (25,500) | (2,000) | Benefits paid | (27,400) | (2,000) |
| (77,100) | (1,600) | Past service costs | 1,400 | 0 |
| 0 | 0 | Entity combinations | | |
| 0 | 0 | Curtailments | | |
| 0 | 0 | Settlements | | |
| **727,300** | **25,700** | **Closing balance at 31 March** | **818,800** | **26,200** |

The net liability shows the underlying commitments that the Council has in the long run to pay retirement benefits. The net liability of the Council as at 31 March 2012 will be made good by increased contributions over the remaining working life of employees as assessed by the scheme actuary.

b. **Scheme History**

Details of the scheme's surplus (deficit) over the last five years are shown below:

| | 2007/08 | 2008/09 | 2009/10 | 2010/11 | 2011/12 |
|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 |
| **Present value of liabilities:** | | | | | |
| Local Government Pension Scheme | (560,700) | (552,300) | (924,900) | (727,300) | (818,800) |
| Discretionary Benefits | (25,000) | (23,300) | (28,900) | (25,700) | (26,200) |
| **Fair value of assets in the Local Government Pension Scheme** | **522,200** | **436,200** | **594,600** | **615,100** | **618,900** |
| **Surplus/(deficit) in the scheme:** | | | | | |
| Local Government Pension Scheme | (38,500) | (116,100) | (330,300) | (112,200) | (199,900) |
| Discretionary Benefits | (25,000) | (23,300) | (28,900) | (25,700) | (26,200) |
| **Total** | **(63,500)** | **(139,400)** | **(359,200)** | **(137,900)** | **(226,100)** |

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. Although the total liability of £226.1m is a significant item on the Council's Balance Sheet any deficit on the fund will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

The total contributions expected to be made to the Greater Manchester Pension Fund by the Council in the year to 31st March 2013 is £14.0m.

c. **Basis for Estimating Assets and Liabilities**

Liabilities in respect of the Greater Manchester Pension Fund have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The Local Government scheme has been assessed by Hymans Robertson, an independent firm of actuaries, estimates for the Local Government Pension Scheme being based on the latest full valuation of the scheme as at 31st March 2012.

The principal assumptions used in the valuation calculations have been:

| Local Government Pension Scheme 2010/11 | Discretionary Benefits 2010/11 | | Local Government Pension Scheme 2011/12 | Discretionary Benefits 2011/12 |
|---|---|---|---|---|
| | | **Long-term expected rate of return on assets in the scheme:** | | |
| 7.50% | | Equity investments | 6.30% | |
| 4.90% | | Bonds | 3.90% | |
| 5.50% | | Property | 4.40% | |
| 4.60% | | Cash | 3.50% | |
| | | Mortality assumptions: | | |
| | | Longevity at 65 for current pensioners: | | |
| 20.1 | 20.1 | Men | 20.1 | 20.1 |
| 22.9 | 22.9 | Women | 22.9 | 22.9 |
| | | Longevity at 65 for future pensioners: | | |
| 22.5 | | Men | 22.5 | |
| 25.0 | | Women | 25.0 | |
| 2.80% | 2.80% | Rate of inflation | 2.50% | 2.50% |
| 4.30% | | Rate of increase in salaries | 4.30% | |
| 2.80% | 2.80% | Rate of increase in pensions | 2.50% | 2.50% |
| 5.50% | 5.50% | Rate for discounting scheme liabilities | 4.80% | 4.80% |
| 50% | | Take-up of option to convert annual pension into retirement lump sum (Pre April 2008 service) | 50% | |
| 75% | | Take-up of option to convert annual pension into retirement lump sum (Post April 2008 service) | 75% | |

Assets in the Greater Manchester Pension Fund are valued at fair value, principally market value for investments and consist of the following categories by proportion of the total assets held by the fund.

| 31 March 2011 % | | 31 March 2012 % |
|---|---|---|
| 66 | Equity investments | 70 |
| 17 | Debt Instruments | 18 |
| 17 | Other assets | 12 |
| **100** | | **100** |

d. **Actuarial Gains and Losses**

The actuarial gains/losses identified as movements on the pensions reserve in 2011/12, can be analysed into the following categories, as a percentage of assets or liabilities at 31 March 2012.

| | 2007/08 % | 2008/09 % | 2009/10 % | 2010/11 % | 2011/12 % |
|---|---|---|---|---|---|
| Differences between the expected and actual return on assets | (12.17) | (28.50) | 21.76 | (3.02) | (5.11) |
| Experience gains and losses on obligations | (0.07) | 0.10 | 0.11 | (10.66) | 1.26 |

**53. Contingent Liabilities**

The Authority has the following contingent liabilities as at 31 March 2012.

## Municipal Mutual Insurance

On the 30 September 1992, the Council's insurers, M.M.I Limited, announced that they had ceased taking on new business or issuing renewals and had placed a moratorium on claims payments. On 6 October 1992, M.M.I resumed the full payment of claims but no new business was accepted and existing policies were not renewed.

As at 31 March 2012 the estimated outstanding claims relating to M.M.I totalled £0.198m. On 21 January 1994, a contingent scheme of arrangement became effective for the company. Under the terms of the scheme the company will continue to pay all creditors in full and be managed by the directors unless at any time in the future a solvent run-off cannot be foreseen, at which point the payment provisions of the scheme were to be triggered and management of the company would pass to the scheme administrator. Under the provisions of the scheme the largest insurance creditors of the company would suffer a reduction in the level of their claim payments and a partial claw back of claims paid since 1 October 1993, which would correspond to the level of deficit. In return for agreeing to enter into the agreement, the scheme creditors and the policy holder's protection board are entitled to commission up to total of £30m split in proportion to claims paid since 1 October 1993. This commission will be the first call upon any surplus that the company may have immediately prior to the final winding up of the company and ahead of any distribution to members. The director's report within the last MMI accounts indicates that the company feels that all the outstanding claims will be met in full and therefore no provision has been made within the Balance Sheet.

An independent actuarial review, carried out on our behalf by AoN Ltd, has indicated that in their view in the absence of certainty regarding the MMI outcome, they have considered the position where the current deficit, as detailed in the 2009 Reports and Accounts, were to persist to the ultimate claim estimate. If this occurred, the level of clawback would be approximately 32% of the liabilities. Tameside's expected deficit under the MMI Scheme of Arrangement on this basis would be £0.818m.

The Greater Manchester Council's (GMC) former insurer was also MMI. At 31 March 2012 £10.7m of claims relating to GMC had already been paid (£10.7m at 31 March 2011) with outstanding claims estimated at £0.025m (£0.025m at 31 March 2011).

GMC ceased to exist on 31 March 1986 and any residual liabilities are shared between the ten local authorities of AGMA based on the population estimated by the Registrar General on the 30th June which falls 21 months before the beginning of the financial year in which any sum recoverable falls. Tameside's share of this liability is presently 8.25%. Therefore Tameside's share of the ex GMC claims paid and outstanding at 31 March 2012 is £0.881m.

As at June 2010 the MMI Annual Report and Accounts stated that the Directors are of the view that if a positive outcome can be achieved in the current litigation case a solvent run off with full payment of claims will be achieved. In the autumn of 2011, the litigation case had been considered by the Supreme Court and the judgment was released on 28 March 2012.

**Manchester Airport**

Within Note 23 to the Core Financial Statements, details are given of the value of borrowings on behalf of Manchester Airport plc. The Airport re-negotiated this loan agreement with the 10 Greater Manchester Authorities in 2010/11 and pays an annual fixed interest of 12% on the outstanding balance at 9th February 2010. Previously the Airport reimbursed the Council for all repayments on the underlying loans. The Airport has agreed to repay the loan to the Council at the end of the agreement in 2055 and no provision has been made for any potential losses arising from this agreement within the Balance Sheet.

**Guarantees**

Tameside MBC is guarantor for Tameside Sports Trust in respect of the Pulse Fitness Agreement and in respect of employer's liability arising out of admission agreements made under the Local Government Pension Scheme Regulations 1997 for Ashton Pioneer Homes Limited (Transferred Staff), the Cash Box Credit Union Limited, Tameside Care Limited, Tameside Citizens Advice Bureau, Groundwork MSSTT (Ex-Tameside staff)

**Collateral Warranty**

Tameside MBC has a collateral warranty with the Millennium Commission where it is required to maintain in force a policy of professional indemnity insurance for the canal in Stalybridge. The indemnity insurance covers Tameside's liabilities under the terms of an Agency Agreement. The Agreement runs for 12 years from completion of the works, April 2001.

**Warranties Relating to the Housing Transfer**

Tameside MBC has warranties relating to the housing transfer. These cover unlimited environmental warranties for which the Authority has taken out insurance.

**Modesole Limited**

Modesole Ltd, (formerly GM Property Trust) was the holding company for the ten Greater Manchester districts interest in the Midland Hotel & Conference Centre Ltd and G-Mex Ltd. (formerly Central Station Properties Ltd). Modesole Ltd was 100% owned by the ten districts. On the 9 August 2005, the Council sold its entire 11.3% shareholding in Modesole Ltd.

As a result of the Council receiving a distribution from the proceeds of Modesole's sale of its shares in the Midland Hotel and Conference Centre, a liability may arise, the extent of which cannot yet be determined, to repay its share of a grant given in 1986 towards the refurbishment of the hotel.

As a result of the Council receiving a distribution of proceeds from the sale of its entire shareholding in Modesole Ltd, an indemnity was given to the buyer against any future liabilities arising in Modesole prior to the date of the sale. This indemnity is limited to the value of the sale proceeds received and will last for a period of 10 years from the date of sale, which was completed on 9 August 2005.

**Equal Pay**

As reported in previous year's accounts, the local pay and grading review, arising from the National Single Status Agreement of 1997 together with later report by the Local Government Pay Commission, has now been completed. The new payline was implemented in 2010/11. Arising from this new payline some claims for backdated pay have been received by the Council and may result in subsequent payments being required. Any resulting liability cannot be quantified in advance and additional resources will be needed to settle the outstanding claims, which may go to employment tribunal. This situation continues.

**Maintenance of Pathways & Roads**

The Court of Appeal ruling in Gulliksen v Pembrokeshire County Council (2002) determined that Councils have a statutory duty to maintain footways and carriageways on former Council housing estates which have been transferred to housing associations. This ruling could have a significant impact on the maintenance and insurance liabilities of the Council and the cost of maintaining highways within the borough. The Council's Engineering Services have now surveyed all of the affected highway network areas, and although the liability may not be as great as first indicated, there are still some significant areas requiring immediate improvements and there is an ongoing maintenance liability for the Council. The matter is also still under active consideration by the Council's Legal Services in conjunction with the solicitors instructed on behalf of the Council's public liability insurers. At the end of the financial year 2010/11, it was further noted that a number of Public Rights of Way paths (e.g. through Housing estates and/or bridleways etc.), would need to be assessed for their maintenance liabilities. This follows the case Tameside MBC. v. Goodall which identified TMBC needed to improve their inspection processes and instigate more robust maintenance regimes. Further work has been undertaken during 2011/12 to identify the scope of this maintenance demand. In addition new inspection regimes are underway in 2011/12 to help improve our maintenance regimes on this park of our network.

**Droylsden Canalside Development**

The Council has received grant income of £5.86m from the North West Development Agency (NWDA). This is to be repaid to NWDA by 1 April 2021 from a share in future receipts with the

Developer Watkin Jones. If the receipts as detailed in the Development Agreement are insufficient to repay the full amount, the Council would maybe become liable for the shortfall.

**Metrolink**

**Phase 3a:** The Greater Manchester Combined Authority (GMCA) and the Department for transport (DfT) have entered into a partnership funding arrangement for the delivery of Metrolink Phase 3a.

Within the agreement the DfT contribution is capped at £244m in cash and the GMCA, consisting of Transport for Greater Manchester (TfGM) and the 10 Greater Manchester Councils are responsible for meeting all costs over and above this amount. Strict monitoring arrangements are in place to minimise the risk of this happening. The Phase 3A phased works remain on budget. The East Manchester line to Droylsden is expected to enter service in winter 2012/13.

**Phase 3b:** The Greater Manchester Transport Fund Accelerated Package includes the Metrolink Phase 3B extension from Droylsden to Ashton-under-Lyne. The total costs of the works are forecast to be in line with the budget figure of £89m. Construction completion is expected in 2013 with the line entering into service, in the spring of 2014.

Variations to costs for these schemes are under the governance arrangements through GMCA and will be reported through to the Wider Leadership Group for their consideration in respect of future budget allocations for major Transport Schemes. In this respect their may be adjustments to funding available to Districts through this process.

**Land Charges – Personal Searches**

Land Charges legislation has recently changed and the current fee has been revoked. Clients are able to apply for a refund for personal searches of the local land charges register they had paid for going back to January 2005. Refund requests have been received by the Council and may result in future refund payments being made.

