**Statement of Accounts**


# Greater Manchester Waste Disposal Authority Statement of Accounts

**2016/17**

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# Introduction from the Chair and the Clerk

2016/17 CHAIR OF THE AUTHORITY - COUNCILLOR NIGEL MURPHY

CLERK TO THE AUTHORITY – CAROLYN WILKINS

Welcome to the Greater Manchester Waste Disposal Authority's (GMWDA) Statement of Accounts for 2016/17. This year's Statement has some important changes in its style and we hope that these make it a much more readable document, as well as a single source for how our finance and performance are being moved forwards. We would very much welcome your feedback on whether those changes are improvements, and indeed whether there is more that we can do to make the Accounts more readable. Details of where to send comments and suggestions are set out on page 24.

The Statement of Accounts show the presence of sound systems for good governance and record an ongoing prudent financial position.

Thank you for showing an interest in GMWDA's finances.

**Councillor Nigel Murphy**
**Chair of the Authority for 2016/17**

**Carolyn Wilkins**
**Clerk to the Authority**

# About Us

GMWDA is the largest of the six statutory joint waste disposal authorities created under the Local Government Act (1985). The Authority was formed in 1986 on the demise of Greater Manchester Metropolitan County Council, and is expected from 31 March 2018 to become part of an extended Greater Manchester Combined Authority (GMCA). Further detail is contained within the Narrative Report.

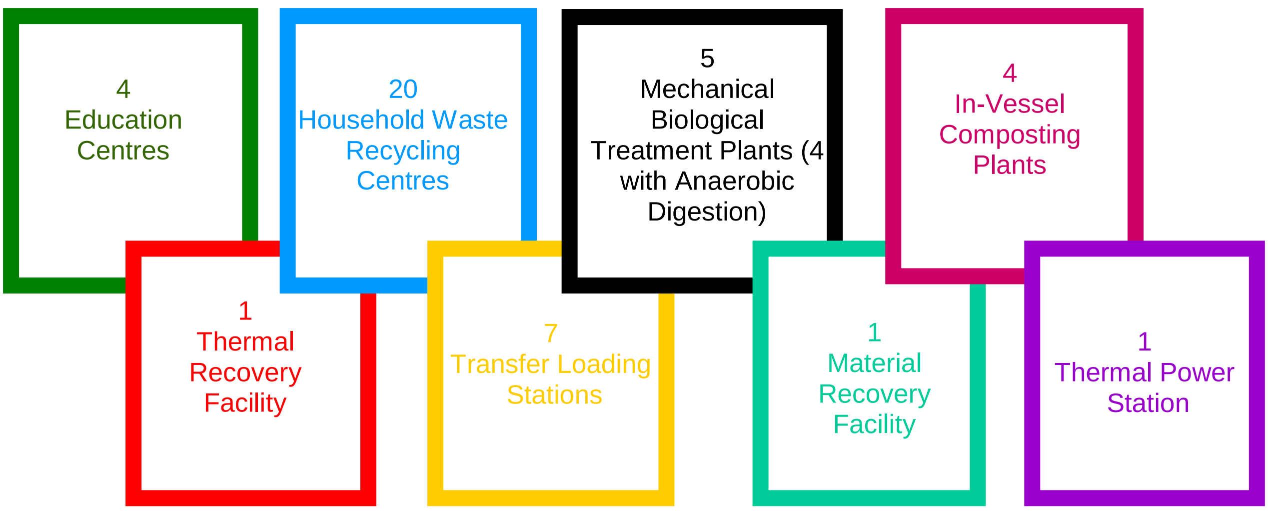
The Authority comprises of 21 Members, with two Members appointed annually from each of the constituent Councils, except Manchester who appoint three Members. These Members are Councillors within their respective Boroughs. Wigan Metropolitan Borough Council (MBC) is a Unitary Authority and is entitled to maintain a presence on the Authority for administrative purposes only. Following the Annual General Meeting on 10 June 2016 the political make-up of the Authority is:

| | |
|---|---|
| Labour | 16 Councillors |
| Conservative | 2 Councillors |
| Liberal Democrat | 1 Councillor |
| | 19 * |

*With none appointed from Wigan MBC.

GMWDA is England's biggest waste disposal authority and deals with over 1 million tonnes of waste each year (that is the equivalent of over 4% of England's local authority collected waste (LACW)). The Authority provides waste disposal services to 9 of the Association of Greater Manchester Authorities (AGMA's) Waste Collection Authorities (Districts), which equates to serving over one million households and a population of above 2.4 million.

The Authority, through a 25 year Private Finance Initiative (PFI) Recycling and Waste Management Contract with Viridor Laing (Greater Manchester) Limited (VLGM), has developed an integrated recycling and waste management solution for Greater Manchester. The image below shows the number of facilities we have within the Greater Manchester PFI Contract:-



The illustration below shows the Authority's Greater Manchester Recycling and Waste Management facilities and locations:


## Recycling and Waste Management

| Bolton | SAT NAV |
|---|---|
| 1. Hurstwood Court | BL3 2NH |
| 1a. Raikes Lane | BL3 2NP |
| 2. Salford Road | BL5 1DG |

| Bury | SAT NAV |
|---|---|
| 3. Every Street | BL9 5BE |
| 4. Cemetery Road | M26 4FT |

| Manchester | SAT NAV |
|---|---|
| 5. Reliance Street | M40 3EZ |
| 6. Sandfold Lane | M19 3BJ |
| 7. Longley Lane | M22 4RQ |

| Oldham | SAT NAV |
|---|---|
| 8. Arkwright Street | OL9 9LZ |

| Rochdale | SAT NAV |
|---|---|
| 9. Chichester Street | OL16 2AU |
| 10. Springvale | M24 2HR |

| Salford | SAT NAV |
|---|---|
| 11. Cobden Street | M6 6NA |
| 12. Lumns Lane | M27 8LN |
| 13. Boysnope Wharf | M30 7RH |

| Stockport | SAT NAV |
|---|---|
| 14. Bredbury Parkway | SK6 2SN |
| 15. Adswood | SK8 5QY |
| 16. Rosehill | SK6 6HU |

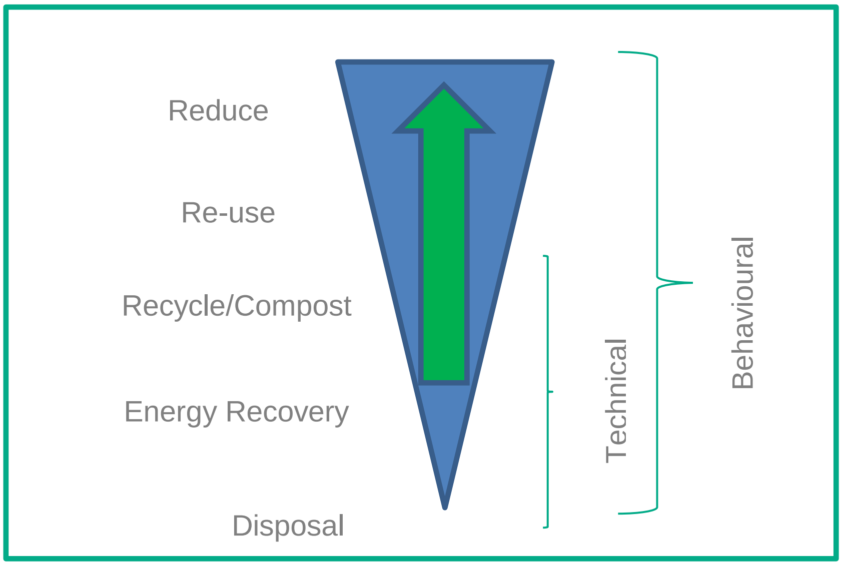
| Tameside | SAT NAV |
|---|---|
| 17. Bayley Street | SK15 1PZ |
| 18. Ash Road | M43 6QU |

| Trafford | SAT NAV |
|---|---|
| 19. Chester Road | M32 9AU |
| 19a. Nash Road | M17 1SX |
| 20. Woodhouse Lane | WA14 5HQ |

recycle
for Greater Manchester

## Achieving Zero Waste

To the Authority 'Zero Waste' means maximising the sustainable use of resources by encouraging the prevention, re-use and closed loop recycling (producing new products from waste materials), composting of waste, and recovering energy from the remainder that cannot be economically or technically separated, sending as little waste as possible to landfill.




We reviewed our waste management strategy and developed four themed policies which will help us achieve 'our aim is zero waste':

1. **Saving resources**
   To halve residual waste by asking Greater Manchester residents to think about their behaviour and to recycle more. In 2017/18 Districts are set to achieve over 50% recycling through their waste collection arrangements. That is a significant milestone on the way to 60% overall recycling by 2025. In addition, it is planned to achieve 90% diversion from landfill by 2020.

2. **Connecting with the community**
   Encourage the involvement of the wider community sector through supporting waste reduction and recycling, and increasing the understanding of the actions that residents can take to prevent, re-use, recycle and recover waste.

3. **Protecting the environment**
   Use the waste hierarchy (above) to look at how to use the best environmental option to save material and energy resources. We aim to save around 286,000 tonnes per annum equivalent of $CO_2$, thus helping address climate change.

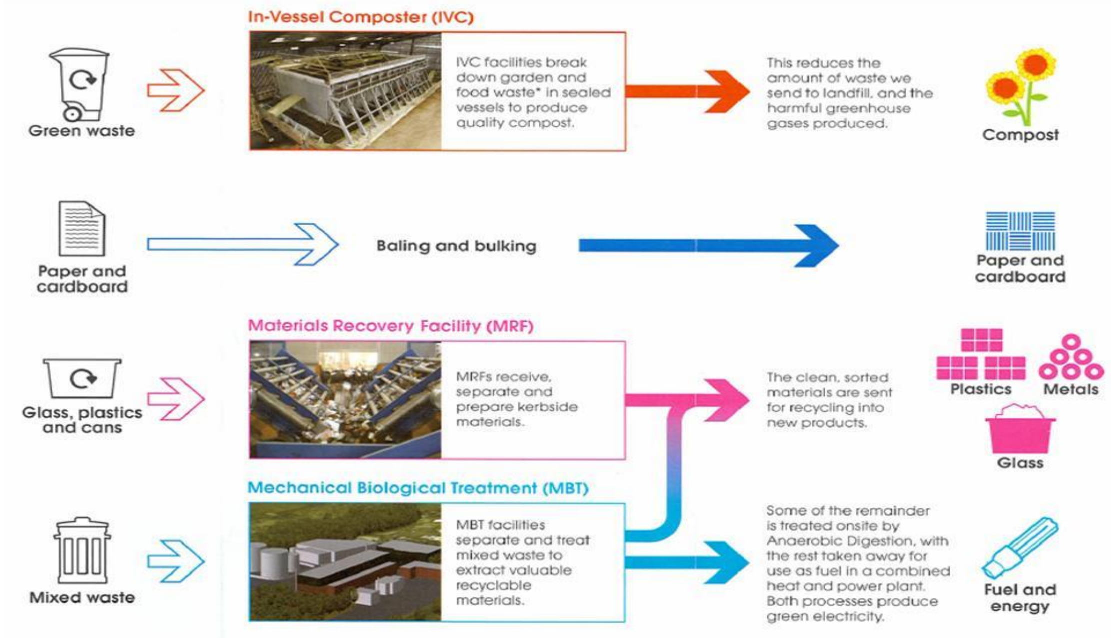
4. **Supporting businesses**
   Working through our Districts to help local businesses to reduce, re-use, recycle and recover their own waste, and to take more responsibility for waste which arises from the products they produce.