**Thermal Cladding Works - Claim brought by Ashton Pioneer Homes**

Some thermal cladding defects have recently been identified in buildings that were transferred from the Council to Ashton Pioneer Homes 13 years ago. A claim has been made which will be defended as the liability for the defects has not yet been properly identified.

**Potential Claim for Financial Losses**

The Council is in dispute with a service provider which may result in a claim against the Council. At present it is uncertain whether a claim will be made or the extent of the claim.

## 54. Contingent Assets

**VAT – Fleming**

The outstanding claim for a proportion of the sports coaching and compound interest (covering the period 1 January 1978 to 31 December 1989 and 1 April 1994 to 31 July 1994) is still being pursued with HMRC. However, although the majority of the initial claim for VAT and simple interest has been agreed and paid, the value of compound interest is not yet quantifiable.

**VAT – Disabled Facilities Grant Fees**

The outstanding claim for Disabled Facilities Grants (covering the period 1 April 1994 to 31 March 2011) is £169,942; it is anticipated, if the claim is accepted by HMRC that simple interest on this claim would be in the region of 100% of the claim amount.

**Restrictive Covenants**

When the Council sells land or property, it sometimes transpires that a covenant has been written into the property deeds which enhance the value of the asset to the Council at the point of sale. However, the value of these covenants cannot be determined in advance as it is the specific circumstances of the sale which will determine the value of the individual covenant, if one exists. The covenants hold no value to the Council prior to sale.

## 55. Building Control

| | | 2011/12 | |
|---|---|---|---|
| | CHARGEABLE £000 | NON-CHARGEABLE £000 | TOTAL £000 |
| **EXPENDITURE:** | | | |
| Employee Expenses | 111 | 170 | 282 |
| Premises | 0 | 0 | 0 |
| Transport | 5 | 4 | 8 |
| Supplies and Services | 47 | 23 | 70 |
| Central and Support Service Charges | 25 | 20 | 45 |
| | **188** | **217** | **406** |
| **INCOME:** | | | |
| Building Regulation Charges | (232) | 0 | (232) |
| Miscellaneous Income | 0 | (1) | (1) |
| | **(232)** | **(1)** | **(235)** |
| **(SURPLUS)/DEFICIT FOR YEAR** | **(44)** | **216** | **171** |

The Building (Local Authority Charges) Regulations 2010 require the disclosure of information regarding the setting of the charges for the administration of the building control function.

From 1 April 2010, revised Building (Local Authority Charges) Regulations 2010 became applicable to Local Authorities in England and Wales; the implications of the new regulations and CIPFA guidance on Local Authority Building Control Accounting (2010) are reflected in the 2011/12 financial statements, of which this note fulfils the disclosure requirements.

Tameside Council sets charges for work carried out in relation to building regulations with the aim of covering all costs incurred.  In accordance with the revised Building (Local Authority Charges) Regulations 2010, Tameside 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 up to one hour duration.

The statement below shows the total cost of operating the Building Control Unit divided between the chargeable and non-chargeable activities.

# Supplementary Financial Statements

This section contains the accounts of the Collection Fund and of Greater Manchester Debt Administration

# Collection Fund

There is a legal requirement for charging authorities to maintain a separate Collection Fund account that holds details of transactions relating to Council Tax, Non-Domestic Rates, Precept Demands and any Residual Community Charge adjustments, together with details of how any balances have been distributed.

## Income & Expenditure Account

| Year ended 31 March 2011 £000 | Year ended 31 March 2011 £000 | | Note | Year ended 31 March 2012 £000 | Year ended 31 March 2012 £000 |
|---|---|---|---|---|---|
| | | **INCOME** | | | |
| | (72,903) | Income from Council Taxpayers | 2 | | (73,108) |
| | (47,509) | Income Collectable from Business Ratepayers | 3 | | (51,347) |
| | | Transfers from the General Fund | | | |
| | (18,635) | Benefits Allowed | | | (19,165) |
| | | Contributions | | | |
| | (1) | Adjustment of Previous years' Community Charge | 4 | | (0) |
| | **(139,048)** | **Total Income** | | | **(143,620)** |
| | | **EXPENDITURE** | | | |
| | | Precepts and Demands | | | |
| 77,290 | | Tameside M.B.C. | | 77,391 | |
| 9,541 | | | | 9,554 | |
| 3,481 | 90,312 | GM Fire | | 3,485 | 90,430 |
| | | Business Rates | 3 | | |
| 47,205 | | Payment to the National Pool | | 51,045 | |
| 304 | 47,509 | Costs of Collection | | 301 | 51,346 |
| | 838 | Bad Debts Provision - Council Tax | | | 1,417 |
| | 463 | Tameside M.B.C. and Preceptors - distribution of previous year's estimated surplus | 5 | | 0 |
| | **139,122** | **Total Expenditure** | | | **143,193** |
| | | | | | |
| | **74** | **(Surplus)/Deficit for year** | | | **(427)** |
| | | | | | |
| | **(784)** | **Fund Balance b/fwd 1 April 2011** | | | **(710)** |
| | | | | | |
| | **(710)** | **Fund Balance c/fwd 31 March 2012** | 6 | | **(1,137)** |

## Notes to the Collection Fund

### 1. General

The Collection Fund is a statutory fund separate from the General Fund of the Council. The Collection Fund accounts independently for income relating to Council Tax, Non-Domestic Rates and residual Community Charge receipts. The costs of administering collection are accounted for in the General Fund. It is a requirement that any surplus or deficit on the Collection Fund at the end of the year is distributed to or made good by contributions from the Council and the Preceptors in the subsequent financial year.

In accordance with the Code of Practice on Local Authority Accounting in Great Britain, only a Collection Fund Income and Expenditure Account is shown, the Balance Sheet being consolidated into the Authority's Consolidated Balance Sheet.

### 2. Council Tax

In 1999/00 Tameside MBC saw the introduction of its first local Parish Council in Mossley. Local Parish Councils can raise additional Council Tax to be spent only in their area on priorities determined locally through the Parish Council. In 2011/12 a local precept of £0.025m was set which is collected directly from dwellings within the Mossley Parish boundary, as an additional element on their overall 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 tables below show the calculation of the tax bases and Council Taxes for properties outside Mossley and those within Mossley.

The Council Tax level for each of the bands is assessed as a proportion of the tax rate for a Band D property.

Table showing the tax base for the whole Council and Council Tax for properties outside the Mossley Parish Council boundary:

| | Total number of dwellings | Equivalent after discounts etc | Specified ratio | Band D Equivalents | Income To Be Raised £000 | Band D Equivalent Council Tax £ | 2011/12 Council Tax (Excluding Mossley Parish) £ |
|---|---|---|---|---|---|---|---|
| Disabled relief | | 77 | 5/9 | 43 | | | |
| Band A | 51,903 | 43,491 | 6/9 | 28,994 | | | 910.49 |
| Band B | 17,964 | 15,933 | 7/9 | 12,392 | | | 1,062.25 |
| Band C | 18,370 | 16,669 | 8/9 | 14,817 | | | 1,213.99 |
| Band D | 6,219 | 5,687 | 1 | 5,687 | | | 1,365.74 |
| Band E | 3,375 | 3,161 | 11/9 | 3,863 | | | 1,669.23 |
| Band F | 861 | 800 | 13/9 | 1,156 | | | 1,972.74 |
| Band G | 367 | 336 | 15/9 | 560 | | | 2,276.23 |
| Band H | 40 | 17 | 18/9 | 34 | | | 2,731.48 |
| | **99,099** | **86,171** | | **67,546** | **90,405** | **1,365.74** | |
| **Less allowance for losses on collection (2%)** | | | | **-1,351** | | | |
| **Sub-total** | | | | **66,195** | | | |
| MOD properties | | | | 0 | | | |
| **Total Tameside Tax Base 2011/12** | | | | **66,194.6** | | | |

Table showing the tax base and Council Tax for properties within the Mossley Parish Council:

| | Total number of Dwellings | Equivalent After Discounts etc. | Specified ratio | Band D Equivalents | Income To Be Raised £000 | Band D Equivalent Council Tax £ | 2011/12 Council Tax (Including Mossley Parish) £ |
|---|---|---|---|---|---|---|---|
| Disabled relief | | 4 | 5/9 | 2 | | | |
| Band A | 2,812 | 2,340 | 6/9 | 1,560 | | | 915.33 |
| Band B | 846 | 738 | 7/9 | 574 | | | 1,067.90 |
| Band C | 989 | 892 | 8/9 | 793 | | | 1,220.44 |
| Band D | 317 | 303 | 1 | 303 | | | 1,373.00 |
| Band E | 159 | 152 | 11/9 | 186 | | | 1,678.10 |
| Band F | 53 | 51 | 13/9 | 74 | | | 1,983.23 |
| Band G | 14 | 12 | 15/9 | 20 | | | 2,288.33 |
| Band H | 1 | 0 | 18/9 | 0 | | | 2,746.00 |
| | **5,191** | **4,492** | | **3,512** | **25** | **7.26** | |
| **Less allowance for losses on collection (2%)** | | | | **-70** | | | |
| **Total Mossley Council Tax Base 2011/12** | | | | **3,441.5** | | | |

The income, net of benefits allowed, raised in 2011/12 was £73.1m compared to £72.9m for 2010/11.

### 3. Business Rates

National Non-Domestic Rating (NNDR) is organised on a national basis. The Government specified in 2011/12 a standard rate in the pound of 43.3 (0.433) for non-domestic rating and 42.6p (0.426) for small business non-domestic rating, (compared to 41.4 and 40.7p in 2010/11). Subject to the effects of transitional and other relief and discounts, local businesses pay rates calculated by multiplying their rateable value by that amount. The Council is responsible for collecting rates due from the ratepayers in its areas and the net rates collected are paid into a national pool administered by Central Government. Under these arrangements the amounts included in these accounts can be analysed as follows:-

| | 2011/12 £000 | |
|---|---|---|
| Gross Rates less reliefs and discounts | | 52,305 |
| Less: | | |
| cost of collection allowance | (301) | |
| interest on refunds | (94) | |
| bad debts provision | (865) | |
| | (1,260) | |
| **Net contribution to National Non-Domestic Rate (NNDR) Pool** | | 51,045 |

The non-domestic rateable value for the Council's area as at 31 March 2012 was £149.4m compared to £151.4m at 31 March 2011.

The Government pays back to authorities their share of the NNDR pool based on a standard amount per head of population. For Tameside MBC this amounted to £81.52m in 2011/12, which is £376.74 per head of population (216,395).

### 4. Distribution of the Previous Years' Estimated Surplus

| | 2011/12 £000 |
|---|---|
| Tameside M.B.C. | 0 |
| Greater Manchester Fire and Rescue Authority | 0 |
| Greater Manchester Police Authority | 0 |
| **Total** | **0** |

### 5. Collection Fund Balance as at 31 March 2012

The year end surplus broken down between Tameside MBC and the other Preceptors is as follows:-

| | Community Charge £000 | Council Tax £000 | Total £000 |
|---|---|---|---|
| Tameside M.B.C. | 1 | 974 | 975 |
| Greater Manchester Police Authority | | 118 | 118 |
| Greater Manchester Fire and Rescue Authority | | 44 | 44 |
| **Total** | **1** | **1,136** | **1,137** |

# Greater Manchester Metropolitan Debt Administration Fund

Tameside MBC is the lead Authority 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 & Expenditure Account

| 31 March 2011 £000 | | 31 March 2012 £000 |
|---|---|---|
| | **INCOME** | |
| | **Interest** | |
| (11,831) | Recharged to Responsible Authorities | (9,591) |
| 0 | Earned on Investments | 0 |
| 0 | Pre 1974 Transferred Debt Interest | 0 |
| 4 | Gains/Losses on repurchase of debt | 5 |
| **(11,827)** | **Total Income** | **(9,586)** |
| | **EXPENDITURE** | |
| | **Interest on Loans** | |
| 11,644 | Public Works Loan Board | 9,398 |
| 37 | Pre 1974 Transferred Debt | 24 |
| 29 | Temporary Borrowing | 44 |
| 11,710 | | 9,466 |
| 54 | Charge for future Premiums | 54 |
| 63 | Debt Management Expenses | 66 |
| **11,827** | **Total Expenditure** | **9,586** |
| | | |
| **0** | **Net Expenditure** | **0** |