## Waste Collection Authority (Districts) Kerbside Collections

The collection of waste across Greater Manchester has been standardised through partnership working with the Districts, with the development of the four waste streams system. Residents' kerbside collections have therefore been aligned across all nine Waste Collection Authorities into the following four waste streams:

- Pulpables; Paper, card and cardboard cartons (Tetra Pak);
- 'Commingled'; plastic bottles, glass containers and cans;
- Organics; Garden and food waste; and
- Residual waste.

The diagram below shows how each of the waste streams is treated through our facilities and how we set out to ensure that we don't waste anything:




The intention of this standardisation is to deliver long-term financial and environmental benefits in Greater Manchester.

## Landfill Aftercare

Landfill Aftercare is a core part of the Authority. The Engineering & Asset Management Team maintains four remaining sites which are:

- Cringle Road, Manchester (see image)
- Barlow Hall, Manchester
- Waithlands, Rochdale
- Bredbury, Stockport

Two of these sites are held for future strategic development (located at Bredbury, Stockport and Waithlands, Rochdale) and a further two sites owned by Manchester City Council will no longer be managed by the Authority by 2023 at the latest (sites located at Cringle Road, Levenshulme and Barlow Hall, Wythenshawe). The team oversees the Authority's assets, and manages, supports and monitors the infrastructure of the former landfill sites (including boreholes for landfill gas). The team also oversees that the maintenance of 18 former landfill sites, now under the ownership of Landcare (Manchester) Limited, are carried out in accordance with the agreed plans.

## Communications

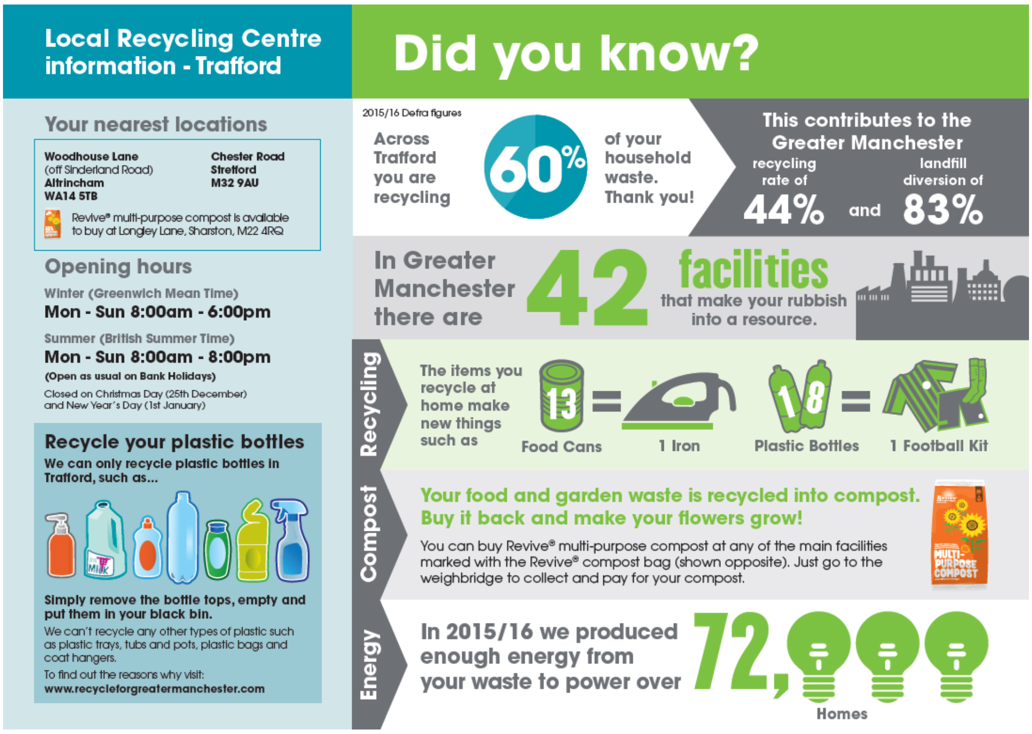
On the 1 February 2017 a single Communications Team was created; by bringing together the work of VLGM, the Authority (which operates under the brand Recycle for Greater Manchester (R4GM)) and ReSource Greater Manchester (RGM) (a partnership with the Waste Resources Action Programme (WRAP)); within the Authority to deliver a 5 year strategy to achieve behavioural change through waste prevention, promoting re-use and maximising recycling across Greater Manchester.

R4GM and RGM have Action Plans which set out comprehensive communication, engagement and education programmes, to drive forward the 'zero waste' agenda in Greater Manchester, by ensuring the continual and fresh delivery of the reduce, re-use and recycle message to the residents of Greater Manchester. They aim to change the way our residents view the waste they create. This we believe is the single biggest risk to 'our aim is zero waste', and as such behaviour change is the most important theme that drives all our communications work. Our key challenges through the delivery of these plans are changing the way our residents:-

- minimise waste;
- actively seek to re-use, rather than throw away; and
- become good and accurate recyclers all of the time.

## Precepts and Levies 2016/17

The Authority sets out its plans for spending as part of a levy leaflet. As well as providing the statutory financial information, we now provide useful data on progress at a District level. As an example, the Trafford information is set out below but information for each District can be found at http://www.gmwda.gov.uk/publications/finance



**If you would like any further information please visit our websites:**

**www.recycleforgreatermanchester.com**

**www.gmwda.gov.uk**

**or contact the Authority's Head of Communications & Behavioural Change:**

**Jennifer Baker on ☎ 0161 770 1700 or**

**jennifer.baker@gmwda.gov.uk**

# Narrative Report

## Introduction

This section of the Statement of Accounts for 2016/17 provides readers and all interested parties with a summary of our financial performance and also includes key non-financial information. It is aimed at improving the readability of our statements, so as to aid openness and transparency.

## Key Accounting Information for the Financial Year 2016/17

The Authority is required to prepare an Annual Statement of Accounts by the Accounts and Audit Regulations (England & Wales) 2015 which require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the Code) and the Service Reporting Code of Practice for Local Authorities 2016/17 (SeRCOP), supported by International Financial Reporting Standards (IFRS). There are no material changes to the accounting policies adopted by the Authority in 2016/17 to those reported to the Audit & Standards Committee meeting on 19 April 2017.

After presenting key information about the Authority to enable the reader to understand the key issues that have influenced the financial performance of the Authority in 2016/17 and in future years, it is important to move on to the presentation of the 2016/17 Accounts. These summarise the transactions for the financial year and the position of the Authority at the year-end of 31 March 2017.

The table below summarises the purpose of the various statements included in the 2016/17 Statement of Accounts.

| STATEMENT | PURPOSE AND CONTENT |
|---|---|
| ANNUAL GOVERNANCE STATEMENT | This gives a public assurance that the Authority has proper arrangements in place to manage all of its affairs. It summarises the Authority'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. |
| STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS | This Statement sets out the respective responsibilities of the Authority and the Chief Financial Officer (Treasurer & Deputy Clerk) for the Accounts. |
| AUDITOR'S STATEMENT | This is the Independent Auditor's Report to Members of the Authority including their Conclusion on Arrangements for Securing Economy, Efficiency and Effectiveness in the Use of Resources. This Statement is not available until the conclusion of the audit in July 2017. |
| 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 the levy. The Authority raises a levy to cover expenditure in accordance with Regulations; |

| | |
|---|---|
| | this may be different from the accounting cost. The levy position is shown in the Movement in Reserves 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 levy) and Unusable 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 for levy-setting purposes. The 'Net increase or (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 Authority. |
| 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.<br>• Usable Reserves: Those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitation on their use (for example, the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt).<br>• Unusable Reserves: Those reserves 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'. |
| 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 amounts of net cash flows arising from operating activities are a key indicator of the extent to which the operations of the Authority are funded by way of levy. Investing activities represent the extent to which cash outflows have been made for resources that 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 (such as borrowing) to the Authority. |
| EXPENDITURE AND FUNDING ANALYSIS (NOTE 5) | The Expenditure and Funding Analysis shows how the funding available to the Authority has been used in providing services in comparison with those resources consumed or earned by the Authority in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Authority's services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement. |

## Key Factors that Influenced the Authority during 2016/17

The key factors that have influenced the Authority in 2016/17 are analysed below using the established PESTLE technique (Political, Economic, Social, Technological, Legal and Environmental).

**Political**

- **Devolution and the Extension of the Greater Manchester Combined Authority (Cities and Local Government Devolution Act 2016)** – The Greater Manchester Devolution Agreement was signed with the Government in 2014. This aims to bring both decision-making powers and improved control of resources closer to the residents of Greater Manchester, giving them and local leaders control over decisions which have until now been taken at a national level. In 2016/17 it was confirmed that the Waste Disposal Authority would become part of the Combined Authority with effect from 1 April 2018. 2016/17 is the penultimate year that these accounts will be produced.
- **Spending Review including future Central Government outlook for support to Constituent Districts** – The General Election in May 2015 returned a majority Conservative Government. As expected work to reduce the national deficit continued with the Chancellor's Summer Budget in July 2015 confirming that an additional £20 billion of public sector reductions would be required by 2020. The 2016/17 Local Government Settlement, confirmed in March 2016, offered our Districts a further three year settlement provided they produced an Efficiency Plan confirming continued reductions in government grant for 2017/18 to 2019/20. All Districts accepted this offer and have agreed Efficiency Plans. On 8 June 2017 there was a general election which could influence the future level of support available to local government. Authority plans for future savings assume that funding levels are in line with the Efficiency Plans of constituent Districts.
- **Future Developments in Europe –** The referendum on the future membership of the European Union (EU) was held on 23 June 2016 confirmed the country would leave the EU. The impact on national Waste Policy is unknown and impacts on the future operation of the Authority who has invested strategically, based upon past European led policy, in a long term environmentally sustainable solution to dispose of its waste (rather than relying on landfill).
- **Waste Strategy for England** – The absence of a national waste strategy for England (the Principalities all have their own Strategies) means that the Authority had developed a local solution under its PFI Contract and the use of a Combined Heat and Power Plant at Runcorn (Runcorn CHP) to reduce its reliance on landfill. The Authority is reviewing its options to deliver efficiencies which will need to also consider a future national strategy.
- **Contractual –** Contract Monitoring has identified underperformance in the Contract which has led to challenge. There is also a parallel exercise to review arrangements under the Authority's duty to demonstrate value for money in relation to the public purse. That led on the 26 April 2017 to a formal decision to terminate the 25 year PFI Contract.

**Economic**

- **Government austerity to realign the Public Finances** – This aims at getting the public sector deficit under control and has continued to influence the amount the Authority can levy on the Districts, with no increase in the levy agreed for 2016/17 with a contribution from the Authority's earmarked reserves to finance revenue expenditure. As the Governments' own targets have changed, it has meant that the expected austerity measures have been extended and earmarked reserves are not available to continue to support the levy until then. As such the Authority is required to make efficiency savings

- **Inflation –** this has been at a higher level than in previous years linked into the result on the referendum and the Authority has both suffered due to increased contract payments not matched by a recovery in electricity prices.
- **Interest Rates** – These have remained at a low level and as a result of the Treasury Management Strategy of the Authority (which places safety over economic return on spare cash), the returns from our Treasury Management operations have been solid. The costs of the Authority have been minimised by utilising spare cash to under borrow in the year. The future picture for interest rates indicates they will remain at a low level for 2017/18.
- **Economic prospects** – 2016/17 saw steady economic growth within the UK which assisted in reducing a small proportion of the national deficit. Indications are that for 2017/18 economic growth will be at lower levels than that achieved for 2016/17 as the impact of the European referendum becomes much clearer which has the potential that the austerity measures (to achieve national targets on reducing the deficit) will need to increase from those already announced.