## The Balance Sheet

| 1 April 2010 £000 | 31 March 2011 £000 | | Note | 31 March 2012 £000 |
|---|---|---|---|---|
| **188,572** | **177,571** | **DEBT OUTSTANDING** | **1** | **165,332** |
| | | **Long Term Liabilities:-** | | |
| | | External Loans: | | |
| 161,945 | 161,016 | Public Works Loan Board | | 148,266 |
| 928 | 696 | Pre 1974 Transferred | | 448 |
| **162,873** | **161,712** | | **3** | **148,714** |
| | | **Current Liabilities:-** | | |
| | | Creditors:- | | |
| 25,489 | 15,576 | Temporary Loans | **3** | 16,227 |
| 1 | 70 | General | | 75 |
| 14 | 72 | District overpaid | | 4 |
| 216 | 270 | Charge for future Premiums | | 324 |
| 25,720 | 15,988 | | | 16,630 |
| | | **Less Current Assets:** | | |
| (1) | (113) | Debtors | **5** | (1) |
| (20) | (16) | Premium Holding A/c | | (11) |
| (21) | (129) | | | (12) |
| 25,699 | 15,859 | Net Current Liabilities | | 16,618 |
| **188,572** | **177,571** | | **2** | **165,332** |

### 1. Analysis by Responsible Authority

| 1 April 2010 £000 | 31 March 2011 £000 | | 31 March 2012 £000 |
|---|---|---|---|
| 13,123 | 12,357 | GM Police Authority | 11,505 |
| 6,423 | 6,048 | GM Fire and Rescue Service | 5,632 |
| 31,891 | 30,030 | GM Integrated Passenger Authority | 27,960 |
| 12,649 | 11,911 | Bolton MBC | 11,090 |
| 8,676 | 8,170 | Bury MBC | 7,607 |
| 24,085 | 22,681 | City of Manchester | 21,118 |
| 25,493 | 24,007 | Oldham MBC | 22,352 |
| 10,168 | 9,575 | Rochdale MBC | 8,914 |
| 12,702 | 11,961 | City of Salford | 11,136 |
| 13,994 | 13,178 | Stockport MBC | 12,269 |
| 10,616 | 9,997 | Tameside MBC | 9,308 |
| 1,521 | 1,432 | Trafford MBC | 1,334 |
| 17,231 | 16,224 | Wigan MBC | 15,107 |
| **188,572** | **177,571** | **Total** | **165,332** |

The outstanding debt of £165.332m at 31 March 2012 includes former Manchester Airport debt of £14.456m and former Greater Manchester Probation Service debt of £1.398m

Debt for Manchester Airport and Greater Manchester Probation Service is allocated over the 10 Greater Manchester Metropolitan Districts on a population basis.

Manchester Airport re-negotiated the terms of its loan arrangement with the 10 Greater Manchester Councils during 2009/10, as a result of this agreement the 10 Councils have taken responsibility to service the former Manchester Airport debt, previously the debt was serviced by the airport themselves.

### 2. Analysis by Type of Loan

| 1 April 2010 £000 | 31 March 2011 £000 | | 31 March 2012 £000 | Year on Year Change £000 |
|---|---|---|---|---|
| 161,945 | 161,016 | Public Works Loan Board | 148,266 | (12,750) |
| 928 | 696 | Debt administered by other authorities | 448 | (248) |
| 24,573 | 14,176 | Debt falling out in next 12 months | 15,666 | 1,490 |
| 916 | 1,400 | Temporary Loan | 561 | (839) |
| 210 | 283 | Revenue and other balances temporarily used for capital purposes | 391 | 108 |
| **188,572** | **177,571** | **Total** | **165,332** | **(12,239)** |

## 3. Financial Instrument Balances

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

| 01 April 2010 | | 31 March 2011 | | | 31 March 2012 | |
|---|---|---|---|---|---|---|
| Long Term £000 | Current £000 | Long Term £000 | Current £000 | | Long Term £000 | Current £000 |
| 162,873 | 22,885 | 161,712 | 13,569 | Financial Liabilities Principal Amount | 148,714 | 13,311 |
| 0 | 2,604 | 0 | 2,007 | Adjustment for Amortised Cost | 0 | 2,916 |
| **162,873** | **25,489** | **161,712** | **15,576** | **Financial Liabilities at Amortised Cost** | **148,714** | **16,227** |
| 0 | 0 | 0 | 0 | Financial Liabilities at Fair Value through Income and Expenditure | 0 | 0 |
| **162,873** | **25,489** | **161,712** | **15,576** | **Total Borrowings** | **148,714** | **16,227** |

Under accounting requirements the financial instrument value shown in the Balance Sheet include the principal amount borrowed plus accrued interest.

## 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:

| 01 April 2010 | | 31 March 2011 | | | 31 March 2012 | |
|---|---|---|---|---|---|---|
| Financial Liabilities - liabilities measured at Amortised Cost £000 | Financial Assets Loans and Receivables £000 | Financial Liabilities - liabilities measured at Amortised Cost £000 | Financial Assets Loans and Receivables £000 | | Financial Liabilities - liabilities measured at Amortised Cost £000 | Financial Assets Loans and Receivables £000 |
| (12,827) | 0 | (11,710) | 0 | Interest Expense | (9,466) | 0 |
| 0 | 0 | (4) | 0 | Losses on de-recognition | (5) | 0 |
| **(12,827)** | **0** | **(11,714)** | **0** | **Interest payable and similar charges** | **(9,471)** | **0** |
| 0 | 1 | 0 | 0 | Interest Income | 0 | 0 |
| 10 | 0 | 0 | 0 | Gains on de-recognition | 0 | 0 |
| **10** | **1** | **0** | **0** | **Interest and Investment Income** | **0** | **0** |
| **(12,817)** | **1** | **(11,714)** | **0** | **Net gain (loss) for the year** | **(9,471)** | **0** |

## 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 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:

| 1 April 2010 | | 31 March 2011 | | | 31 March 2012 | |
|---|---|---|---|---|---|---|
| **Carrying Amount £000** | **Fair Value £000** | **Carrying Amount £000** | **Fair Value £000** | | **Carrying Amount £000** | **Fair Value £000** |
| 186,519 | 215,150 | 175,192 | 203,127 | PWLB Debt | 163,932 | 201,160 |
| 1 | 1 | 70 | 70 | Creditors | 75 | 75 |
| **186,520** | **215,151** | **175,262** | **203,197** | **Total Liabilities** | **164,007** | **201,235** |

The fair value is greater than the carrying amount because the portfolio of loans relating to the Greater Manchester Metropolitan Debt Administration Fund (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 above represents the fair value of PWLB debt managed by Tameside MBC on behalf of the Greater Manchester Metropolitan Debt Administration Fund. The fair value of transferred debt relating to GMMDAF will be shown by those authorities whom manage this element of the debt.

| 1 April 2010 | | 31 March 2011 | | | 31 March 2012 | |
|---|---|---|---|---|---|---|
| **Carrying Amount £000** | **Fair Value £000** | **Carrying Amount £000** | **Fair Value £000** | | **Carrying Amount £000** | **Fair Value £000** |
| 1 | 1 | 113 | 113 | Debtors | **1** | **1** |
| **1** | **1** | **113** | **113** | **Total Loans and Receivables** | **1** | **1** |

## 6. Disclosure of the Nature and Extent of Risks Arising from Financial Instruments

The Greater Manchester Metropolitan Debt Administration Fund (GMMDAF) was formed under the Local Government Reorganisation (Debt Administration) (Greater Manchester) Order 1986 to administer the loan fund of the former Greater Manchester County Council. Tameside MBC was designated as lead Authority for the function.

The outstanding debt is allocated on a population basis over the relevant authorities responsible for repaying it in accordance with the principles laid down in the Borrowing Order. The debt will reduce each year until it is finally extinguished in 2022.

**Key Risks**
The Fund'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 to the Fund;

- Liquidity risk – the possibility that the Fund might not have funds available to meet its commitments to make payments;

- Re-financing risk – the possibility that the Fund might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms.

- Market risk - the possibility that financial loss might arise for the Fund as a result of changes in such measures as interest rates movements.

**Overall Procedures for Managing Risk**
The Fund's overall risk management procedures focus on the unpredictability of financial markets, and implementing restrictions to minimise these risks. The procedures for risk management are set out through a legal framework set out in the *Local Government Act 2003* and the associated regulations. These require the Fund 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 Fund to manage risk in the following ways:

- by formally adopting the requirements of the Code of Practice;

- by approving annually in advance prudential indicators for the following three years limiting:

    - The Fund'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;

    - 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 items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Fund's financial instrument exposure. Actual performance is also reported annually to the Association of Greater Manchester Authorities (AGMA).

The 2011/12 Budget Report which incorporates the prudential indicators was approved by Council on 22 February 2011 and is available on the Council website. The key issues within the strategy were:

- The Authorised Limit for 2011/12 was set at £203.572m. This is the maximum limit of external borrowings or other long term liabilities.

- The Operational Limit for 2011/12 was set at £188.572m. This is the expected level of debt and other long term liabilities during the year.

These policies are implemented by a central treasury team who maintain 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 (TMPs). These TMPs are a requirement of the Code of Practice and are reviewed periodically.

**Credit risk**

Credit risk arises from deposits with banks and financial institutions. 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 & Poor Ratings Services. The Annual Investment Strategy also imposes a maximum amount and time to be invested with a financial institution located within each category. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above. Additional selection criteria are also applied after this initial criteria is applied.

The key areas of the Investment Strategy are that the minimum criteria for investment counterparties include:

- Credit ratings of Short Term F1, Long Term A+ or greater, Support B/C and Individual 3 (Fitch or equivalent rating), with the lowest available rating being applied to the criteria.

- UK institutions provided with support from the UK Government.

The full investment strategy for 2011/12 was approved by Full Council on 22 February 2011 and is available on the Council's website.

The Fund's maximum exposure to credit risk in relation to its investments in banks and financial institutions cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Fund's deposits, but there was no evidence at the 31 March 2012 that this was likely to crystallise.

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

| | **Amount at 31 March 2012 £000** | **Historical experience of default %** | **Adjustment for market conditions at 31 March 2012 %** | **Estimated maximum exposure to default £000** |
|---|---|---|---|---|
| | (a) | (b) | ( c) | (a * c) |
| Deposits with banks and financial institutions (principal amount) | 0 | 0.08 | 0.08 | 0 |

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

**Liquidity risk**

The Fund manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the Code of Practice. This seeks to ensure that cash is available when it is needed.

The Fund 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 Fund 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.

**Refinancing and Maturity Risk**
The GM Debt Fund maintains a significant debt portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer term risk to the Fund relates to managing the exposure to replacing financial instruments as they mature.

The approved treasury and investment strategies address the main risks and the central treasury teams address the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt.

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

| 1 April 2010 £000 | 31 March 2011 £000 | | 31 March 2012 £000 |
|---:|---:|---|---:|
| 22,885 | 13,569 | Less than one year | 13,311 |
| 13,097 | 13,446 | Between one and two years | 14,048 |
| 27,850 | 48,340 | Between two and five years | 66,703 |
| 82,963 | 74,063 | Between five and ten years | 60,854 |
| 36,111 | 23,011 | Between ten and fifteen years | 4,257 |
| 2,852 | 2,852 | More than fifteen years | 2,852 |
| **185,758** | **175,281** | | **162,025** |

**Market risk**
**Interest rate risk** - The Fund is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Fund, 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 Income and Expenditure Statement will rise;
- borrowings at fixed rates – the fair value of the borrowing liability will fall;
- investments at variable rates – the interest income credited to the Income and Expenditure Statement will rise; and
- investments at fixed rates – the fair value of the assets will fall.

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 Income and Expenditure Statement. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Income and Expenditure Statement.

The Fund follows the Council's strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Fund'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 section 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 favorable, fixed rate investments may be taken for longer periods to secure better long term returns.

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

| **1 April 2010 £000** | **31 March 2011 £000** | | **31 March 2012 £000** |
|---|---|---|---|
| 7,542 | 9,914 | Decrease in the fair value of fixed rate borrowings liabilities (no impact on Income and Expenditure Statement). | 9,188 |

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 the Note 5. Fair value of Assets and Liabilities carried at Amortised Cost.

**Price risk** - The Fund does not invest in equity shares.

**Foreign exchange risk** - The Fund has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in

# Glossary of Financial Terms

**Accruals**
The concept is that income and expenditure are recognised as they are earned or incurred, not as money is received or paid.

**Agency Arrangements**
Services performed by or for another authority or public body, where the agent is reimbursed for the cost of work done.

**Area Based Grant (ABG).**
Area Based Grant is a non ring-fenced general grant. No conditions on use are imposed as part of the grant ABG is paid directly to the Authority.

**Audit Commission**
Independent Body with the responsibility of appointing external auditors to local authorities. The Audit Commission has a duty to ensure that local authorities make sufficient arrangements to secure economy, efficiency and effectiveness in their use of resources.

The Audit Commission are the appointed auditors of Tameside MBC.