**Social**

- **Increase in volume of waste at Household Waste Recycling Centres (HWRC)** – The financial year 2016/17 resulted in an increase overall of waste deposited by the general public at HWRCs. This appears to be due to a number of factors probably linked to the economic cycle, including individuals replacing more items, particularly those relating to the household such as electrical goods.
- **A reduction in paper/card waste** – This reflects changes in society as less households receive bulky publications and/or bulky packages which then need to be disposed of by the Authority. The availability of information on the internet is reducing the amount of paper distributed to households.
- **Changing collection regimes did not initially increase recycling to the level anticipated in the 2016/17 budget** – The challenging level of improvements to recycling agreed with Districts when the Authority set its budget for the financial year 2016/17 was not achieved overall. This was mainly due to a later roll out by some Districts of their introduction of revised Waste Collection Arrangements. Once introduced they have successfully reduced the amount of residual waste collected by them. This later implementation resulted in a financial pressure to the Authority partially offset by an increased year-end charge to certain Districts under the Inter Authority Agreement (IAA).
- **Increase in households** – There was an increase in the number of household in all the Districts which led to an increase in the waste generated and which needed to be disposed of. This was partially offset by an overall increase in the recycling rate for the areas served by the Authority.

**Technological**

- **Mechanical Biological Treatment (MBT) and Anaerobic Digestion (AD) Facilities** – The MBT process is capturing less organic material than originally envisaged whilst there has also been unexpected corrosion in the AD facilities resulting in the reduced capture of organics.

This has led to an increase in the Refuse Derived Fuel (RDF) produced by these processes than originally envisaged when the 2016/17 budget was agreed. The revenue impact of this has been partially offset by increased shredding of bulky waste, and then use of that material through flexibility in agreements made to dispose of RDF, in Phase 2 of the Runcorn CHP facility. That has allowed for this to be disposed at a rate below the cost of landfill tax. The impact of corrosion in the AD facilities upon the Authority's Balance Sheet (impairment) has been considered in the production of these Accounts.

- **Runcorn Combined Heat and Power Plant (CHP)** – This was the second full year of the operation of the CHP and the plant has performed to expected capacity throughout the year and disposed of extra RDF to that envisaged in the 2016/17 budget, which is cheaper than the cost of landfill.
- **Introduction of Shredding to the Waste Stream** – This was a planned improvement to increase diversion which began in 2015/16, which has been funded from an earmarked reserve. The pilot project has worked well and the hired equipment used initially in 2015/16 was replaced by purchased equipment in 2016/17. For 2016/17 this has added around 11% to diversion.

**Legal**

- **Accounts and Audit Regulations 2015 and Local Audit and Accountability Act 2014** – The timeline for the production and approval of the Authorities Accounts has changed. For 2015/16 and 2016/17, transitionary rules apply. The Act confirmed the Audit Commission would be abolished from 1 April 2015 and this has happened with the role of overseeing the external auditors now undertaken by Public Sector Audit Appointments Limited (PSAA).
- **Repayment of Debt** – This is set out in the framework produced by the Department for Communities and Local Government. The Authority has adopted a prudent and sustainable approach to this linking it into the lifecycle of the facilities. This is under review on the present Contract arrangements
- **Landfill Tax**- This is set by Central Government and is the highest proportion of the cost for waste disposed of by landfill. Along with the now abolished Landfill Allowance Trading Scheme (LATS), it was instrumental in the Authority deciding to develop a sustainable and environmentally supportive approach to waste disposal, which in turn resulted in the Authority entering into the PFI Contract in 2009.
- **Greater Manchester Pension Fund (GMPF) Actuarial Valuation** – Tameside MBC, the administering authority, have provided an actuarial valuation comparing the assets and liabilities on the GMPF in accordance with agreed accounting standards. The overall position has again improved during the financial year 2016/17.

**Environmental**

- **Solar Farm** – During 2015/16 the Authority completed the construction of a Solar Farm at Over Hulton, Bolton. This produces green electricity used to both support the adjacent waste facility and contribute to the National Grid when the weather is favourable. Performance of the facility is 2016/17 was in line with design expectations.

# An Explanation of the Financial Position for 2016/17

**Revenue Expenditure**

Revenue expenditure and income refers to the day-to-day transactions such as salaries and wages, running expenses (including Contract payments), fees and charges, and other miscellaneous income and expenditure.

The 2016/17 revenue budget process was the final year of a three year agreement previously made with Association of Greater Manchester Authorities (AGMA) whereby the Authority had agreed to 0% increase (2014/15), minus 3% (2015/16) and 0% increase (2016/17) in the levy.

In accordance with usual practice, the Authority actively sought the engagement of the Waste Chief Officers and Treasurers of constituent Districts. As far as possible, the budget was set taking account of their comments and suggestions.

AGMA once again asked the Leaders of Bolton and Stockport (supported by their Treasurers) to undertake a detailed challenge of our 2016/17 budget proposals. Several meetings took place with the process being reported to the Greater Manchester Combined Authority (GMCA)/AGMA Executive Board in January 2016, where the Authority's approach was endorsed.

In February 2016 the Authority approved the revenue budget for 2016/17 amounting to £182.641m. The budget assumed a contribution from the Medium Term Financial Plan (MTFP) Reserve of £21.538m giving an unchanged Levy requirement of £161.103m.

The table below summarises the revenue costs of the Authority in 2016/17 compared to the Original and Revised Budgets. The Revised Budget anticipated a balanced budget position on the bottom line, but with cost additions to Advisor fees (funded by the Authority Loan Reserve) and increased Contract spend (due in part to reduced performance at the Mechanical and Biological Treatment Plants from lower capture of recyclates and organics leading to higher amounts of refuse derived fuel (RDF) and landfill. Positive contributions from higher shredding activity increasing the level of waste diverted from landfill, and lower cost of borrowing, in turn partly offset those cost increases.

The Expenditure and Funding Analysis at Note 5 provides a reconciliation of the main adjustments to the Net Expenditure Chargeable to the general Fund to arrive at the amounts in the Comprehensive Income and Expenditure Statement. The following table reinforces the sound management and governance of the Authority enabling it to make a contribution to its Reserves to improve its financial resilience.

| | Original Estimate 2016/17 £m | Revised Estimate 2016/17 £m | Outturn 2016/17 £m |
|---|---|---|---|
| **EXPENDITURE** | | | |
| Employees | 1.304 | 1.457 | 1.274 |
| Premises | 1.171 | 1.182 | 1.015 |
| Advisory Costs | 0.379 | 2.772 | 2.999 |
| Community Waste Fund | 0.020 | - | - |
| Supplies and Services | 0.216 | 0.311 | 0.391 |
| Transport | 0.063 | 0.056 | 0.042 |
| Central Support Costs | 0.145 | 0.145 | 0.112 |
| Controllable spend | 3.298 | 5.923 | 5.833 |
| Debt Charges / Cap Financing | 2.774 | 2.634 | 2.457 |
| | 6.072 | 8.557 | 8.290 |
| **INCOME** | | | |
| Government Grants | - | - | (0.047) |
| Other income | (0.275) | (0.295) | (0.285) |
| Interest | (0.020) | (0.075) | (0.076) |
| | (0.295) | (0.370) | (0.408) |
| To / (From) Provisions | (0.982) | (1.621) | (1.122) |
| **GMWDA Costs** | **4.795** | **6.566** | **6.760** |
| Payment to Contractors | 184.435 | 189.385 | 182.367 |
| PFI Capital contribution | 6.313 | 4.930 | 4.909 |
| PFI Contract Support | - | - | 0.174 |
| Behavioural Change (R4GM) | 0.416 | 0.356 | 0.326 |
| Pension Deficit funding | 0.535 | 0.535 | 0.535 |
| Contingency | 0.075 | - | - |
| PFI Credits | (10.019) | (10.019) | (10.019) |
| Sale of Spare Capacity / Income | (2.614) | (2.863) | (3.076) |
| To / (From) provisions | | (2.595) | (2.595) |
| Contribution from Senior Lending | (1.295) | (1.295) | (1.295) |
| **Contract Costs** | **177.846** | **178.434** | **171.326** |
| **Net Expenditure** | **182.641** | **185.000** | **178.086** |
| To / (From) reserves | (21.538) | (21.538) | (16.870) |
| To / (From) General Fund | - | - | 2.699 |
| Refunded / (Charged) to Districts in year | - | (2.359) | (2.812) |
| Levy | 161.103 | 161.103 | 161.103 |

**Budget Monitoring**

Revenue and capital budget monitoring information was initially reported to the Resources Committee until revised Governance Arrangements were agreed. Any areas of concern were referred to the full Authority meeting. Under the revised arrangements there were updates provided to the full Authority on projected outturn. During the year the full Authority received Contract Update reports highlighting the challenges on performance.

In addition, treasury management performance is reported to the Audit & Standards Committee. The reports have once again highlighted the level of cash balances held by the Authority and that there has been no need to borrow to support capital expenditure within the capital programme. As the Senior Lender the Authority exercised the option during 2016/17 to take a further £30m of lending. This was financed from lending from the Greater Manchester Combined Authority. This Committee also reviews the Authority's role as a senior lender to the Contract.

### Capital Expenditure

Capital expenditure relates essentially to spending on assets that last for more than one year. The Authority spent £2.566m on capital schemes in 2016/17. This includes:-

- The purchase of shredding equipment; and
- Residual expenditure on the solar farm at Salford Road, Over Hulton.

The impact of the capital expenditure on the revenue account is demonstrated below:

| **General Fund** | **2016/17 £m** | |
|---|---|---|
| Capital Expenditure (inc the PFI Contract) | | 2.566 |
| Financed by: | | |
| Shredding Equipment Reserve | (0.800) | |
| PFI Assets included in the Contract | (1.405) | |
| | | (2.205) |
| Net Financing Need for the Year | | 0.361 |

### Movement in Earmarked Reserves

| TRANSFER TO/(FROM) RESERVES: | AMOUNT £M | REASON/PURPOSE |
|---|---|---|
| INSURANCE RESERVE | 1.000 | Specific provision to meet unforeseen insurance costs on the Contract due to a hardening of the insurance market for this particular area. |
| AUTHORITY LOAN RESERVE | 1.684 | Specific reserve to mitigate future risk for the Authority acting as Senior Lender to the PFI. |

| TRANSFER TO/(FROM) RESERVES: | AMOUNT £M | REASON/PURPOSE |
|---|---|---|
| MEDIUM TERM FINANCIAL PLAN (MTFP) RESERVE | (17.866) | Reserve to support Medium Term Financial Strategy of the Authority as approved on 7th February 2015. This sum is used to protect the integrity of the MTFP. |
| SHREDDING EQUIPMENT RESERVE | (0.800) | Purchase of shredders has been completed in 2016/17 enabling the release of this Reserve. |
| WASTE COMPOSITION ANALYSIS RESERVE | 0.050 | Annual contribution to Reserve to enable an analysis of the changes to Waste Composition from changes to collection routines by Districts in 2017/18 |
| DIFFERENTIATED COLLECTIONS RESERVE | (0.075) | Review of collection regimes of all nine Districts was substantially undertaken in 2016/17 enabling the release of this Reserve. |
| TOTAL | (16.007) | |

**General Fund Balance**

| | £m |
|---|---|
| Balance as at 1 April 2016 | 9.434 |
| Transfer from General Fund | 2.697 |
| Balance as at 31 March 2017 | 12.131 |

The Authority's General Fund Balances represent its buffer against future unforeseen expenditure and as such should ideally be maintained at minimum risk assessed levels. The Authority assessed the maximum risk level at which balances should be maintained at £12.1m when setting its 2017/18 levy.

**Treasury Management**

During the year the Authority borrowed £35m to finance its agreed priorities in accordance with its approved Treasury Management Strategy Statement. Its detailed cash flow is set out in the appropriate statement. Overall the level of outstanding borrowing not repaid by the Authority (including Greater Manchester Metropolitan Debt Administration Fund administered by Tameside MBC) as at 31 March 2017 totalled £112m. The Authority paid £3.6m interest on outstanding debt.

**Pensions**

As part of the terms and conditions of employment of its Officers, the Authority makes contributions towards the cost of post-employment benefits.

The Authority participates in the Local Government Pension Scheme, administered locally by Tameside MBC. This is a funded defined benefit salary scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

Overall the net pensions liability as assessed by the Greater Manchester Pension Fund actuaries decreased by £0.9m. The detail of this liability is set out in Note 18.

In addition the potential future risks of pension liabilities are considered in Note 20.

## Performance Indicators

The Authority employs a full suite of performance indicators (PI), that support its Corporate Plan 2016/17, and which are monitored through a comprehensive performance management system on a monthly basis. The high level PI are reported quarterly to the appropriate committee using a traffic light (red, amber, green) and direction of travel (improving ( ↑ ), decreasing (↓ ) or unchanged (←)) system.

| | | | | | |
|---|---|---|---|---|---|
| Business Plan Objective: | To Optimise the Contract and Assets to drive efficiency savings | | | | |
| Statements of Intent: | To strengthen the operational arrangements within the Contract and the Authority Asset portfolio to deliver environmentally sustainable facilities and services to the residents of Greater Manchester. | | | | |
| | | | Rag Status | Direction of Travel | Comments |
| Key Performance Indicators: | A1 | 50% for 2017/18 and 60% Recycling by 2025<br>For 2016/17: District (ex. Trade waste): 48.99% | Amber | ↑ | 43.48% combined recycling rate achieved 2017 |
| | A2 | 90% Diversion by 2020 | Green | ↑ | 88.8% diversion achieved 2016/17 |

| | | | | | |
|---|---|---|---|---|---|
| | A3 | 248,256MWh gross of electricity generated (172,396MWh from Runcorn CHP site, 51,210 MWh from Bolton TRF & 24,650MWh from the MBT-ADs) for 2016/17 (Reviewed annually) | | | Not available until after the end of July |
| | A4 | 64 tonnes per hour of steam from the Runcorn CHP site | | | Not available until after the end of July |
| | A5 | Contract Budget Savings achieved from 2017/18 | Green | ↑ | On track to achieve savings |
| | A6 | Revised IAA implemented from 2017/18 | Green | → | Interim IAA was agreed and forms the basis of allocation of the 2017/018 budget and levy. |
| | A7 | Delivery of the Landfill After-care Plan | Green | ↑ | The Landfill After-care plan is on track. |
| | A8 | Delivery of the Capital Programme within Budget | Green | ↑ | The capital programme is currently being delivered to Budget. |
| | A9 | Performance of Solar Farm meets outputs within the Business Case | Green | ↑ | The solar farm is currently exceeding the outputs within the Business Case. |
| | A10 | Delivery of the Asset Management Plan | Amber | → | The Asset Management plan is on track it has an amber status due to the Dunkirk farm site being in the process of being sold. |

| | | | | | |
|---|---|---|---|---|---|
| Business Plan Objective 2: | Deliver sound Corporate Governance and budget savings | | | | |
| Statement of Intent: | To deliver services that demonstrate value for money and optimise savings in all service areas | | | | |
| | | | RAG Status | Direction of Travel | Comments |
| Key Performance Indicators: | B1 | Levy set by February | Green | ↑ | Levy set as per requirements. |
| | B2 | Delivery of the Statement of Accounts requirements | Green | ↑ | The Statement of Accounts requirements have been met. |
| | B3 | Delivery of the Corporate Governance framework | Green | ↑ | Corporate governance framework has been delivered. A new governance framework is being drafted to be presented to the Authority in the new year. |

| | | | | | |
|---|---|---|---|---|---|
| Business Plan Objective 3: | Invest in our people and develop new ways of working | | | | |
| Statement of Intent: | To embrace new ways of working to enable an efficient and motivated workforce to meet the needs of residents and partners. | | | | |
| | | | RAG Status | Direction of Travel | Comments |
| Key Performance Indicators: | C1 | Number of visitors to the new Website | Green | → | Since the launch of the new website there has been:<br>6,504 Users;<br>8,983 sessions; and<br>23,207 pages/views accessed |
| | C2 | Delivery of the People Plan | Green | ↑ | Delivery of the People Plan is on-track with employees engaging in various training sessions and a retention payment being agreed. |
| | C3 | Delivery of the Value for Money (VfM) Framework | Green | ↑ | |
| | C4 | Delivery of the Health & Safety Action Plan | Green | ↑ | The Health & Safety Action Plan is on-track all staff have received Health and Safety training and been advised of potential Health and Safety issues in the work place. |
| | C5 | Delivery of the Business Change Plan | Amber | → | SharePoint issues are currently being reviewed and work is on-going. |

| | | | | | |
|---|---|---|---|---|---|
| Business Plan Objective 4: | Work with residents and partners to change behaviour and reduce waste | | | | |
| Statement of Intent: | To work with residents and partners to change behaviour, reduce waste and reduce contamination | | | | |
| | | | RAG Status | Direction of Travel | Comments |
| Key Performance Indicators: | D1 | Contamination to remain under 15% within facilities | Green | ↑ | |
| | D2 | To produce a long-term Communication Strategy by March 2017 | Green | ↑ | long-term communication strategy which will be reviewed by the Authority at its December meeting. |

## Significant Impacts on the Following Financial Year

**Transfer of functions to Greater Manchester Combined Authority**

The Greater Manchester Combined Authority (Functions and Amendment) Order 2017 has been made which will see the functions, property, rights and liabilities of the Authority transfer to the GMCA as from 1 April 2018. There are not expected to be any significant financial liabilities that would arise for the Authority as a result of any transfer of its functions, assets and liabilities to the successor body.

In local government reorganisation (where assets and liabilities are proposed to be transferred), the predecessor Authority still accounts on the basis of going concern because the provision of services would continue. The Statement of Accounts have been prepared on the going concern assumption because once reorganisation is completed the functions of the Authority will still continue in operational existence for the foreseeable future. Under the Code, transfers of services under combinations of public sector bodies (such as local government reorganisation) do not negate the presumption of going concern.

**Loss of facility**

A major fire occurred on the 7th/8th April 2017 at Chichester Street IVC, Rochdale. A forensic review is underway (to determine cause), but as yet any conclusions could only be speculative. At this stage it appears likely that demolition may be needed, but it is not yet clear what the extent of the full damage is (such as whether foundations are intact).

**Intention to terminate the PFI Contract**

The Authority agreed at its meeting on 26 April 2017 to terminate its Waste and Recycling (PFI) Contract with Viridor Laing (Greater Manchester) Ltd. The contractual provisions mean that the timing of termination still cannot be confirmed and as such this Statement of Accounts has been prepared with the PFI assets and liabilities intact. Significant work continues on developing a full transition plan for future service.

## Receipt of Further Information

The Authority is keen to promote an awareness of its activities amongst the public. In addition to the statutory right of the public to inspect the accounts before the annual audit is completed, further information is available from the Treasurer & Deputy Clerk to the Authority, 4th Floor, Metropolitan Place, Hobson Street, Oldham OL1 1TT. Telephone Number: 0161 770 1700

Website: www.gmwda.gov.uk

**J.R. BLAND, CPFA**
**Treasurer & Deputy Clerk to the Authority**

**17 July 2017**

# Annual Governance Statement

## Scope of Responsibility

The Greater Manchester Waste Disposal Authority (the Authority) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and provides value for money. The Authority also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. That duty has grown in importance with the reduction in resources being made available for Local Authorities as part of the Government's on-going austerity programme.

In discharging this overall responsibility, the Authority is responsible for putting in place proper arrangements for the governance of its affairs, which include arrangements for the management of risk, whilst facilitating the effective exercise of its functions.

The Authority has established governance arrangements which are consistent with the seven principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) and Society of Local Authority Chief Executives (SOLACE) Framework - Delivering Good Governance in Local Government, as updated in 2016.

The Authority meets the requirements of Regulation 6 of the Accounts and Audit (England and Wales) Regulations 2015 in relation to the publication of a statement on internal control, through this document. It also takes the view that this statement should be integrated into its annual financial statements, to meet its desire to promote openness and transparency.

The Authority's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010). The principles being that the Chief Financial Officer (Treasurer & Deputy Clerk for the Authority):

- is a key member of the Leadership Team;
- is actively involved and is able to bring influence on the Authority's financial strategy;
- leads the whole Authority in the delivery of good financial management;
- directs a fit for purpose finance function; and
- is professionally qualified and suitably experienced.

## The Purpose of the Governance Framework

The governance framework comprises the systems and processes, culture and values, by which the Authority activities are directed and controlled, which it accounts to, engages with, and leads the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the Authority's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically (i.e. so they deliver value for money – VfM).

The governance framework has been in place at the Authority for the year ended 31 March 2017 and up to the date of approval of the Annual Report and Statement of Accounts.

## The Governance Framework

The Authority is a single purpose body established in 1985 by statute as a Joint Waste Disposal Authority. As such, it is not required to have, nor does it have, a scheme of executive governance similar to those most commonly in place in the largest local authorities, the Metropolitan Districts or Unitary Councils.

As a joint Authority, this Authority relies on its accountability to its component Districts and its stewardship of their Levy payments as a vital addition to its internal governance arrangements. This is augmented, particularly in relation to budget matters, by the review processes put in place by the Association of Greater Manchester Authorities (AGMA), through both scrutiny and 'leader challenge'.

The key elements of the Authority's governance framework are detailed against each principle in 2016 updated version of the CIPFA/SOLACE Framework - Delivering Good Governance in Local Government as follows:

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**Principle A – Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law**

In order to ensure both its Members and Officers behave with integrity to lead its culture of acting in the public interest there is appropriate training provided to safeguard all parties against conflicts of interest. Both Members and Officers record any gifts and hospitality received in accordance with the Authority agreed procedure. In order to enable third party challenge there is a publicised complaints procedure. There is also a Whistleblowing Policy which enables concerns to be raised in a confidential manner.

Members take the lead in establishing this culture by completing an annual register of their interests. There is also an Audit and Standards Committee, which has three independent members, one of whom is the Independent Chair, and puts in place rigour to the process challenging decisions. In order to manage its challenges for the financial year 2016/17, the Authority reviewed and amended its governance structure to enable better scrutiny of decisions.

The Authority is aware of its wider responsibilities with the Environment Strategy integrated into the developing conurbation wide Greater Manchester (GM) Climate Change Strategy. The Authority is also playing a key role in the development of the City Region of GM's agenda with representation on key bodies. A member of the Authority has a role on the AGMA Low Carbon Hub Board, and the Treasurer & Deputy Clerk is represented on the Low Carbon Hub Programmes Board/Chief Officer Group.

In order to encourage the community to engage in more environmentally supportive activities, Members in their role as Community Leaders engage in activities such as the Authority's own behavioural change programme and also the Low Carbon Hub. Employees are assisted in this aspect by the Performance Management System which has the Corporate values of the Authority such as increased recycling as key targets. The Procurement Policy recognises the importance of sustainability with appropriate evaluation of suppliers' proposals for Social Value, which includes sustainability issues supported by appropriate contract clauses and monitoring.