**Billing Authority**
An authority which collects council tax and precepts on behalf of itself and other bodies.

**Budgets**
A statement of an Authority's plans for net revenue expenditure over a specified period of time.

**Best Value Accounting Code of Practice (BVACOP)**
A CIPFA Code established to modernise the system of Local Authority accounting and reporting to ensure that it meets the changed and changing needs of modern Local Government; particularly the duty to secure and demonstrate best value in the provision of services. BVACOP establishes 'proper practice' with regard to consistent financial reporting below the Statement of Accounts level and is given statutory force in England by Regulations made under the Local Government Act 2003.

**Capital Expenditure**
Expenditure on the acquisition of non-current assets such as land, buildings, vehicles and equipment which are of long term value, or expenditure which adds to and not merely maintains the value of existing non-current assets or extends the useful life of an asset.

**Capital Financing Costs**
Each service is charged with an annual capital charge to reflect the cost of non-current assets used in the provision of services.

**Capital Finance Requirement (CFR)**
Introduced as a result of the Prudential Framework for Capital Accounting and measures the underlying need of the Authority to borrow for expenditure of a capital nature.

**Capital Grants**
Grants received towards Capital Expenditure incurred on specific schemes.

**Capital Receipts**
Money received from the sale of surplus assets such as land and buildings, which may be used to supplement the Authority's supported borrowing and finance capital expenditure.

**Capital Reserves**
An internal fund of the Authority which is used as an alternative to borrowing or leasing to finance capital expenditure.

**Carrying Amount**
The Balance Sheet value of either an asset or liability.

**Cash and Cash equivalent**
Cash is represented by cash in hand and deposits with financial institutions payable without penalty on notice of not more than 24 hours. Cash equivalent 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, and uniquely among the professional accounting bodies in the UK, CIPFA has responsibility for setting accounting standards, for a significant part of the economy, namely Local Government.

**Code of Practice**
The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) defines proper accounting practices for local authorities in England, Wales, Scotland and Northern Ireland.

**Collection Fund**
The Collection Fund is a separate statutory fund, which details the transactions in relation to Non Domestic Rates and the Council Tax, and the distribution to preceptors and the General Fund.

**Community Assets**
Non-current assets that an authority intends to hold in perpetuity and have no determinable useful life, and that may have restrictions on their disposal, e.g. parks and historical buildings.

**Consistency**
A concept that the accounting treatment of like items, within the same accounting period and from one period to the next is the same, this allows for greater comparability between periods.

**Council Tax**
This is a banded property tax levied on domestic properties in the Borough. The banding is based on estimated property values.

**Contingent Liability/Asset**
Either:

- A possible obligation/benefit arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the authority's control; or

- A present obligation/benefit arising from past events where it is not probable that a transfer of economic benefits will be required or the amount of the obligation cannot be measured with sufficient reliability.

**Corporate and Democratic Core**
The corporate and democratic core comprises all activities which local authorities engage in specifically because they are elected, multi-purpose authorities. The cost of these activities are thus over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same service. There is therefore no logical basis for apportioning these costs to services.

**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.

**Corporate Performance Assessment (CPA)**
CPA is undertaken by the Audit Commission, it assesses the performance of local authorities and the services that they provide for local people. The assessment highlights areas of good practise and also areas where improvement is needed.

**Credit Risk**
The possibility that one party to a financial instrument will fail to meet their contractual obligations, causing a loss to the other party.

**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.

**Debtors**
Sums of money due to the Council but which are unpaid at the date of the Balance Sheet.

**Deferred Liabilities**
These are liabilities which are payable beyond the next year, they are primarily mortgage repayments.

**Deferred Debtors /Deferred Capital Receipts**
Corresponding entries relating to sums due at some time in the future, for example, from the sale of council houses purchased with the help of mortgages granted by the Council.

**Department for Children, Schools and Families (DCSF)**
The department was renamed the Department for Education in May 2010.

**Department for Communities and Local Government (DCLG)**
The DCLG is a government department which issues government led initiatives and is a major funding source for local authorities.

**Department for the Environment, Food and Rural Affairs (DEFRA)**
DEFRA is a government department which integrates environmental, social and economic objectives. DEFRA promotes sustainable development as the way forward for government.

**Department for Transport (DfT)**
The role of the Department is to determine overall transport strategy and to manage relationships with the Agencies responsible for the delivery of that vision.

**Depreciation**
An amount charged to the Income and Expenditure Account to represent the reducing value of non-current assets as they are used in the delivery of services.

**Expenditure**
Costs incurred by the Council for goods received, services rendered or other value consumed during the accounting period, irrespective of whether or not any movement of cash has taken place.

**Fair Value**
The fair value of financial assets and liabilities can be assessed by calculating the value of the cash flows that are expected to take place over the remaining life of the instruments.

**Finance Lease**
A lease that transfers substantially all of the risks and rewards of ownership of a non-current assets to the lessee.

**Financial Instruments**
A contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term covers both financial assets and financial liabilities and includes both the most straightforward financial assets such as trade receivables (debtors) and trade payables (creditors) and the most complex ones such as derivatives. Typical financial instruments are:-

(i) Liabilities
- Trade payables
- Borrowings
- Financial Guarantees

(ii) Assets
- Bank deposits
- Trade receivables
- Loans receivable
- Investments

Amounts relating to Council Tax, Non-Domestic Rates, Government Grants etc., are outside the scope of the accounting provisions as they are statutory issues, not arising from contracts.

**Financial Reporting Standards (FRS)**
Financial Reporting Standards are accounting standards which set out the framework and requirements that need to be adopted for certain transactions in the published accounts.

**Non-current asset**
Assets that yield benefits to the local authority and the services it provides for a period of more than one year.

**Formula Grant**
Comprises revenue support grant, redistributed business rates, and (for relevant authorities) police grant.

**General Fund**
The main revenue account of the Council into which the Council's precept from the Collection Fund and specific government grants are paid and from which is met the cost of providing services.

**Government Grants**
Assistance by government and inter-government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to an authority in return for past or future compliance with certain conditions relating to the activities of the authority.

**Greater Manchester Integrated Transport Authority (GMITA)**
The Authority is made up of 33 elected members appointed each year by the 10 Greater Manchester District Councils. It determines the policies for public transport in the County. The Greater Manchester Passenger Transport Executive (hereafter referred to as the 'Executive') puts the Authority's policies into practice and provides the Authority with expert professional advice to enable it to make appropriate and informed decisions.

**Her Majesty's Revenue & Customs (HMRC)**
HMRC is the body with the legal responsibility for collecting the bulk of tax revenue.

**IFRS – International Financial Reporting Standards**
Guidelines and rules set by the International Accounting Standards Board (IASB) that companies and organisations can follow when compiling financial statements. The creation of international standards allows investors, organisations and governments to compare the IFRS-supported financial statements with greater ease.

**Impairment**
A reduction in the value of a non-current asset below its value brought forward in the Balance Sheet or in year purchased price. Examples of factors which may cause such a reduction in value include, general price decreases, a significant decline in a fixed asset's market value and evidence of obsolescence or physical damage to the asset.

**Income**
Amounts which an authority receives or expects to receive, from any source. Income includes fees and charges, sales and government grants. The term 'income' implies that the figures concerned relate to amounts due within the financial year irrespective of whether or not they were actually received during that year (i.e. on an accruals basis).

**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**
Non-current assets that do not have physical substance but are identifiable and controlled by the Council, e.g. software, licenses and patents.

**Inventory**
The amount of unused or unconsumed stocks held in expectation of future use. When use will not arise until a later period, it is appropriate to carry forward the amount to be matched to the use or consumption when it arises. Stocks comprise the following categories:

a) Goods or other assets purchased for resale;
b) Consumable stores;
c) Raw materials and components;
d) Products and services in intermediate stages of completion; and
e) Finished goods.

**Long term debtors/long term creditors**
Debtors and Creditors that are due to be paid over a term greater than one year.

**Liquid Resources**
Current asset investments that are readily disposable by the Authority 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.

**Minimum Revenue Provision (MRP)**
Local Authorities are statutorily required to calculate and charge (against General Fund) a minimum sum as a provision for repayment of its credit liabilities (principally sums borrowed to finance capital expenditure).

**NNDR**
The means by which local businesses contribute to the cost of local authority services. National non-domestic rates are otherwise known as Business Rates.

**NNDR Pool**
A fund into which are paid business rates collected by local authorities. The proceeds are then redistributed by Central Government to all local authorities on the basis of a per capita amount.

**Net Book Value**
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.

**Net Debt**
The Council's borrowings less cash and liquid resources.

**Non Distributed Costs**
These are overheads for which no user now benefits and should not be apportioned to services.

**Non-Operational Assets**
Non-current assets held in the Local Authority but not directly occupied, used or consumed in the delivery of services. Examples of non-operational assets are investment properties and assets that are surplus to requirements, pending sale or redevelopment.

**Operating Lease**
A lease where the risks and rewards of ownership of a non-current asset remain with the lessor. Such a lease will be for a fixed period which is significantly less than the useful economic life of the asset.

This is a method of financing assets which allows the Council to use, but not own an asset. A third party purchases the asset on behalf of the Council, who then pay the lessor an annual rental over the life of the asset. Expenditure financed by operating leasing does not count against capital allocations.

**Operational Assets**
Non-current assets held and occupied, used or consumed by the Local Authority in the direct delivery of those services for which it has a statutory or discretionary responsibility.

**Precept**
The amount levied by one authority which is collected on its behalf by another (the billing authority).

**Pooled Budget**
Arrangement permissible under the Health Act 1999 and National Health Service Act 2006 that provides an opportunity for partners to bring money together, in a discrete fund, to pay for the services that are an agreed part of the pooled fund arrangement for the client group who are to benefit from one or all of the services. Instead of users being inconvenienced by disputes about Health and Local Authority responsibilities, organisations will agree at the outset the range of Health and Local Government services to be purchased and provided from a pooled fund.

**Provisions**
Amounts set aside by the Council for liabilities or losses whose exact amount or date on which it will arise is uncertain. They are only used for the purpose for which they are established, and any expenditure is charged directly to the provision.

**Prudence**
The principle that revenue is not anticipated, but is recognised only when realised, in the form of cash or of other assets, the ultimate cash realisation of which can be assessed with reasonable certainty.

**Public Works and Loans Board (PWLB)**
This is a government agency which provides long term loans to councils at rates lower than would be available commercially.

**Reserves**
Amounts set aside for general contingencies, to provide working balances or earmarked to specific future expenditure.

**Revenue Contribution to Capital Outlay (RCCO)**
Refers to the financing of capital expenditure directly from revenue in one year rather than from loan or other sources.

**Revenue Expenditure Funded from Capital under Statute (REFCUS)**
This term now replaces the previous term Deferred Charges and represent either expenditure which has been capitalised but does not create a non-current assets for the Authority e.g. improvement grants, or expenditure which creates long-term debtors e.g. mortgages.

**Revenue Expenditure**
Recurring expenditure on day-to-day expenses such as employees, running expenses of buildings, equipment and capital financing costs.

**Revenue Support Grant**
This is a Central Government Grant in aid of local authority services generally. It is paid annually based on the Governments assessment of how much an authority needs to spend in order to provide a standard level of service.

**Royal Institute of Chartered Surveyors (RICS)**
The accrediting body for the surveying profession. Surveyors who value our properties must be RICS accredited.

**Soft Loan**
A loan that is made (for policy reasons, or other) below prevailing market rates, including any interest free loans. Commonly, such loans are to individuals or voluntary organisations in pursuance of locally defined priorities.

**Specific Government Grants**
These are designed to aid particular services and may be revenue or capital in nature. They typically have specified conditions attached to them such that they may only be used to fund expenditure which is incurred in pursuit of defined objectives.

**Teachers' Pension Agency (TPA)**
The agency administers the Teachers' pension scheme in England and Wales on behalf of the Department for Children, Schools and Families

**Trust Funds**
Funds administered by the Council on behalf of others, for purpose such as prizes, charities, specific projects, and on behalf of minors.

**UK Generally Accepted Accounting Principles (UK GAAP)**
The generally accepted accounting principles are the overall principles of regulation in the UK establishing how company accounts must be prepared. These principles not only include accounting standards but UK company law.

**Useful (economic) Life**
The period over which the Local Authority will derive benefits from the use of an asset.

# Greater Manchester Pension Fund Statement of Accounts 2011/12

## Greater Manchester Pension Fund

**The Management and Membership of the Greater Manchester Pension Fund**

Tameside MBC is the statutory Administering Authority for the Greater Manchester Pension Fund (GMPF). The administration and investment performance of GMPF is considered and reviewed every quarter by the Management Panel, which consists of 20 elected Members (14 from Tameside MBC, being the Administering Authority, and 6 from other Greater Manchester local authorities).

The Management Panel is advised in all areas by the Advisory Panel. Each of the 10 Greater Manchester local authorities is represented on the Advisory Panel, and there are 6 employee representatives nominated by the North West TUC. There are also 3 External Advisors who assist the Advisory Panel, in particular regarding investment related issues.

GMPF also has 5 Working Groups, which consider particular areas of its activities and make recommendations to the Management Panel. These Working Groups cover:
- Ethics & Audit
- Alternative Investments
- Information Services
- Property
- Business Development

There are 4 Officers to GMPF:
- Executive Director of Pensions – administrator of GMPF and link for Members, Advisors and Investment Managers between meetings
- Chief Executive and Borough Solicitor – responsible for the provision of legal and secretarial services to the Management and Advisory Panels
- Executive Director of Finance – responsible for preparation of GMPF's Statement of Accounts

GMPF's investment strategy is implemented by management arrangements which include 3 external Investment Managers that manage multi asset briefs, with property, venture capital and cash being predominantly managed internally. Subscription is made to the WM Pension Fund Performance Measurement Service in order to judge GMPF's performance relative to market returns and the rest of the pensions industry. In addition to this, GMPF also subscribes to WM's Local Authority Pension Fund Service to enable assessment of its performance relative to all other funds who operate under the same regulations.

GMPF is a statutory Local Government Pension Scheme (LGPS), set up to provide death and retirement benefits for local government employees other than teachers, firefighters 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 defined benefit scheme whereby retirement benefits are based on employees' final remuneration and length of service. It is funded by salary banded variable percentage contributions from employees and variable contributions from employers, which take account of the relationship of assets to liabilities (see Actuarial Review of the Fund – Note 22). The benefits of the Scheme are prescribed nationally by Regulations made under the Superannuation Act 1972.

The membership of GMPF as at 31 March 2012 and the preceding year is shown below:

| 31 March 2011 | | 31 March 2012 |
|---|---|---|
| 97,218 | Contributors | 89,783 |
| 84,534 | Pensioners | 89,279 |
| 85,271 | Deferred Members * | 90,907 |
| **267,023** | **Total Membership** | **269,969** |

* Includes former contributors who have retained a right to a refund of contributions or a transfer of pension benefits to another scheme.

The employers contributing to GMPF can be found in Note 20.

Further information is published in the Greater Manchester Pension Fund Annual Report 2011/12 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 Annual General Meeting in September 2012.

## Fund Account for the Year Ended 31 March 2012

| 31 March 2011 £000 | | Note | 31 March 2012 £000 |
|---|---|---|---|
| | **Contributions and benefits** | | |
| (122,741) | Contributions from employees | 5 | (111,440) |
| (299,376) | Contributions from employers | 5 | (300,484) |
| (422,117) | | | (411,924) |
| (15,673) | Transfers in (individual) | | (11,139) |
| (437,790) | | | (423,063) |
| 458,181 | Benefits payable | 6 | 527,834 |
| 47,128 | Payments to and on account of leavers | 7 | 19,233 |
| 3,756 | Administration expenses (net) | 8 | 3,586 |
| 509,065 | | | 550,653 |
| **71,275** | **Net withdrawals from dealings with members** | | **127,590** |
| | **Returns on investments** | | |
| (239,059) | Investment income | 9 | (270,583) |
| (413,466) | Reduction/(increase) in market value of investments | 11 | (928) |
| 2,702 | Taxation | 10 | 2,932 |
| (146) | (Profit)/loss on foreign currency | | 1,106 |
| 11,047 | Investment management expenses (net) | 8 | 9,577 |
| **(638,922)** | **Net (profit)/loss on investments** | | **(257,896)** |
| **(567,648)** | Net increase in the Fund during the year | | **(130,306)** |
| **(10,444,762)** | Net assets of the Fund at start of year | | **(11,012,410)** |
| **(11,012,410)** | **Net assets of the Fund at end of year** | | **(11,142,716)** |

| 31 March 2011 £000 | | Note | 31 March 2012 £000 |
|---|---|---|---|
| 2,544,174 | UK equities | 11 | 2,317,210 |
| 2,428,792 | Overseas equities | 11 | 2,441,650 |
| 542,325 | UK fixed interest corporate bonds | 11 | 709,673 |
| 127,497 | Overseas fixed interest corporate bonds | 11 | 177,664 |
| 343,403 | UK fixed interest government bonds | 11 | 143,405 |
| 197,774 | Overseas fixed interest government bonds | 11 | 175,861 |
| 330,082 | UK index linked government bonds | 11 | 385,801 |
| 48,632 | Overseas index linked government bonds | 11 | 104,498 |
| 339,811 | Property | 11 | 336,264 |
| 4,531 | Derivative contracts | 11 | 646 |
| 3,203,877 | Pooled investment vehicles | 11 | 3,458,916 |
| 855,545 | Cash and deposits | 11 | 889,383 |
| 78,569 | Other investment assets | 11 | 222,598 |
| **11,045,012** | **Investment assets** | | **11,363,569** |
| (155) | Derivative contract liabilities | 11 | (72) |
| (47,218) | Other investment liabilities | 11 | (235,869) |
| **(47,373)** | **Investment liabilities** | | **(235,941)** |
| 24,799 | Current assets | 11 | 31,371 |
| (10,028) | Current liabilities | 11 | (16,283) |
| **14,771** | Net current assets | | **15,088** |
| **11,012,410** | **Net assets of Fund** | | **11,142,716** |

## Notes to Greater Manchester Pension Fund

### 1. Notes to the Accounts

From 31 March 2011 GMPF is 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 2010/11 based on IFRS, published by the Chartered Institute of Public Finance and Accountancy. 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 the Note 22. These financial statements should be read in conjunction with that information.

### 2. Accounting Policies

**Basis of preparation:** The accounts have been prepared on an accruals basis. That is, income and expenditure is recognised as it is earned or incurred, not as it is received or paid, with the exception of property income and transfer values. Transfer values are recognised on a received or paid basis. Property income is recognised on a due date for payment 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.

**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 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 Pensions Statement of Recommended Practice (SORP) (Revised May 2007).

**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 2012

**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 2012 determined as follows:

| At 31 March 2012 | Valuation basis/technique | Main assumptions |
|---|---|---|
| Equities and bonds | Pricing from market data providers based on observable price quotations. | Use of pricing source. There are minor variations in the price dependent upon the pricing feed used. |
| Direct Property | Independent valuations for freehold and leasehold properties; the main property portfolio has been valued by Drivers Jonas Deloitte, Chartered Surveyors, as at 31 December 2011 subsequently adjusted for transactions undertaken between 1 January 2012 and 31 March 2012. The Greater Manchester Property Venture Fund portfolio has been valued as at 31 March 2012 by GVA. | Freehold and leasehold properties valued on open market basis. Valuation carried out in accordance with the principles laid down by the Royal Institution of Chartered Surveyors Appraisal and Valuation Manual. |
| Indirect property | 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 Royal Institution of Chartered Surveyors Appraisal and Valuation Manual and independent audit review of the net assets within the individual property fund. |
| 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 and infrastructure | Valuation in accordance with International Private Equity and Venture Capital Valuation guidelines or equivalent. | Earnings multiples, public market comparables and estimated future cash flows. |
| Special opportunities portfolio | The funds are valued either in accordance with Accounting Standards Codification 820 or with International Financial Reporting Standards (IFRS). | In reaching the determination of fair value, the investment managers considers 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. |
| Cash and other net assets | Value of deposit or value of transaction | |

**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 (Revised May 2007), 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.

**Acquisition costs of investments:** Acquisition costs of investments are included in the purchase price.

**Interest on Property Developments:** Interest on property developments is accounted for within the property asset values.

**Investment Management Expenses:** Investment management expenses are shown within the fund account on page 155.These 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, on a prudent basis, for any performance fees which are considered to be potentially payable.
**Net (Profit)/Loss on Foreign Currency:** Net (profit)/loss on foreign currency comprises the change in value of short-term deposits due to exchange rate movements during the year.

## 3. Valuation of Financial Instruments carried at Fair Value

The table below provides an analysis of the financial assets and liabilities of GMPF that are carried at fair value in the GMPF net asset statement grouped into levels 1 to 3 based on the degree to which fair value is observable. Further details of the values shown can be found in note 11.

| | At 31 March 2012 | | | |
|---|---|---|---|---|
| | Level 1 £000 | Level 2 £000 | Level 3 £000 | Total £000 |
| **Financial assets:** | | | | |
| Equities | 4,758,860 | 0 | 0 | 4,758,860 |
| Fixed interest | 0 | 1,206,603 | 0 | 1,206,603 |
| Index linked | 0 | 490,299 | 0 | 490,299 |
| Derivatives | 0 | 646 | 0 | 646 |
| Pooled investment vehicles | 0 | 3,080,925 | 373,871 | 3,454,796 |
| **Financial liabilities:** | | | | |
| Derivatives | 0 | (72) | 0 | (72) |

The valuation of financial instruments has been classified into three levels according to the quality and reliability of information used to determine the fair values.

**Level 1**
Inputs to Level 1 are quoted prices on the asset being valued in an active market where there is sufficient transaction activity to allow pricing information to be provided on an ongoing basis. Financial instruments classified as Level 1 predominantly comprise actively traded shares.

**Level 2**
Level 2 prices are those other than Level 1 that are observable eg 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.

This is the first year of reporting this analysis of valuation.

There were no transfers during the year between any of the levels. A reconciliation of fair value measurements in Level 3 is set out below.

| 31 March 2011 £000 | | 31 March 2012 £000 |
|---|---|---|
| 231,950 | Opening balance | 318,876 |
| 82,428 | Acquisitions | 86,756 |
| (28,617) | Disposal proceeds | (42,441) |
| 0 | Transfer out of level 3 | 0 |
| | Total gains/(losses) included in the fund account: | |
| 4,210 | - on assets sold | 6,355 |
| 28,905 | - on assets held at year end | 4,325 |
| **318,876** | **Closing balance** | **373,871** |

GMPF has cash, other investment assets and liabilities which will mature in the next 12 months. No valuation technique is required in relation to these investments and therefore assignment to a level is not applicable.

## 4. Financial risk management

The nature of GMPF's activities exposes it to a variety of financial risks:

- Market risk – the possibility that financial loss might arise for GMPF as a result of changes in such measures as interest rates and stock market movements;
- Credit risk – the possibility that other parties might fail to pay amounts due to GMPF; and
- Liquidity risk – the possibility that GMPF might not have the funds available to meet its commitment to make pension payments.

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.

The Funding Strategy Statement is prepared in collaboration with GMPF's Actuary, Hymans Robertson LLP, and after consultation with GMPF's employers and investment Advisors.

The Funding Strategy Statement is reviewed in detail at least every three years in line with triennial valuations being carried out, with the next full review due to be completed by 31 March 2014.

GMPF's approach to risk measurement and management is set out in its Statement of Investment Principles (SIP). The Management Panel recognises that risk is inherent in any investment activity. The overall approach is to reduce risk to a minimum where it is possible to do so without compromising returns (eg in operational matters), and to limit risk to prudently acceptable levels otherwise (eg in investment matters).

The means by which GMPF minimises operational risk and constrains investment risk is set out in further detail in its SIP.

Some risks lend themselves to being measured (eg 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 has not changed throughout the course of the year.

**Market risk**

Market risk is the risk of loss from fluctuations in equity prices, interest and foreign exchange rates and credit spreads. GMPF is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix.

**Price risk**

Price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk) whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

GMPF is exposed to equity and derivative price risk. This arises from investments held by GMPF for which the future price is uncertain. All securities investments present a risk of loss of capital. The maximum risk resulting from financial instruments is determined by the fair value of the financial instruments.

GMPF seeks to limit its exposure to price movements by diversifying its portfolio as explained within its SIP and by restricting the freedom of its Fund Managers to deviate from benchmark allocations.

Estimates of potential market price movements, based on an analysis of historical volatility of asset class returns, conducted by The WM Company are set out in the table below.

| **Asset type** | **Potential market movements (+/-)** | |
|---|---|---|
| | **31 March 2012** | **31 March 2011** |
| UK equities | 17.00% | 20.90% |
| Overseas equities | 15.00% | 21.40% |
| Government bonds | 6.00% | 9.50% |
| Corporate bonds | 5.70% | 7.80% |
| Index linked government bonds | 5.90% | 9.50% |
| Property | 7.40% | 12.80% |
| Alternatives | 6.70% | 7.10% |

The potential price movements disclosed above are broadly consistent with a one standard deviation movement in the change in value of the assets over the last three years. This analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same.