Member and Officer relationships are mutually supportive and based on openness, honesty, trust and appropriate challenge. The latter is essential in ensuring the Authority maintains its leading position in sustainable waste management, and will be vital in making service changes to turn its 'our aim is zero waste' vision into reality. What has been apparent over the last few years has been the overwhelming cross party support amongst Members for the Waste Management Strategy, which has remained non-political. Members have driven that agenda forward within a supportive framework of good governance arrangements.

The Authority has also demonstrated its support of sustainability by the development of a business case justified, self-financed investment in renewable energy, with 2016/17 being the first full year of operation of the Over Hulton Solar Farm.

The Chief Executive of Oldham Council is Clerk to the Authority, and carries out functions associated with 'Head of Paid Service' and 'Proper Officer'. That physical separation of those functions is very useful to provide assurance over internal control, due to the small size of the Authority.

The Solicitor to the Authority is the Assistant Borough Solicitor of Oldham Council, and acts as the Monitoring Officer responsible for ensuring the Authority acts in accordance with the Constitution. That support from the lead District, Oldham Council, is again helpful in providing internal checks.

The Treasurer & Deputy Clerk is the nominated Chief Financial Officer in accordance with Section 151 of the Local Government Act 1972. Internal Audit Services are provided by Oldham Council under a Service Level Agreement (SLA) basis. The Audit & Counter Fraud Manager (Oldham Council) has direct access to all of the Strategic Direction Team (SDT) and Members.

The system of internal financial control is based upon a framework of comprehensive financial regulations and procedures, within the Constitution, which comply with Good Practice. Control is based on regular management information, management supervision, and a structure of delegation and accountability.

Senior Officers have the primary responsibility for ensuring decisions are properly made within a scheme of delegation at appropriate levels of responsibility. The Constitution contains codes of conduct and protocols for Members and Officers. The Audit & Standards Committee at its January 2016 meeting reviewed the Voluntary Code of Conduct and Declarations of Interest and concluded that they remained appropriate and fit for purpose. In 2017 the Deputy Monitoring Officer, acting under the revised Scheme of Delegation, also reviewed to ensure they remained fit for purpose.

In order to have appropriate scrutiny of the Authority, the Audit and Standards Committee, as noted above, includes three appropriately skilled and experienced Independent Members. It also benefits from appropriate briefings from key officers and third parties utilised to enhance the Governance Framework.

**Principle B. Ensuring openness and comprehensive stakeholder engagement**

The Authority agreed a refreshed Business Plan for 2016/17 which sets out the Authority's vision and values, assimilating them in to its strategic objectives. This links the objectives through to the outcomes, identifying the service areas responsible and performance indicators. The plan detailed what activities would be undertaken in year to deliver the long term policy objectives in the Waste Management Strategy (WMS) and details how the WMS will be achieved with key targets, timescales and measurable outcomes.

The existing Waste Management Strategy (WMS) focuses, in priority order, on waste reduction, then re-use, recycling and composting, followed by using waste as a source of energy. This will help deliver our key targets of 'our aim is zero waste' and 50% District recycling during 2017/18 and 60% overall recycling by 2025; with 90% of waste diverted from landfill by 2020 in partnership with the constituent Waste Collection Authorities (WCAs) and our Private Finance Initiative (PFI) Recycling and Waste Management Contract (the Contract) primary contractor, VLGM.

In addition to the above, a joint document (signed up to by the Authority, its PFI provider - VLGM and their operating Contractor (VWGM) was also approved in March 2015 under the heading of Partnership 2020 Vision that benefits from Board level approval, and sets out how by working together we can improve recycling and diversion performance. 2016/17 proved to be highly successful in moving towards that 90% shared diversion target.

Progress on delivering the Corporate Plan is communicated through a performance management framework. The Resources Committee receives quarterly reports on performance against the Corporate Plan, the Waste Management Committee receives reports on contract specific matters, whilst overall scrutiny is provided by the Audit & Standards Committee. These quarterly reports focus on exception and corrective measures where key performance indicators have not been met. The performance management framework was further developed in 2016/17 to simplify reporting requirements and providing a clear link between the performance indicators and the desired outcomes. From 2017/18 that scrutiny and oversight will be carried out by the full Authority, reflecting its growing importance.

In order to demonstrate its openness the Authority also publishes:

- Its Pay Policy Statement to support the Annual Budget;
- Its Constitution;
- Authority and Committee Reports;
- Scheme of Delegation reports (such as, delegated decisions);
- Payments over £250; and
- Health and Safety Action Plan.

All reports taken as "closed reports" benefit from Monitoring/ Deputy Monitoring Officer sign off and appropriate advice before the matter receives due consideration including training where appropriate.

Those Members of the Committees supporting the Authority receive regular training to support them discharge the role and bring challenge to Officers (an example being direct Treasury Management

Training by the Authority's external treasury advisers (Capita Asset Services), prior to consideration of proposals for the following year's Strategy document).

There is regular contact with the nine constituent Districts through the meetings of the GM combined Authority (GMCA) and Association of Greater Manchester Authorities (AGMA) Executive Board, at least quarterly meetings with Waste Chief Officers linked into the Leadership Objectives of each District, and separately with the Treasurers around the financial impact of Waste Policies.

To underpin the Contract, the Authority and its nine constituent Districts signed an Inter-Authority Agreement (IAA) in 2009. Primarily, this establishes the arrangements to charge the Contract costs amongst the Districts. It is also supported by a Code of Conduct and 2020 shared Vision to enhance partnership working.

Increasing recycling of the waste stream as part of the conurbation's greater sustainability is seen as a key objective for the Authority. There is the Recycle for Greater Manchester (R4GM) initiative which is underpinned and supported by the Authority's own Communication and Engagement Strategy and Annual Delivery Plan. This has led to the "back to basics" audit in partnership with the constituent Districts to better understand District operational requirements. The 5 year Strategy was reviewed in 2016/17, and updated based on a single service delivery model, and seven key principles.

To enable the public to highlight concerns in an appropriate manner the Authority and the contractor have complaints procedures which enables issues to be linked into future contract performance. Summary complaint information is reported to the full Authority as part of the Performance Management Framework.

This positive and occasional critical feedback has been acted upon by the Authority developing:

- Targeted outreach campaigns customised from feedback obtained at open days and educational visits delivered in the educational centres;
- Individual District communication campaigns developed in partnership with individual Authorities to reflect the make-up of residents;
- A website enabling both positive and negative feedback; and
- Newsletters to both schools and Members of the Authority.

Consideration by the Authority of its budget and Levy took place at its 10 February 2017 Authority meeting. Due to increasing cost pressures the Levy under the management of the present contract will see initial increases which for the financial year 2017/18 are offset by corresponding reductions in the passenger transport Levy. A number of potential budget reduction areas are therefore being jointly developed with Chief Officers (SOG)/District Treasurers (GMAMT) which are overseen by a task group of District Council Leaders.

This consultation is considered in the production and design of the Waste Management Strategy which aims to deliver an appropriate environmental solution to benefit both present and future generations.

**Principle C – Defining outcomes in terms of sustainable economic, social and environmental benefits**

The Waste Management Strategy supported by the Business Plan, the Partnership 2020 vision and Greater Manchester Climate Change Strategy sets out the long and immediate and long term vision of the Authority. The 2017/18 budget supports this strategy to improve performance and reflects the agreed targets of the Authority.

Risk management is integral to the governance arrangements in the Authority and the risk register is considered by the Audit & Standards Committee and the Authority (and also via the governance arrangements in place for managing the Contract). The risks are managed by the risk holders that are predominantly members of the Business Management Team (BMT). Risks contained within the Joint Contract Risk Register, are managed by both Authority and VLGM Officers. Aligned to the framework for delivery of the Contract, these are managed jointly via the Technical SDG, reviewed by the PMB, and the high level risks reported to the Strategic Partnership Board (SPB). Risk management has been reviewed by Internal Audit and assessed as robust.

The Authority's risk management framework consists of:

- a joint risk management policy with VLGM;
- a joint Risk Register with VLGM and an Authority Risk Register;
- ensuring that risk management is integral to the planning process and linked to key Authority and Contract objectives;
- allocated responsibilities;
- systems for mitigating and controlling risks; and
- systems for monitoring and reviewing risks and controls assurance.

Controls Assurance is an important part of the process to assure the Authority that the identified risks are being properly controlled. This is carried out at periodic intervals by:

- the Audit & Standards Committee;
- Directors (both Authority and VLGM);
- Treasurer & Deputy Clerk; and
- Internal/External Audit.

In 2016/17 the standard report format, setting out what should be produced for the Authority and its Committees were revised to include enhanced risk management comments. That is part of a process designed to fully embed risk management into our processes and control framework.

The Constitution defines and documents the roles and responsibilities of Officers and Members with clear delegation arrangements, protocols for decision making and codes of conduct for Members and staff. It is supported by an extended Members' training package which was again delivered following the positive feedback from Members.

All changes to Service are supported by an appropriately detailed Equality Impact Assessment/screening. This results in alternative access arrangements being made where necessary, with information provided in multiple formats including that on the website which reflects the diverse nature of the Districts who make-up the Authority.

**Principle D – Determining the interventions necessary to optimise the achievement of the intended outcome**

Contract monitoring arrangements have been realigned during 2016/17 to take account of the revised financial targets of the Authority. This has meant a shift in emphasis on how the Contract was monitored during the year and appropriate external advisors have been engaged to support officers of the Authority in this matter.

Decisions are based on rigorous and transparent scrutiny and an excellent relationship between Officers and Members based on mutual trust. That trust is maintained by openness and appropriate arrangements to ensure the involvement of all relevant parties at the right level of responsibility ensuring all strategic decisions are led by Members. Members' decision are also supported by their own Senior Officers via the Strategic Officers Group (SOG), that considers all issues affecting Districts, and delivers its own programme of work through Partnership Operations Group (POG) consisting of District Waste Managers.

In order to achieve the long term financial targets, the Authority has set a budget for the financial year 2017/18 supported by an appropriate risk assessment which meets the financial targets requested by Districts. All the significant financial risks to the Authority were considered in the budget report.

The Audit & Standards Committee is an essential part of good governance. The availability of three Independent Members during 2016/17 was a huge help in continuing the strong work of the Audit & Standards Committee. Internal and External Audit both have direct access to and support the Committee including the ability to have direct contact, without Officers of the Authority being present. The Audit & Standards Committee's Annual Report 2016/17, presented to the Authority on the 26th April 2017, provided positive assurances to Members about the effectiveness of the Authority's corporate governance in 2016/17. These included:

- continuing to improve the Member training 'package' ;
- earlier consideration of the background to nature and purpose of risk management processes;
- the July meeting set to facilitate the Statement of Accounts (Audited) interim timelines; and
- The terms of reference for the Waste Management Committee and the Audit & Standards Committee improved to provide clarity around the role of Waste Management being to protect the Authority's Contractual interest; whilst the Audit & Standards Committee is limited to provide oversight of the Authority's lending.

Leadership (the Chair, two Vice-Chairs and three Deputy Committee Chairs) meet on a monthly basis with senior officers to further discuss the work programme and enhance reporting lines.