Had the market price of GMPF's investments increased/decreased in line with the data within the table above, the change in the market value of the net assets available to pay benefits would have been as shown in the tables below.

| Asset type | 31 March 2012 | % change | Value on increase | Value on decrease |
|---|---|---|---|---|
| | £ | | £ | £ |
| UK equities | 3,119,582 | 17.00% | 3,649,911 | 2,589,253 |
| Overseas equities | 3,740,869 | 15.00% | 4,301,999 | 3,179,739 |
| Government bonds | 607,379 | 6.00% | 643,822 | 570,936 |
| Corporate bonds | 1,037,265 | 5.70% | 1,096,389 | 978,141 |
| Index linked | 650,006 | 5.90% | 688,356 | 611,655 |
| Alternatives | 373,870 | 6.70% | 398,919 | 348,821 |
| Property | 569,618 | 7.40% | 611,770 | 527,467 |
| Derivatives | 574 | 0.00% | 574 | 574 |
| Cash and deposits | 859,530 | 0.00% | 859,530 | 859,530 |
| Other investment assets | (13,783) | 0.00% | (13,783) | (13,783) |
| **Investment assets** | **10,944,909** | | **12,237,487** | **9,652,332** |

| Asset type | 31 March 2011 | % change | Value on increase | Value on decrease |
|---|---|---|---|---|
| | £ | | £ | £ |
| UK equities | 3,353,697 | 20.90% | 4,054,620 | 2,652,774 |
| Overseas equities | 3,583,220 | 21.40% | 4,350,029 | 2,816,411 |
| Government bonds | 810,658 | 9.50% | 887,671 | 733,645 |
| Corporate bonds | 810,076 | 7.80% | 873,262 | 746,890 |
| Index linked | 531,830 | 9.50% | 582,354 | 481,306 |
| Alternatives | 319,582 | 7.10% | 342,272 | 296,892 |
| Property | 557,380 | 12.80% | 628,725 | 486,035 |
| Derivatives | 4,531 | 0.00% | 4,531 | 4,531 |
| Cash and deposits | 995,469 | 0.00% | 995,469 | 995,469 |
| Other investment assets | 78,569 | 0.00% | 78,569 | 78,569 |
| **Investment assets** | **11,045,012** | | **12,797,501** | **9,292,523** |

It is important to note that the contemporaneous occurrence of the package of one standard deviation events illustrated above would represent a far more extreme outcome than the occurrence of any single one standard deviation event.  Diversification is designed and implemented precisely to avoid such an extreme occurrence.

The impact of a movement in asset market values of the size estimated above would be to increase or decrease the value of GMPF by approximately £1.3 billion as at 31 March 2012 and £1.8 billion as at 31 March 2011.

**Interest rate risk**

GMPF invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

GMPF's direct exposure to interest rate movements as at 31 March 2012 and 31 March 2011 is set out below. These disclosures present interest rate risk based on the underlying financial asset at fair value.

| **Asset type** | | **31 March 2011** | **31 March 2012** |
|---|---|---|---|
| | | **£** | **£** |
| Cash and deposits | | 855,545 | 706,520 |
| Fixed Interest Securities | | 1,210,999 | 1,206,603 |
| Index Linked Securities | | 378,714 | 490,299 |
| Managed funds | - overseas bonds | 11,395 | 12,909 |
| Insurance policies | - UK fixed interest | 212,626 | 229,024 |
| | - UK index linked securities | 153,116 | 159,707 |
| | - UK corporate bonds | 128,859 | 137,019 |
| | - UK cash instruments | 139,924 | 153,010 |
| | - overseas fixed interest | 56,855 | 59,089 |
| | | **3,148,033** | **3,154,180** |

GMPF recognises that interest rates can vary and can affect both income to the fund and the value of the net assets available to pay benefits.

The analysis below assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 1% point change in interest rates.

| **Asset type** | | **31 March 2012** | **Change in year in the net assets available to pay benefits** | |
|---|---|---|---|---|
| | | | **1% point** | **-1% point** |
| Cash and deposits | | 706,520 | 7,065 | (7,065) |
| Fixed Interest Securities | | 1,206,603 | 12,066 | (12,066) |
| Index Linked Securities | | 490,299 | 4,903 | (4,903) |
| Managed funds | - overseas bonds | 12,909 | 129 | (129) |
| Insurance policies | - UK fixed interest | 229,024 | 2,290 | (2,290) |
| | - UK index linked securities | 159,707 | 1,597 | (1,597) |
| | - UK corporate bonds | 137,019 | 1,370 | (1,370) |
| | - UK cash instruments | 153,010 | 1,530 | (1,530) |
| | - overseas fixed interest | 59,089 | 591 | (591) |
| **Total change in assets available** | | **3,154,179** | **31,542** | **(31,542)** |

| Asset type | | 31 March 2011 | Change in year in the net assets available to pay benefits | |
|---|---|---|---|---|
| | | | **1% point** | **-1% point** |
| Cash and deposits | | 855,545 | 8,555 | (8,555) |
| Fixed Interest Securities | | 1,210,999 | 12,110 | (12,110) |
| Index Linked Securities | | 378,714 | 3,787 | (3,787) |
| Managed funds | - overseas bonds | 11,395 | 114 | (114) |
| Insurance policies | - UK fixed interest | 212,626 | 2,126 | (2,126) |
| | - UK index linked securities | 153,116 | 1,531 | (1,531) |
| | - UK corporate bonds | 128,859 | 1,289 | (1,289) |
| | - UK cash instruments | 139,924 | 1,399 | (1,399) |
| | - overseas fixed interest | 56,855 | 569 | (569) |
| **Total change in assets available** | | **3,148,033** | **31,480** | **(31,480)** |

In respect of non-cash assets, the amounts reported above represent a minimum view of the impact of a 1% point variation in interest rates. The price impact on bonds with greater than one year to maturity, of a 1% point variation in interest rate, is higher than 1% of fair value.

The impact of a movement in interest rates of the size estimated above would be to increase or decrease the value of GMPF by approximately £31.5 million as at 31 March 2012 and £31.5 million as at 31 March 2011.

**Currency risk**

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. GMPF has substantial overseas investments which are denominated in foreign currencies and thus has exposure to gains and losses arising from movements in exchange rates.

GMPF has a number of Forward Currency contracts (see analysis in note **X**) which seek to hedge some exposures to foreign currency back to Sterling.

The following table summarises GMPF's currency exposure as at 31 March 2012 and 31 March 2011.

| **Currency exposure –asset type** | | **2011** | **2012** |
|---|---|---|---|
| | | **£000** | **£000** |
| Equities | overseas quoted | 2,428,792 | 2,441,650 |
| Fixed interest | overseas public sector quoted | 197,774 | 175,861 |
| | overseas corporate quoted | 127,497 | 177,664 |
| Index linked | overseas public sector quoted | 48,632 | 104,498 |
| Managed funds | overseas quoted equity | 397,832 | 391,285 |
| | overseas bonds | 11,395 | 12,909 |
| | overseas private equity & infrastructure | 206,414 | 233,607 |
| | overseas special opportunities portfolio | 16,355 | 7,990 |
| Unit trusts | overseas private equity | 2,642 | 2,044 |
| Insurance policies | overseas quoted equity | 756,596 | 907,933 |
| | overseas fixed interest | 56,855 | 59,089 |
| Cash | foreign currency | 8,058 | 40,551 |
| **Gross exposure** | | **4,258,842** | **4,555,081** |
| Foreign currency contracts (net) | | (22,474) | (23,202) |
| **Net exposure** | | **4,236,368** | **4,531,879** |

An estimate of the likely volatility associated with currency movements, based upon an analysis of historical data over the last three years conducted by The WM Company, is given in the table below.

| Currency exposure - asset type | | Asset value as at 31 March 2012 | % change | Value on increase | Value on decrease |
|---|---|---|---|---|---|
| | | £ | | £ | £ |
| Equities | overseas quoted | 2,441,650 | 9.10% | 2,664,267 | 2,219,033 |
| Fixed interest | overseas public sector quoted | 175,861 | 8.20% | 190,278 | 165,050 |
| | overseas corporate quoted | 177,664 | 6.00% | 188,347 | 163,375 |
| Index linked | overseas public sector quoted | 104,498 | 9.80% | 114,739 | 94,257 |
| Managed funds | overseas quoted equity | 391,285 | 7.90% | 422,197 | 360,373 |
| | overseas bonds | 12,909 | 7.90% | 13,929 | 11,889 |
| | overseas private equity & infrastructure | 233,607 | 8.90% | 254,432 | 212,783 |
| | overseas special opportunities portfolio | 7,989 | 9.80% | 8,772 | 7,206 |
| Unit trusts | overseas private equity | 2,044 | 9.80% | 2,244 | 1,843 |
| Insurance policies | overseas quoted equity | 907,933 | 9.40% | 993,290 | 822,577 |
| | overseas fixed interest | 59,089 | 7.10% | 63,284 | 54,893 |
| Cash | foreign currency | 40,551 | 9.90% | 44,549 | 36,554 |
| | | **4,555,080** | | **4,960,328** | **4,149,833** |
| Foreign currency contracts (net) | | (23,202) | 0.08% | (25,151) | (21,253) |
| **Total overseas assets** | | **4,531,878** | | **4,935,177** | **4,128,580** |

| Currency exposure - asset type | | Asset value as at 31 March 2011 | % change | Value on increase | Value on decrease |
|---|---|---|---|---|---|
| | | £ | | £ | £ |
| Equities | overseas quoted | 2,428,792 | 13.10% | 2,746,660 | 2,110,924 |
| Fixed interest | overseas public sector quoted | 197,774 | 10.40% | 218,342 | 177,206 |
| | overseas corporate quoted | 127,497 | 10.40% | 140,757 | 114,237 |
| Index linked | overseas public sector quoted | 48,632 | 12.40% | 54,662 | 42,602 |
| Managed funds | overseas quoted equity | 397,832 | 10.70% | 440,400 | 355,264 |
| | overseas bonds | 11,395 | 10.70% | 12,614 | 10,176 |
| | overseas private equity & infrastructure | 206,413 | 13.40% | 234,134 | 178,692 |
| | overseas special opportunities portfolio | 16,356 | 12.40% | 18,384 | 14,327 |
| Unit trusts | overseas private equity | 2,642 | 12.40% | 2,970 | 2,314 |
| Insurance policies | overseas quoted equity | 756,596 | 13.10% | 855,764 | 657,427 |
| | overseas fixed interest | 56,855 | 10.40% | 62,768 | 50,942 |
| Cash | foreign currency | 8,058 | 13.70% | 9,160 | 6,956 |
| | | **4,258,842** | | **4,796,615** | **3,721,067** |
| Foreign currency contracts | | (22,474) | 12.70% | (25,334) | (19,614) |
| **Total overseas assets** | | **4,236,368** | | **4,771,281** | **3,701,453** |

The potential currency movements disclosed above are broadly consistent with a one standard deviation movement in the change in value of the currencies against Sterling over the last three years. This analysis assumes that all other variables, in particular interest rates, remain constant.

The impact of a movement in the value of foreign currencies against Sterling of the size estimated above would be to increase or decrease the value of GMPF by approximately £403 million as at 31 March 2012 and £535 million as at 31 March 2011.

**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 the fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of GMPF’s financial assets and liabilities.

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 the council’s credit criteria. The council has also set limits as to the maximum amount of a deposit placed with any one class of financial institution. In addition, the council invests an agreed percentage of its funds in the money markets to provide diversification. Money market funds chosen all had minimum “AAA” rating from a leading ratings agency.