The draft Authority and Committee work programmes were agreed in advance on 18th March 2016. Due to the change in emphasis in the Authority focus during 2016/17 this programme and the frequency of meetings changed to reflect the operational needs of the Authority. The changed meetings have ensured reviewed the key strategies and plans have been reviewed including:

- Treasury Management Strategy Statement (TMSS);
- Minimum Revenue Provision Policy Statement and Annual Investment Strategy 2016/17;
- Medium Term Financial Plan (MTFP), supported by an Efficiency Plan;

- Business Plan 2016-2020;
- Partnership 2020 agreement;
- People Strategy and Annual Plan 2016/17;
- Health and Safety Action Plan 2016/17; and
- Asset Management Strategy and Annual Action Plan.

The direct engagement with Districts on the provision of services under the contract was achieved via Service Delivery Groups (SDG) for Technical and Communication issues. Views are incorporated into the Contract Risk Register which is integrated into the Authority's Risk Management Framework.

Service review is carried out by monthly checks on waste and financial data provided by the contractor. This on occasion results in independent interrogation of actual weigh-bridge data. Where performance is perceived to be below standard contract deductions are made supported by appropriate arbitration.

With on-going delay in defect rectification of facilities, and due to the provision of further information which now shows growing concerns about the Contract, the Authority has increased its' scrutiny of monthly reports from the Contractor, VLGM.

The level of waste to be disposed of in year to estimate the resources required is determined by engagement with the Districts. The Inter Authority Agreement encourages accurate data submissions with the Levy calculated on data submissions.

Scrutiny of budget matters was, again, in 2016/17 carried out by various Greater Manchester Combined Authority (GMCA) bodies, including GMCA Executive Board, GMCA Scrutiny Committee, Sub Groups of Leaders, GM Treasurers and constituent Waste Collection Authority District Chief Officers. This ensures openness and transparency in the way in which Officers/Members engage in the budget challenge process. The work of the Leaders Waste Task Group has continued in 2016/17 examining specific budget challenges such as the financial support available from constituent Districts whilst delivering continued increased recycling rates. A joint budgeting exercise was undertaken with the contractor to better understand the efficiencies which could be generated from the contract. The medium term financial strategy reflects the long term view of the resources available to the Authority in the context of the available facilities linked into recycling performance and commercial risk. The allocation method for District Levy, via the Inter Authority Agreement (IAA) was also reviewed in year, with some changes to methodology being unanimously approved for 2017/18 at the 10th February 2017 Authority meeting.

The Contract Procedure Rules within the Constitution set out the Authority requirements on social value. Partnership working with both the contractor and the constituent Districts has led to an improvement in recycling rates for 2016/17.

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**Principle E – Developing the entity's capacity including the capability of its leadership and the individuals within it.**

To support the achievement of its strategic priorities the Authority has reviewed the organisation annually to ensure it has the right people with the right skills. The Authority has Investors in People

(IIP) accreditation which was reassessed in 2016/17, culminating in the award of the higher Silver Level. This is supported within a performance framework, a People Strategy and appraisal system with targeted, relevant training. Business Management Team continues to develop their skills through enhanced collaborative working, performance management and participating in the development of and presenting reports at the Authority. This was enhanced through Leadership Development in 2016/17. It is recognised that it is necessary to continually promote the ethos of the organisation, and an integrated behavioural change programme is in place to continually promote the benefits of recycling. In 2016/17 all draft appraisals were completed, the outcomes of which will be used to inform individual development needs. In 2016/17 the Communications function was transferred from the contractor to the Authority. This is to enhance future recycling within the conurbation by increasing the Authority's direct capacity to deliver this key priority. The Human Resources Policy and Procedures sets out the appointment process, which is transparent.

There are regular team meetings, and one to ones. The Authority implements the national agreement on pay and conditions of service. The Authority has achieved its commitment to pay the Living Wage for its entire staff, and is seeking to also achieve that through its contractual arrangements.

The Authority has engaged Oldham Council Internal Audit Service to provide an adequate level of services (as required by legislation) and to ensure an independent review of its system and processes is carried out. The findings are reported to the Audit & Standards Committee which includes an annual opinion on the internal control environment. The overall opinion for 2016/17 is good. Given the degree of future change within the Authority the Internal Audit Service have also been commissioned to undertake a review of key decisions taken by the Authority in the year. This supports external audit review by Grant Thornton LLP, which in turn will provide an opinion on the Statement of Accounts considered at the end of the audit process, and value for money.

Delegated decisions for all Contract matters are taken by the Project Director (Director of Contract Services, or nominated deputy) to ensure that the day to day management of the Contract runs smoothly, via these tried and tested governance arrangements. On-going technical issues are managed by the joint Service Delivery Groups (SDG's) which reports to the Senior Officer Level through the Partnership Management Board (PMB), and in turn to the Strategic Partnership Board that enables member involvement in the detailed strategic decisions affecting the Contract.

To support decision making the Authority works with its partners to maintain accurate and timely data to ensure decisions are based on a comprehensive understanding of financial costs and performance. Monthly data, reported though the partnership, is used to assess performance against the Business Plan, the Contract and to develop a detailed understanding of how the Contract is working in practice. That ensures the budget setting process can take into account the interaction between performance and costs, and support the delivery of its strategic priorities.

The Constitution is reviewed on an annual basis, with the exception of changes to the terms of reference no further major improvements to the governance arrangements were proposed for 2016/17 since streamlining Committees from five to three and new contract procedural rules have embedded well, and therefore an extended period of certainty may deliver even greater efficiencies.

There are open and transparent mechanisms for documenting all decisions, both for the Authority and for the Partnership arrangements with VLGM. The report templates and all information and delegated decisions are available electronically on the Modern.Gov system, and mirrored on the internal SharePoint system. Open reports and meeting minutes are available to the general public via our website (www.gmwda.gov.uk).

Arrangements and processes are in place to safeguard Members and employees against conflicts of interest. An annual reminder to complete declarations of interest is sent to all Members and followed up as needed. A gift/hospitality register and complaints procedures are also in place, and being actively used.

Key advisors procured for legal, financial and technical to support the Contract review are also in place.

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**Principle F – Managing risks and performance through robust internal control and strong public management**

The Authority's Risk Management Framework has been set out under Principle B. This ensures there is continuous monitoring and reporting of risk.

Each year new Members of the Authority are trained prior to their adoption at the Authority's Annual General Meeting (AGM). This is of vital importance, given the technical complexity of the Authority's core operations, the Contract structure and the financial value of the Contract. The training for Members was further enhanced in 2016/17. This included an induction day prior to the AGM, site visits and a number of themed sessions.  Audit & Standards Committee Members also received an additional session on Treasury Management in January 2017, prior to consideration of the Treasury Management Strategy for 2017/18.

All statutory Officers receive the training and support to carry out their duties effectively and, as appropriate, participate in continuous professional development.

The Authority since December 2016 has been meeting on a monthly basis due to revised governance arrangements introduced during 2016/17 to consider key matters including those on performance and risk. All reports are linked back to both the risk register and operation of the facilities reflecting the present priorities of the Authority.

Data on the contractual position is collated monthly and included in the reports to the Authority. In order to review its contractual investments there are reports to each quarterly meeting of the Audit & Standards Committee reflecting the Authority's unique position as Senior Lender.

The annual budget is supported by the Section 151 Officer commenting upon its deliverability and is supported by an appropriate reserves policy. The final accounts of which this statement is an integral part outline the out-turn of the Authority, are prepared in accordance with professional standards and subject to external audit.

In order to demonstrate robust internal control the Authority has:

- A Risk Management Framework linked into the Authority Structure;
- An appropriate suite of Anti-Fraud and Corruption Policies;
- A balanced budget supported by appropriate reserves;
- An Audit and Standards Committee supported by independent Members with private briefings with external and internal audit prior to meetings;

- Service Level Agreement (SLA) with Oldham to provide Monitoring Officer, Deputy Treasurer and Internal Audit;
- People Strategy and Annual Plan 2016/17;
- Health and Safety Action Plan 2016/17; and
- Ad-hoc professional support on reviewing the Contract.

In order to effectively manage its data the Authority engages with a third party Unity Partnership under a SLA which sets out the appropriate security standards. This was subject to review by the Audit & Standards Committee.

Waste data is produced which has been reviewed by Internal Audit. Verified data is shared locally with Districts and nationally.

The outturn for 2016/17 is in line with that reported to the Authority's budget setting meeting. The 2017/18 budget was supported by an assessment of risk from the Treasurer and Deputy Clerk. The Treasury Management and Annual Investment Strategy 2016/17 support the ambitions of the Authority. The financial position for 2016/17 was supported by the production of management accounts on a monthly basis.

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**Principle G – Implementing good practices in transparency, reporting and audit to deliver effective accountability**

The Authority is proactive in engaging with citizens and other key stakeholders, and indeed public consultations were instrumental in developing the WMS and the procurement of the new waste facilities.

The Authority in 2016/17 was proactive in engaging and communicating with key stakeholders to boost and maintain public understanding of, and support for, recycling as part of its vision of 'our aim is zero waste'. In 2016/17 the Authority transferred the single delivery team arrangements for communications and engagement under its direct control. The core activities around PR and digital activity, and the widely commended education service continued, whilst high-level (big picture) funding was re-directed to support campaigns in areas identified by Districts following the lessons learnt from the European Union (EU) part funded LIFE+ project, and "right bin right stuff" campaigns. Those campaigns have been successfully delivered to timetable with the emerging outcomes showing they have been positively received.

As facilities are constructed under the Contract, (though process facilities have still not achieved final acceptance) community liaison arrangements (including engagement with local ward Councillors) are being maintained at sites of strategic importance. The Authority also produces information leaflets which are distributed through Household Waste Recycling Centres (HWRCs) and which promote reuse/recycling themes, and has continued to promote the sales of 'Revive' compost (that providing the best example of a compelling link between the residents' efforts to separate food and garden waste and the environmental benefits of reducing the use of peat in their gardens).

There is regular contact with the nine constituent Districts through the meetings of GMCA and at least quarterly meetings with Waste Chief Officers and separately with the Treasurers of the nine constituent Districts.

To underpin the Contract, the Authority and its nine constituent Districts signed an Inter-Authority Agreement (IAA) in 2009, and as amended in February 2017. Primarily, this establishes the arrangements to charge the Contract costs amongst the Districts. It is also supported by a Code of Conduct and 2020 shared Vision to enhance partnership working.

As part of the Transparency Agenda the Authority agreed to publish Senior Officer salaries and invoices over £250 on its web site. As part of this process, improvements have been made to internal control procedures on procurement, which ensure Commissioning and Procurement is fair, transparent, ethical and based on the needs of the community and an understanding of the market place. The Authority is attentive to the need to meet wider social and economic objectives whilst achieving VfM. Enhanced scrutiny is achieved through a procurement plan, and reporting to the Authority and Resources Committee. Consistent decisions are sustained through an e-procurement system (the Chest), supported by internal Policies and Procedures, with further clarity being developed in 2016/17 with the launch of an Internal Procurement Handbook.

The Authority, as part of the Localism Act and accountability in local pay, agreed its annually updated Pay Policy Statement during 2016/17 to further support the Authority's preference for openness and transparency.

Apart from regular liaison with key Government bodies the Authority is also fully engaged with the Local Government Association (LGA), European Parliament (via Eurocities) and the AGMA Low Carbon Hub.

Internally there are well established and clear routes on how staff and their representatives are consulted and involved in decision making. These include: an annual staff survey, regular staff briefings, a staff newsletter, section meetings, staff appraisals, a consultative forum and SharePoint, a web based portal system for sharing key information and managing documents.

Internal audit services for the Authority are provided by Oldham Council under a service level agreement. Service requirements are agreed in the context of a risk assessed audit universe and an annual plan. Through delivery of the plan the Treasurer & Deputy Clerk is able to provide the appropriate statutory assurances about the adequacy of internal audit services.

External Audit is provided by Grant Thornton LLP utilising the contracts initially let by the Audit Commission. The audit is conducted with regard to the Code of Practice produced by the National Audit Office.

## Review of Effectiveness

The Authority annually reviews the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the senior managers within the Authority who have responsibility for the development and maintenance of the governance environment; Oldham Council's Audit & Counter Fraud Manager annual report; and comments made by the External Auditors and other review agencies and inspectorates.

The Authority's Governance arrangements were reviewed during the year:

- Initially at its meeting on the 18 March 2016, where it was agreed to maintain the existing structure with three committees: Audit & Standards, Waste Management, and Resources;

- And secondly during the year (twice) to review suitability of arrangements, the latest changes being agreed in March 2017. As part of the initial in year change and given the potential budget challenge, the full Authority now meets on a monthly basis.

The Authority strategy and objectives are established from 2016/17 through an updated Business Plan process, which also sets out the framework for the work programme focusing predominantly on achieving efficiencies and optimisation of Contract facilities, where the most significant savings may be made. That is developed in tandem with the Annual Budget and Levy, and the Medium Term Financial Plan (MTFP), underpinned by the Financial Model of the Private Finance Initiative (PFI), to ensure integration of financial planning with the strategic and service planning process.

An internal audit programme is undertaken, which in the current year has focused on payments to contractors, materials recovery/recycling income, financial systems and treasury management and risk management. It reports to the Audit & Standards Committee in relation to the Contract, Treasury Management and Fundamental Financial systems.

A Value for Money (VfM) review was considered by the Audit & Standard Committee at its 19 April 2017 meeting. This was completed, using the agreed Authority methodology.

## Significant Governance Issues

The Annual Governance Statement identifies four significant governance issues and major risks for the Authority. These are:

| 2016/17 Issues | Planned Management Action to Reduce Risk |
|---|---|
| The agreed changes to service delivery do not take place in the timescales envisaged resulting in the expected savings not being realised. | The 2017/18 budget has analysed this risk and identified a number of alternative funding sources to finance slippage on agreed decisions. This is supported by a review of agreed reserves at this year-end. |
| An increase in interest rates reduces the planned savings to be made by the Authority | An appropriate Treasury Management Strategy has been agreed to give the Authority the appropriate flexibility to borrow funds to support the 2017/18 budget. This is supported by close working with the Greater Manchester Combined Authority to minimise overall borrowing required between the two organisations. The Authority also has an appropriate earmarked reserve to minimise its future risk to interest rate volatility. |

| 2016/17 Issues | Planned Management Action to Reduce Risk |
|---|---|
| The decision taken at the 26 April 2017 Authority meeting to terminate the PFI Contract is subject to intense scrutiny and possible future challenge | A review of the decision making process has been commissioned and assurances reported back to the Audit & Standards Committee. This is supported by regular reporting to all key stakeholders with the appropriate risks and mitigation planned to reduce the risk identified. |
| Facilities are not operating at the efficiency levels envisaged in the original contract | This matter is the subject of an ongoing legal dispute. |

## Summary

The Authority has in place strong governance arrangements which we are confident protect its interests and provide necessary assurances to our citizens and stakeholders. However, like all organisations we cannot stand still and thus we propose to continue to take steps to address the above matters to enhance further our governance arrangements. We are satisfied that the steps described address the need for improvement identified in the Authority's review of effectiveness and will monitor their implementation and operation, not only as part of our next annual review, but also continuously throughout the year.

| | | |
|---|---|---|
| Councillor Nigel Murphy<br>Chair of the Authority 2016/17 | Carolyn Wilkins<br>Clerk to the Authority | John Bland<br>Treasurer & Deputy Clerk |

# 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 these affairs. In this Authority, that Officer is the Treasurer & Deputy Clerk to the Authority;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- approve the audited Statement of Accounts, through its delegation to the Audit & Standards Committee.

## The Treasurer to the Authority's Responsibilities

The Treasurer is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the *CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom* (the Code).

In preparing this Statement of Accounts, the Treasurer & Deputy Clerk has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent; and
- complied with the Code.

The Treasurer & Deputy Clerk has also:

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

## Certification of Accounts

I certify that the Statement of Accounts present a true and fair view of the position of the Greater Manchester Waste Disposal Authority at 31 March 2017 and its income and expenditure for the year ended 31 March 2017.

This Statement of Accounts supersedes the Statement of Accounts (Subject to Audit) certified on 31 May 2017.

John Bland

Treasurer & Deputy Clerk to the Authority

17 July 2017

## Approval by the Audit & Standards Committee

In accordance with the Accounts and Audit Regulations 2015 the Statement of Accounts 2016/17 was signed and dated by the s.151 Officer, in accordance with the Constitution, following review and challenge at a Meeting of the Audit & Standards Committee of the Authority held on 17 July 2017, and exercise of the delegation provided for in the Constitution and confirmed at that meeting.

Jackie Njoroge

Independent Chair of the Audit & Standards Committee

17 July 2017

# Independent Auditor's Report to the Members of Greater Manchester Waste Disposal Authority

We have audited the financial statements of Greater Manchester Waste Disposal Authority (the "Authority") for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014 (the "Act"). The financial statements comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Act and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of the Treasurer and auditor**

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Treasurer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law, the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the "Code of Audit Practice") and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

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

**Opinion on financial statements**

In our opinion:

- the financial statements present a true and fair view of the financial position of the Authority as at 31 March 2017 and of its expenditure and income for the year then ended; and
- the financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and applicable law.

**Emphasis of matter – Basis of preparation – Going concern**

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in note 1i to the financial statements concerning the basis of preparation of the financial statements. As explained in note 1i the Authority will cease to exist on 31 March 2018 and the Authority's functions, assets and liabilities will transfer to the Greater Manchester Combined Authority on 1 April 2018, under the Greater Manchester Combined Authority (Functions and Amendment) Order 2017. In accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, the Authority has prepared the financial statements on a going concern basis.

**Opinion on other matters**

In our opinion, the other information published together with the audited financial statements in the Narrative Report, the Annual Governance Statement, the Introduction from the Chair and the Clerk and the About Us section of the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the audited financial statements.

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

We are required to report to you if:

- in our opinion the Annual Governance Statement does not comply with the guidance included in 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE; or
- we have reported a matter in the public interest under section 24 of the Act in the course of, or at the conclusion of the audit; or
- we have made a written recommendation to the Authority under section 24 of the Act in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Act.

We have nothing to report in respect of the above matters.

**Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources**

**Respective responsibilities of the Authority and auditor**

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

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

**Scope of the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources**

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2016, as to whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criteria as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

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

**Conclusion**

On the basis of our work, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2016, we are satisfied that in all significant respects the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

**Delay in certification of completion of the audit**

We cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Act and the Code of Audit Practice until we have completed the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2017. We are satisfied that this work does not have a material effect on the financial statements or on our conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

*John Farrar*

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

4 Hardman Square
Spinningfields
Manchester
M3 3EB

17 July 2017

# Comprehensive Income and Expenditure Statement

| | | 2016/17 | | | Restated 2015/16 | | |
|---|---|---|---|---|---|---|---|
| | Note | Expense £m | Income £m | Net £m | Expense £m | Income £m | Net £m |
| **Cost of Services** | a | 137.333 | (13.427) | 123.906 | 153.823 | (15.481) | 138.342 |
| Other operating expenditure | | | | - | | | (0.011) |
| Financing and investment | 4.1 | | | 54.122 | | | 54.826 |
| Taxation and non-specific grant income | 4.2 | | | (164.439) | | | (164.461) |
| **(Surplus) or Deficit on the Provision of Services** | | | | **13.589** | | | **28.696** |
| (Surplus) or deficit on revaluation of property, plant and equipment assets | 6 | | | (4.721) | | | (17.869) |
| Impairment loss on non-current assets charged to the Revaluation Reserve | | | | - | | | - |
| Remeasurement of the net defined liability benefit | 18.1 | | | (0.787) | | | (1.413) |
| **Other Comprehensive Income and Expenditure** | | | | **(5.508)** | | | **(19.282)** |
| **Total Comprehensive Income and Expenditure** | | | | **8.081** | | | **9.414** |

[a] Included in Cost of Services is an expense of £7.437m (2015/16: £17.787m), relating to a reduction in the value of Assets.

# Movement in Reserves Statement

| | Note | Unearmarked General Fund Reserves | Earmarked General Fund Reserves | Total General Fund Reserves | Capital Receipts Reserve | Total Usable Reserves | Unusable Reserves | Total Authority Reserves |
|---|---|---|---|---|---|---|---|---|
| | | £m | £m | £m | £m | £m | £m | £m |
| **Balance at 31 March 2015** | | **9.434** | **67.613** | **77.047** | **0.801** | **77.848** | **(183.415)** | **(105.567)** |
| Transfers to or (from) Earmarked Reserves | 14 | 13.427 | (13.427) | - | - | - | - | - |
| Total Comprehensive Income and Expenditure | | (28.696) | - | (28.696) | - | (28.696) | 19.282 | (9.414) |
| Adjustments between accounting basis and funding basis under regulations | 3 | 15.269 | - | 15.269 | (0.801) | 14.468 | (14.468) | - |
| Increase or (decrease) in 2015/16 | | 0.000 | (13.427) | (13.427) | (0.801) | (14.228) | 4.814 | (9.414) |
| **Balance at 31 March 2016** | | **9.434** | **54.186** | **63.620** | **-** | **63.620** | **(178.601)** | **(114.981)** |
| Transfers to or (from) Earmarked Reserves | 14 | 16.007 | (16.007) | - | - | - | - | - |
| Surplus (or deficit) on the provision of services | | (13.589) | - | (13.589) | - | (13.589) | 5.508 | (8.081) |
| Adjustments between accounting basis and funding basis under regulations | 3 | 0.279 | - | 0.279 | - | 0.279 | (0.279) | - |
| Increase or (decrease) in 2016/17 | | 2.697 | (16.007) | (13.310) | - | (13.310) | 5.229 | (8.081) |
| **Balance at 31 March 2017** | | **12.131** | **38.179** | **50.310** | **-** | **50.310** | **(173.372)** | **(123.062)** |

# Balance Sheet

| | Note | 31 March 2017 £m | 31 March 2016 £m |
|---|---|---|---|
| Property, Plant and equipment | 6 | 214.250 | 221.572 |
| Intangible Assets | | 0.005 | 0.010 |
| Long term investments | 7.1 | 61.762 | 37.142 |
| Long term debtors | | - | - |
| **Long Term Assets** | | **276.017** | **258.724** |
| | | | |
| Short term investments | 7.2 | 3.825 | 2.147 |
| Assets held for sale | | 0.104 | 0.104 |
| Short term debtors | 8 | 11.877 | 9.650 |
| Cash and cash equivalents | 9 | 9.769 | 18.932 |
| **Current Assets** | | **25.575** | **30.833** |
| | | | |
| Short term borrowing | 12.1 | (38.006) | (12.928) |
| Short term creditors | 10 | (30.099) | (18.624) |
| Transferred Debt due within 12 months | 13 | (1.334) | (1.265) |
| Provisions | 11 | (0.551) | (3.177) |
| **Current Liabilities** | | **(69.990)** | **(35.994)** |
| | | | |
| Provisions | 11 | (2.265) | (2.816) |
| Long term borrowing | 12.2 | (66.308) | (68.812) |
| Other long term liabilities | 13 | (286.091) | (296.916) |
| **Long Term Liabilities** | | **(354.664)** | **(368.544)** |
| | | | |
| **Net Assets / (Liabilities)** | | **(123.062)** | **(114.981)** |
| | | | |
| Usable Reserves | 14 | 50.310 | 63.620 |
| Unusable Reserves | 15 | (173.372) | (178.601) |
| **Total Reserves** | | **(123.062)** | **(114.981)** |

John Bland

Treasurer & Deputy Clerk

17 July 2017

# Cash Flow Statement

| | Note | 2016/17 £m | 2016/17 £m | 2015/16 £m | 2015/16 £m |
|---|---|---|---|---|---|
| Cash and cash equivalents at the beginning of the reporting period | **9** | | 18.932 | | 33.781 |
| Operating Activities | **16** | (1.796) | | (8.118) | |
| Investing Activities | **16** | (28.698) | | (1.226) | |
| Financing Activities | **16** | 21.331 | | (5.505) | |
| Net increase or decrease in cash and cash equivalents | | | (9.163) | | (14.849) |
| **Cash and cash equivalents at the end of the reporting period** | **9** | | **9.769** | | **18.932** |

# Index to the Notes

# Notes to the Accounts

## Note 1 Accounting Policies

### i General Principles

The Statement of Accounts summarises the Authority's transactions for the 2016/17 financial year and its position at the year-end of 31st March 2017. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Chartered Institute of Public Finance and Accountancy (CIFPA) / Local Authority (Scotland) Accounts Advisory Committee (LASAAC) Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the Code), supported by International Financial Reporting Standards (IFRS).