The council believes it has managed its exposure to credit risk, and has had no experience of default or uncollectable deposits. The Fund’s cash holding under its Treasury Management arrangements at 31 March 2012 was £838,550,000 (31 March 2011 £888,262,000). This was held with the following institutions:

| SUMMARY | RATING | BALANCE @ 31 March 2011 | BALANCE @ 31 March 2012 |
|---|---|---|---|
| | | £000 | £000 |
| **Money market Funds** | | | |
| Invesco | AAA | | 31,500 |
| Blackrock | AAA | 50,000 | 50,000 |
| Fidelity | AAA | | 50,000 |
| Insight | AAA | | 50,000 |
| J P Morgan | AAA | 50,000 | 50,000 |
| RBS | AAA | 19,600 | 50,000 |
| SSGA | AAA | 50,000 | 50,000 |
| Goldmans | AAA | 50,000 | 50,000 |
| IGNIS | AAA | 50,000 | 50,000 |
| D B Advisors | AAA | 50,000 | 50,000 |
| Prime Rate | AAA | 10,000 | 50,000 |
| HSBC | AAA | | 50,000 |
| Scottish Widows | AAA | | 50,000 |
| Standard | AAA | 50,000 | |
| **Banks** | | | |
| HSBC | AA | | 25,000 |
| Santander | A+ | 50,000 | 50,000 |
| RBS | A | 40,000 | 40,000 |
| Barclays | A | 50,000 | |
| Yorkshire Bank | A | 50,000 | |
| Bank of Scotland | A | 50,000 | |
| **Local authorities & public bodies** | | | |
| Tyne & Wear pension Fund | N/A | | 10,000 |
| Salford | N/A | | 5,900 |
| Peterborough | N/A | | 2,000 |
| Northumberland | N/A | | 25,000 |
| Mid Suffolk | N/A | | 5,000 |
| Kingslyn | N/A | | 1,500 |
| Highland | N/A | | 1,800 |
| Greater London | N/A | | 25,000 |
| Glasgow | N/A | | 15,850 |
| Oldham | N/A | 6,000 | |
| Barnsley | N/A | 5,000 | |
| Birmingham | N/A | 25,000 | |
| Cambridgeshire | N/A | 5,000 | |
| East Dumbarton | N/A | 5,000 | |
| Gloucester | N/A | 5,000 | |
| Havering | N/A | 10,000 | |
| Kirklees | N/A | 5,000 | |

| | | | |
|---|---|---|---|
| Lancashire | N/A | 25,000 | |
| Leeds | N/A | 10,000 | |
| Metropolitan Police | N/A | 25,000 | |
| Midlothian | N/A | 5,000 | |
| Barnsley | N/A | 5,000 | |
| Northumberland | N/A | 25,000 | |
| South Gloucester | N/A | 10,000 | |
| Thurrock | N/A | 11,000 | |
| Tameside | N/A | 1,362 | |
| Swindon | N/A | 10,000 | |
| North Lanark | N/A | 10,000 | |
| Southampton | N/A | 5,300 | |
| Warwickshire | N/A | 5,000 | |
| South Derbyshire | N/A | 5,000 | |
| Sollihull | N/A | 5,000 | |
| Sandwell | N/A | 15,000 | |
| Salford | N/A | 20,000 | |
| Southend | N/A | 10,000 | |
| | | | |
| | | 888,262 | 838,550 |

**Liquidity risk**

Liquidity risk represents the risk that the fund will not be able to meet its financial obligations as they fall due. The council therefore take steps to ensure that the pension fund has adequate cash resources to meet its commitments. This will particularly be the case for cash from the investment mandates to meet the pensioner payroll cost; and also cash to meet investment commitments.

The council has immediate access to its pension fund cash holdings, with the exception of investments in fixed term deposits placed with other local authorities - where periods are fixed when the deposit is placed.

GMPF had in excess of £880 million cash balances at 31 March 2012. The estimated net cash flow after taking into account investment returns is expected to remain positive over the next 3 years. There is, therefore, no significant risk that it will be unable to meet its current commitments.

All financial liabilities at 31 March 2012 are due within one year.

Management prepares periodic cash flow forecasts to understand and manage the timing of the fund's cash flows. The appropriate strategic level of cash balances to be held is a central consideration when preparing the Fund'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.

**By Category**

| 31 March 2011 £000 | | 31 March 2012 £000 |
|---:|---|---:|
| (299,376) | Employers | (300,484) |
| (122,741) | Members | (111,440) |
| **(422,117)** | | **(411,924)** |

**By Authority**

| 31 March 2011 £000 | | 31 March 2012 £000 |
|---:|---|---:|
| (360,534) | Part 1 Schedule 2 Scheme Employer | (342,777) |
| (3,386) | Part 2 Schedule 2 Scheduled Body | (4,387) |
| (49,205) | Community Admission Body | (55,180) |
| (8,992) | Transferee Admission Body | (9,581) |
| **(422,117)** | | **(411,924)** |

At the 2010 Actuarial Valuation, GMPF was assessed as 96.4% funded. Contribution increases are phased over the 3 year period ending 31 March 2014. The phasing results in minimal deficit contributions in aggregate, albeit some employers will make contributions in excess of their future service rate.

The contribution rates specified in the Actuarial Valuation are minimum contribution rates. Some employers have and may make voluntary payments in excess of these minimum rates. In addition, a small number of employers are required to make explicit deficit payments – details of these can be found in the 2010 Actuarial Valuation report located at www.gmpf.org.uk.

**By Category**

| 31 March 2011 £000 | | 31 March 2012 £000 |
|---:|---|---:|
| 339,095 | Pensions | 374,126 |
| 108,781 | Commutation & lump sum retirement benefits | 142,346 |
| 10,305 | Lump sum death benefits | 11,361 |
| **458,181** | | **527,834** |

**By Authority**

| 31 March 2011 £000 | | 31 March 2012 £000 |
|---|---|---|
| 373,574 | Part 1 Schedule 2 Scheme Employer | 434,998 |
| 15,938 | Designating Bodies | 15,902 |
| 63,927 | Community Admission Bodies | 70,125 |
| 4,742 | Transferee Admission Bodies | 6,809 |
| **458,181** | | **527,834** |

**7. Payments to and on account of leavers**

| 31 March 2011 £000 | | 31 March 2012 £000 |
|---|---|---|
| 11,246 | Group transfers to other schemes | 0 |
| 35,834 | Individual transfers to other schemes | 19,205 |
| 2 | Payments for members joining state scheme | (21) |
| (11) | Income for members from state scheme | (11) |
| 57 | Refunds to members leaving service | 60 |
| **47,128** | | **19,233** |

**8. Administration and investment management expenses**

The costs of administration and investment management are met by the employers through their employer contribution rate.

Investment Expenses

| 31 March 2011 £000 | | 31 March 2012 £000 |
|---|---|---|
| 1,246 | Employee costs | 1,208 |
| 592 | Support services including IT | 611 |
| 8,738 | Management fees | 7,177 |
| 404 | Custody fees | 385 |
| 49 | Performance monitoring service | 52 |
| 18 | Actuarial fees - investment consultancy | 144 |
| **11,047** | | **9,577** |

| Administrative Expenses | | |
|---|---|---|
| **31 March 2011 £000** | | **31 March 2012 £000** |
| 2,697 | Employee costs | 2,568 |
| 501 | Support services including IT | 487 |
| 278 | Printing and publications | 329 |
| 47 | Pension fund management panel | 37 |
| 28 | External audit fees | 31 |
| 52 | Internal audit fees | 58 |
| 153 | Actuarial fees | 76 |
| **3,756** | | **3,586** |

**9. Investment income**

| **31 March 2011 £000** | | **31 March 2012 £000** |
|---|---|---|
| (52,959) | Fixed interest (corporate and government bonds) | (58,124) |
| (141,303) | Equities | (169,762) |
| (8,977) | Index linked | (7,599) |
| (8,827) | Pooled investment vehicles | (9,737) |
| (25,357) | Property (gross) | (24,172) |
| 3,542 | Property non-recoverable expenditure | 4,305 |
| (5,005) | Interest on cash deposits | (5,263) |
| 0 | Stocklending | (231) |
| (173) | Underwriting | 0 |
| **(239,059)** | | **(270,583)** |

In accordance with FRS 16 Current Tax, 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 and UK Small Companies, Capital International pooled funds for Emerging Market Equities and High Yield Bonds, Aviva Investors Property Fund, Standard Life Pooled Property Pension Fund and Standard Life Investments UK Property Development Fund in which GMPF invest have income automatically reinvested with that fund.

**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 2011/12 amounts to £2,932,000 (2010/11 £2,702,000) and is shown as a tax charge.

As Tameside MBC was 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

| Value at 1 April 2011 £m | | Purchases £m | Sales £m | Change in fair value £m | Value at 31 March 2,012 £m |
|---|---|---|---|---|---|
| | **Designated as at fair value through the fund account** | | | | |
| 4,972 | Equities | 1,768 | (1,810) | (171) | 4,759 |
| 1,211 | Fixed interest | 1,424 | (1,475) | 47 | 1,207 |
| 379 | Index linked | 243 | (156) | 24 | 490 |
| 340 | Property | 18 | (14) | (8) | 336 |
| 4 | Derivatives | 14 | (16) | (1) | 1 |
| 3,204 | Pooled investment vehicles | 749 | (604) | 110 | 3,459 |
| 10,110 | | | | | 10,252 |
| | **Loans and receivables** | | | | |
| 856 | Cash | | | | 889 |
| 46 | Other investments and net assets | | | | 2 |
| **11,012** | **Total** | | | | **11,143** |

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.

Transaction costs are included in the cost of purchases and sale proceeds. They include costs directly charged to the scheme such as fees, commissions, stamp duty and other fees. The value of transaction costs incurred during the year amounted to £3,446,000 (2011 £4,942,000). In addition to the transaction costs disclosed above, indirect costs are incurred through the bid-offer spread on investments within the pooled investment vehicles. The amount of indirect costs is not separately provided to the scheme.

### Equities

| 31 March 2011 £000 | | 31 March 2012 £000 |
|---|---|---|
| 2,544,174 | UK quoted | 2,317,210 |
| 2,428,792 | Overseas quoted | 2,435,103 |
| **4,972,966** | | **4,752,313** |

### Fixed interest

| 31 March 2011 £000 | | 31 March 2012 £000 |
|---|---|---|
| 343,403 | UK public sector quoted | 143,405 |
| 197,774 | Overseas public sector quoted | 175,861 |
| 542,325 | UK corporate quoted | 709,673 |
| 127,497 | Overseas corporate quoted | 177,664 |
| **1,210,999** | | **1,206,603** |

**Index linked**

| 31 March 2011 £000 | | 31 March 2012 £000 |
|---|---|---|
| 330,082 | UK public sector quoted | 385,801 |
| 48,632 | Overseas public sector quoted | 104,498 |
| **378,714** | | **490,299** |

**Property**

| 31 March 2011 £000 | | 31 March 2012 £000 |
|---|---|---|
| 327,975 | UK - Main property portfolio | 317,023 |
| 11,836 | UK - Greater Manchester Property Venture Fund | 19,241 |
| **339,811** | | **336,264** |

**Derivatives**

| 31 March 2011 £000 | | 31 March 2012 £000 |
|---|---|---|
| | **Investment assets:** | |
| 0 | Forward Currency contracts | 646 |
| 4,531 | FTSE 100 Index future | 0 |
| 4,531 | | 646 |
| | **Investment liabilities:** | |
| (155) | Forward Currency contracts | (72) |
| **4,376** | **Net (liability)/asset** | **574** |

Derivative receipts and payments represent the realised gains and losses on futures contracts and forward currency contracts. GMPF's objectives in entering into derivative positions are to decrease risk in the portfolio and effectively implement asset allocation decisions.

| Contract | Settlement Date | Currency | Currency Bought 0 | Currency Sold 0 | Asset £0 | Liability £0 |
|---|---|---|---|---|---|---|
| Forward currency contracts | Within 1 month | GBP | 33180 | 52135 | 619 | |
| Forward currency contracts | Within 1 month | GBP | 20777 | 24895 | 24 | |
| Forward currency contracts | Within 1 month | EUR | 2160 | 1798 | 3 | |
| Forward currency contracts | Within 1 month | USD | 52135 | 32633 | | (72) |
| Forward currency contracts | Within 1 month | GBP | 3676 | 4410 | | (0) |
| | | | | | **646** | **(72)** |

The above table analyses the derivative contracts held by maturity date. The Forward Currency contracts are all traded on an over the counter basis. The Forward Currency contracts are to hedge exposures to foreign currency back into Sterling.

**Pooled investment vehicles**

| 31 March 2011 £000 | | | 31 March 2012 £000 |
|---|---|---|---|
| 84,741 | Managed funds | -property | 98,747 |
| 397,832 | | -overseas quoted equity | 391,287 |
| 11,395 | | -overseas corporate bonds | 12,909 |
| 75,442 | | -UK private equity & infrastructure | 91,297 |
| 206,414 | | -overseas private equity & infrastructure | 233,607 |
| 18,729 | | -UK special opportunities portfolio | 38,811 |
| 16,355 | | -overseas special opportunities portfolio | 7,989 |
| 104,103 | Unit trusts | -property | 103,890 |
| 2,642 | | -overseas private equity | 2,044 |
| 0 | | -UK private equity | 122 |
| 28,725 | Insurance policies | -property | 30,060 |
| 809,523 | | -UK quoted equity | 802,372 |
| 212,626 | | -UK fixed interest | 229,024 |
| 153,116 | | -UK index linked securities | 159,707 |
| 128,859 | | -UK corporate bonds | 137,019 |
| 139,924 | | -UK cash instruments | 153,010 |
| 756,596 | | -overseas quoted equity | 907,933 |
| 56,855 | | -overseas fixed interest | 59,088 |
| **3,203,877** | | | **3,458,916** |

**Cash**

| 31 March 2011 £000 | | 31 March 2012 £000 |
|---|---|---|
| 847,487 | Sterling | 848,904 |
| 8,058 | Foreign currency | 40,479 |
| **855,545** | | **889,383** |

**Other investments balances and net assets**

| 31 March 2011 £000 | | 31 March 2012 £000 |
|---|---|---|
| 37,372 | Amounts due from broker | 171,379 |
| 18,243 | Outstanding dividends and recoverable withholding tax | 25,839 |
| 22,248 | Gross accrued interest on bonds | 24,868 |
| 706 | Other accrued interest and tax reclaims | 512 |
| **78,569** | **Other investment assets** | **222,598** |
| | | |
| (42,575) | Amounts due to broker | (235,681) |
| (4,531) | Variation margin | 0 |
| (112) | Irrecoverable withholding tax | (188) |
| **(47,218)** | **Other investment liabilities** | **(235,869)** |
| | | |
| | Employer contributions: | |
| 21,698 | - Main scheme | 26,741 |
| 128 | - Additional pensions | 216 |
| 65 | Property | 146 |
| 2,908 | Other | 4,268 |
| **24,799** | **Current assets** | **31,371** |
| | | |
| (2,275) | Property | (2,596) |
| 0 | Employer contributions - main scheme | (4,995) |
| (1,642) | Employer contributions - additional pensions | (1,369) |
| (5,204) | Admin & Investment management expenses | (6,307) |
| (907) | Other | (1,016) |
| **(10,028)** | **Current liabilities** | **(16,283)** |
| | | |
| **46,122** | **Other investment balances and net assets** | **1,817** |

**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 2011 £000 | | 31 March 2012 £000 |
|---|---|---|
| 11,836 | Greater Manchester Property Venture Fund | 19,241 |

**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 2011 £000 | | 31 March 2012 £000 |
|---|---|---|
| 330,082 | Index linked | 212,983 |
| 15,571 | Cash | 128,728 |
| 1,632 | Other investment balances | 1,375 |
| **347,285** | **Net** | **343,086** |

**14. Summary of manager's portfolio values at 31 March**

| 2011 | | | 2012 | |
|---|---|---|---|---|
| £m | % | | £m | % |
| | | **Externally managed** | | |
| 5,235 | 47.5% | USB Global Asset Management | 5,339 | 47.9% |
| 2,216 | 20.1% | Legal & General | 2,449 | 22.0% |
| 1,697 | 15.4% | Capital International | 1,652 | 14.8% |
| 12 | 0.1% | GVA | 19 | 0.2% |
| 9,160 | 83.2% | | 9,459 | 84.9% |
| | | **Internally managed** | | |
| 319 | 2.9% | Private equity | 374 | 3.4% |
| 347 | 3.2% | Designated funds | 343 | 3.1% |
| 546 | 5.0% | Property | 550 | 4.9% |
| 640 | 5.8% | Cash, other investments and net assets | 417 | 3.7% |
| 1,852 | 16.8% | | 1,684 | 15.1% |
| | | | | |
| **11,012** | **100.0%** | Total | **11,143** | **100.0%** |

**15. Concentration of investment**

As at 31 March 2012 GMPF held 22.0% of its net assets in an insurance contract with Legal & General Assurance (Pensions Management) Limited. It is a linked long term contract under Class III of Schedule 1 of the Insurance Companies Act 1982 and not a “with profits” contract.

The entire value of the policy can be realised after one month’s notice and future premiums are payable at GMPF’s discretion. The policy document has been issued (policy number MF32950) and the value is incorporated in the Net Asset statement within pooled investment vehicles across the following underlying asset classes:

| 31 March 2011 £000 | | 31 March 2012 £000 |
|---|---|---|
| 768,530 | UK equities | 802,372 |
| 756,596 | Overseas equities | 907,933 |
| 212,626 | UK fixed interest | 229,024 |
| 128,859 | UK corporate bonds | 137,019 |
| 56,855 | Overseas fixed interest | 59,089 |
| 153,116 | UK Index linked | 159,707 |
| 139,924 | UK cash instruments | 153,010 |
| **2,216,506** | | **2,448,154** |

### 16. Notifiable interests

| | UK Equity % |
|---|---|
| Dixons Retail PLC | 7.4 |
| HMV Group PLC | 7.3 |
| Kesa Electricals PLC | 6.0 |
| Molins PLC | 7.3 |
| Premier Farnell PLC | 3.5 |
| Scapa Group PLC | 3.0 |
| STV Group PLC | 9.3 |

### 17. Commitments

| 31 March 2011 £000 | | | 31 March 2012 £000 |
|---|---|---|---|
| 1,519 | Property | Commitments regarding refurbishment works | 1,633 |
| 219,339 | Indirect private equity and infrastructure managed funds | Commitments to funds | 260,458 |
| 107,138 | Special opportunities portfolio managed fund | Commitments to funds | 40,120 |
| 19,820 | Property managed funds | Commitments to funds | 7,780 |
| 0 | Property unit trusts | Commitments to funds | 62,950 |
| 5,637 | UK fixed interest and UK cash | Commitments to invest | 0 |
| **353,453** | | | **372,941** |

### 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 £5,003,000 on behalf of the GMPF and paid HMRC VAT (net) of £660,000. Total payments due to Tameside MBC, therefore, amounted to £5,663,000 (2011/2012 £6,392,000). GMPF reimbursed Tameside MBC £5,460,000 for these charges and there is a creditor of £203,000 owing to GMPF at the year end (2011/12 £230,000 within Creditors). This creditor has been settled since the year end.

The Executive Director of Finance responsible for the preparation of GMPF's Statement of Accounts is also the Executive Director of Finance of Tameside MBC.

Under legislation introduced in 2003/04, Councillors are entitled to join the pension scheme. Councillor J Pantall, member of the GMPF Management Panel, and Employee representative F Llewellyn both received pension benefits from GMPF during the financial year. In addition, the following Councillors, members of the GMPF Management and Advisory Panels, and Employee representatives made contributions to GMPF during the financial year:

| | |
|---|---|
| K Quinn | JC Taylor |
| D Buckley | A Mitchell |
| GP Cooney | A Mulryan |
| D Schofield | J Thompson |
| J Fitzpatrick | M Baines |
| J Lane | M Rayner |
| M Smith | |

Each member of the GMPF Management and Advisory panels and Working Groups formally considers declarations of interest at each meeting.

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).

GMPF has an investment in Elisabeth House Manchester Joint Venture unit trust which, at 31 March 2012 was valued at £6,200,000. Peter Morris, Executive Director of Pensions, GMPF is a director of the Elisabeth House Manchester General Partner. He receives no remuneration for this position.

**19. Employer related investment**

Greater Manchester Property Venture Fund includes a standing investment of office accommodation leased to Wigan MBC. It is valued at £2,300,000 as at 31 March 2012 (2011/12 £2,660,000) and is included in the Property category within the net asset statement.

**20. Contributions received and benefits paid during the year ending 31 March 2012**

| | Contributions Received £m | Benefits Paid £m |
|---|---|---|
| Bolton Borough Council | (29) | 33 |
| Bury Borough Council | (18) | 21 |
| Manchester City Council | (54) | 110 |
| Oldham Borough Council | (23) | 29 |
| Rochdale Borough Council | (22) | 30 |
| Salford City Council | (24) | 36 |
| Stockport Borough Council | (21) | 26 |
| Tameside Borough Council (administering authority) | (19) | 30 |
| Trafford Borough Council | (17) | 20 |
| Wigan Borough Council | (28) | 37 |
| Other scheme employers * | (92) | 77 |
| Admitted bodies * | (65) | 79 |
| | **(412)** | **528** |

* A full list of all scheme and admitted bodies can be found in the GMPF Annual Report 2011/12 which will be available at www.gmpf.org.uk, following the GMPF Annual General Meeting in September 2012

**21. Statement of Investment Principles and Funding Strategy Statement**

GMPF has published a Statement of Investment Principles and a Funding StrategyStatement. Both documents can be found on its website - www.gmpf.org.uk.

**22. Actuarial Review of the Fund**

GMPF's last Actuarial valuation was undertaken as at 31 March 2010. A copy of the valuation report can be found on the GMPF website – www.gmpf.org.uk. The funding policy is set out in the Funding Strategy Statement (FSS) dated 4 March 2011. 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 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 2010 were valued at £10,445 million, were sufficient to meet 96.4% of the present value of promised retirement benefits earned. The resulting deficit was £390 million.

The key financial assumptions adopted for the 2010 valuation were:

| | **31 March 2010** | |
|---|---|---|
| **Financial Assumptions** | **Nominal % p.a.** | **Real % p.a.** |
| Discount Rate | 6.3% | 3.0% |
| Pay Increases* | 4.8% | 1.5% |
| Price Inflation/Pension increases | 3.3% | - |

*plus an allowance for promotional pay increases. Short term pay growth was assumed to be 1% p,a, for 2010/2011, 2011/2012 and 2012/2013, reverting to 4.8% p.a. thereafter.

The liabilities were assumed using an accrued benefits method that takes into account pensionable membership up to the valuation date. It also makes an allowance for expected future salary growth to retirement or expected earlier date of leaving pensionable membership.

**23. Stocklending**

Until September 2008, GMPF's custodian, JP Morgan, was authorised to release stock to third parties under a stocklending agreement. Under the agreement, GMPF did not permit JP Morgan to lend UK or US equities.

GMPF's stocklending agreement with JP Morgan was suspended on 19 September 2008.

The suspension was lifted with effect from 20 May 2011, and the programme recommenced on generally slightly more restrictive terms, the only exception being that GMPF now accepts "cash-in-lieu" as collateral on a time restricted basis in the unlikely event that this is required under market norms. Any such "cash-in-lieu" collateral is not reinvested.

At the year end the value of stock on loan was £69.8m (31 March 2011: £Nil) in exchange for which the custodian held collateral at fair value of £74.2m (31 March 2011: £Nil).

Collateral consists exclusively of UK, US, and Euroland government bonds.

## 24. AVC Investments

GMPF provides an AVC scheme for its contributors, the assets of which are invested separately from GMPF. These amounts are not included in the GMPF accounts in accordance with regulation 4(2)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (SI 2009 No 3093).
The scheme provider is Prudential where the sums saved are used to secure additional benefits on a money purchase basis for those contributors electing to pay additional voluntary contributions. The funds are invested in a range of investment products including with profits, fixed interest, equity, cash, deposit, property, and socially responsible funds, as follows:

| | |
|---|---|
| Contributions paid | £6,123,489 |
| Units purchased | 751,872 |
| Units sold | 771,584 |
| **Market value as at 31 March 2012** | 62538515 |
| Market value as at 31 March 2011 | **£66,545,564** |

## 25. Actuarial present value of promised retirement benefits

CIPFA's Code of Practice on Local Authority Accounting 2011/2012 requires administering authorities of LGPS funds that prepare pension fund accounts to disclose what IAS26 Accounting and Reporting by Retirement Benefit Plans refers to as the actuarial present value of promised retirement benefits.

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 2011/2012.

### Financial assumptions

| 31 March 2011 % p.a. | Year ended: | 31 March 2012 % p.a. |
|---|---|---|
| 2.80% | Inflation/pension increase rate* | 2.50% |
| 4.30% | Salary increase rate** | 4.30% |
| 5.50% | Discount rate | 4.80% |

* salary increases are 1% p.a. nominal for the years to 31 March 2011, 31 March 2012 and 31 March 2013 reverting to 4.3% thereafter

**Mortality**

Life expectancy is based on the Fund's VitaCurves with improvements in the Medium Cohort and a 1% underpin from 2011. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

| | | |
|---|---|---|
| Current pensioners | 20.1 years | 22.9 years |
| Future pensioners*** | 22.5 years | 25.0 years |

*** future pensioners are assumed to be currently aged 45

**Historic mortality**

Life expectancies for the below year ends are based on PFA92 and PMA92 tables. The allowances for future life expectancies are shown in the table below.

| **Year ended** | **Prospective Pensioners** | **Pensioners** |
|---|---|---|
| 31 March 2011 | year of birth, medium cohort and 1% p.a. minimum improvements from 2007 | year of birth, medium cohort and 1% p.a. minimum improvements from 2007 |

Age ratings and loadings are applied to the above tables based on membership profile.

**Commutation**

An allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 75% of the maximum tax-free cash for post-April 2008 service.

**Balance sheet**

| **01 April 2010 £m** | **31 March 2011 £m** | **Year ended:** | **31 March 2012 £m** |
|---|---|---|---|
| 14,925 | 12,179 | Present value of promised retirement benefits | 14095 |

Liabilities have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2011. No allowance has been made for unfunded benefits.

It should be noted that the above figures are appropriate only for preparation of the accounts if GMPF. They should not be used for any other purpose.