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

The Statement of Accounts has been prepared on the assumption that the statutory functions of the Authority will continue for the foreseeable future and, in any case, at least 12 months from the date of signing of these Accounts. In the case of a proposed local government reorganisation, where assets and liabilities are due to be transferred, the Authority would still account on the basis of going concern as the provision of services would continue. This is in accordance with the Code where an authority shall prepare their Statement of Accounts on a going concern basis unless there is an intention by government that services shall no longer be provided. A transfer of these services from one authority to another does not negate the presumption of going concern.

The Greater Manchester Waste Disposal Authority will cease to exist on 31 March 2018 and the Authority's functions, assets and liabilities will transfer to the Greater Manchester Combined Authority on 1 April 2018, under the Greater Manchester Combined Authority (Functions and Amendment) Order 2017. In accordance with the Code, the Authority has prepared the financial statements on a going concern basis.

### ii Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Supplies are recorded as expenditure when they are consumed. Where there is a lag between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.

- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

**iii Cash and Cash Equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

**iv Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors**

Prior period adjustments may arise as a result of a change in accounting policies, or to correct a material error. Changes in accounting estimates are accounted for prospectively, in other words, in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority'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 amending opening balances and comparative amounts for the prior period.

**v Charges to Revenue for Non-current Assets**

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:

- depreciation attributable to the assets used by the relevant service;
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off; and
- amortisation of intangible assets attributable to the service.

The Authority is not required to raise a levy to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Authority in accordance with statutory guidance (England and Wales).

Depreciation, revaluation and impairment losses and amortisation are therefore replaced in the General Fund Balance by the Minimum Revenue Provision (MRP), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

### vi Employee Benefits

#### Benefits Payable During Employment

Short-term employee benefits are those due to be settled wholly within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (for example, contractual car allowances) for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. No accrual is made for the cost of holiday entitlements as this is not considered material given the number of direct employees within the Authority.

#### Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an Officer's employment before the normal retirement date or an Officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an Officer or group of Officers or making an offer to encourage voluntary redundancy. Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are made to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

#### Post-employment Benefits

Employees of the Authority are members of the Local Government Pensions Scheme, administered locally by Tameside MBC.

The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees work for the Authority.

#### The Local Government Pension Scheme

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

- The liabilities of the Greater Manchester Pension Fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – in other words, an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, and so on, and projections of earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate (based on the indicative rate of return on a basket of high quality corporate bonds, Government gilts and other factors).

- The assets of the Greater Manchester Pension Fund attributable to the Authority are included in the Balance Sheet at their fair value, as follows:
  - quoted securities – current bid price
  - unquoted securities – professional estimate
  - unitised securities – current bid price
  - property – market value.
- The change in the net pensions liability is analysed into seven components, as follows:

| COMPONENT | DESCRIPTION | ACCOUNTING TREATMENT |
|---|---|---|
| CURRENT SERVICE COST | The increase in liabilities as a result of years of service earned this year. | Allocated in the CIES to the services for which the employees worked. |
| PAST SERVICE COST/GAIN | The change in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years. | Debited or credited to the Surplus or Deficit on the Provision of Services in the CIES. |
| NET INTEREST ON THE NET DEFINED BENEFIT LIABILITY | The change during the period in the net defined benefit liability (asset) that arises from the passage of time. | Debited in the CIES to Financing and Investment Income and Expenditure. |
| RETURN ON PLAN ASSETS | This excludes amounts included in net interest on the net defined benefit liability (asset). | Charged to the Pensions Reserve as Other Comprehensive Income and Expenditure. |
| ACTUARIAL GAINS AND LOSSES | Changes in the net pension liability that arise because events did not coincide with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions. | Charged to the Pensions Reserve as Other Comprehensive Income and Expenditure. |
| CONTRIBUTIONS PAID TO THE FUND | Cash paid as employer's contributions to the pension fund in settlement of liabilities. | Not accounted for as an expense. |

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are made 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 pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of accounting for retirement benefits on the basis of cash flows rather than as employees earn benefits.

**Discretionary Benefits**

The Authority 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 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.

**vii Events After the Reporting Period**

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- Adjusting Events; those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events; and
- Non-adjusting Events; those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

**viii Financial Instruments**

**Financial Liabilities**

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument. They are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest), and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

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

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure, regulations allow the impact on the General Fund Balance to be spread over future years. The Authority has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. When a premium or discount has been incurred and paid in full by a grant from an external body it is accounted for in the year that the grant is received. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General

Fund Balance is by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

**Financial Assets**

Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

**Loans and Receivables**

Loans and receivables are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For the loans that the Authority has made, the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and the interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the Contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

**Available-for-sale Assets**

Available-for-sale assets are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (for example, dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Authority.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis
- equity shares with no quoted market prices – independent appraisal of company valuations.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

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

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred - these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

**ix Government Grants and Contributions**

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Authority when there is reasonable assurance that:

- the Authority will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the Authority are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and

Non-specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

### x Interests in Companies and Other Entities

The Authority does not have any material interests in companies and other entities that have the nature of subsidiaries, associates and jointly controlled entities and require it to prepare group accounts.

### xi Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that the Authority expects to use during more than one financial year, are classified as Property, Plant and Equipment.

**Recognition**

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably and is above the de minimis limit of £10,000. Expenditure that maintains but does not add to an asset’s potential to deliver future economic benefits or service potential (in other words, repairs and maintenance) is charged as an expense when it is incurred.

**Measurement**

Assets are initially measured at cost, comprising:

- the purchase price;
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management; and
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The Authority does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (in other words, it will not lead to a variation in the cash flows of the Authority). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Authority.

Assets are then carried in the Balance Sheet using the following measurement bases:

- infrastructure and assets under construction – depreciated historical cost
- all other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost is used as an estimate of fair value.

Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. For 2016/17 a full desktop revaluation of PFI Contract assets has been undertaken. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Surplus or Deficit on the Provision of Services where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for as follows:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gain).
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1st April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

**Impairment**

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for as follows:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

**Depreciation**

Depreciation is provided for on all Property, Plant and Equipment by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (in other words, freehold land) and assets that are not yet available for use (in other words, assets under construction).

Depreciation is calculated on the following bases:

- Operational buildings – straight line allocation over 50 years

- Private Finance Initiative (PFI) assets and Authority purchased assets to be used in the Contract (Buildings and Vehicles, Plant and Equipment) – straight line allocation over 30 years (i.e. PFI Contract duration + 5 year life post hand back)
- Bolton Thermal Recovery Facility (TRF) and Solar Farm – straight line allocation over 25 years
- Vehicles, plant and equipment – straight line allocation over the estimated useful life (between 5 and 10 years)
- Infrastructure assets – straight line allocation over 50 years

Where an item of Property, Plant and Equipment has major components whose cost is significant in relation to the total cost of the item but is not part of a single process, the components are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

**Disposals and Non-current Assets Held for Sale**

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any losses previously recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; (adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been Held for Sale), and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Authority’s underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against the levy, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

### xii PFI and Similar Contracts

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Authority is deemed to control the services that are provided under its PFI schemes, located within the conurbation and as ownership of the property, plant and equipment will pass to the Authority at the end of the Contract for no additional charge, the Authority carries the assets used under the Contract on its Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) is balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment. The liability is written down by an agreed capital contribution of £68.040m which is paid and brought into account when the relevant asset milestones are independently certified.

Non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as Property, Plant and Equipment owned by the Authority.

The amounts payable each year to the PFI operator each year are analysed into five elements:

| ELEMENT | DESCRIPTION | ACCOUNTING TREATMENT |
|---|---|---|
| SERVICE CHARGE | Fair value of the services received during the year. | Debited in the CIES to the relevant service. |
| FINANCE COST | An interest charge on the balance sheet liability. | Debited in the CIES to Financing and Investment Income and Expenditure. |
| CONTINGENT RENT | Increases in the amount to be paid for the property arising during the Contract. | Debited in the CIES to Financing and Investment Income and Expenditure |
| PAYMENT TOWARDS LIABILITY | Applied to write down the Balance Sheet liability towards the PFI operator | The profile of write-downs is calculated using the same principles as for a finance lease. |
| LIFECYCLE REPLACEMENT COSTS | Amounts payable towards replacing PFI assets during the Contract period. | Recognised as PFI Asset additions as the work is programmed to be carried out. |

### xiii Provisions, Contingent Liabilities and Contingent Assets Provisions

#### Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Authority becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (for example, from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Authority settles the obligation.

**Contingent Liabilities**

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

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

**Contingent Assets**

A contingent asset arises where an event has taken place that gives the Authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority, where it is probable that there will be an inflow of economic benefits or service potential.

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

**xiv Reserves**

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against the levy for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets and employee retirement benefits and do not represent usable resources for the Authority – these reserves are explained in Note 15.

**xv VAT**

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

### xvi Accounting Standards Issued, Not yet Adopted

The Code has introduced a number of changes in accounting policies, which will be required from 1 April 2017. These changes are not considered to have a significant impact on the Statement of Accounts as outlined below, and do not impact on the 2016/17 Statement of Accounts.

Amendments to:

- Reporting of pension fund scheme transaction costs; and
- Reporting of investment concentration.

It is not expected that these will have a material impact on the Statement of accounts.

## Note 2 Critical Judgements in Applying Accounting Policies and Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

- 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 given the transfer to the Combined Authority from 1st April 2018. The Statement of Accounts also contained estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain.

Key risks are identified in the Annual Governance Statement. The critical judgements made in the Statement of Accounts are:

- There is a high degree of uncertainty about the future structures and levels of funding for local government. However, the Authority has determined that this uncertainty will not be sufficient to impair assets as a result of the need to make economies such as from the need to close facilities and review the contracted levels of service provision.
- The Authority is deemed to control the services provided under the Contract within the Combined Authority Area and also to control the residual value of the facilities (excluding the Thermal Facility built at Runcorn – see below) at the end of the Contract. The accounting policies for PFI Schemes and Similar Contracts have been applied to the Contract in 2016/17 and the facilities are recognised as Property, Plant and Equipment on the Authority's Balance Sheet.
- Treatment of Former Landfill Sites – The Authority sold 18 sites to the private sector (Landcare (Manchester) Limited) in December 2012 in return for agreeing a fixed ten year contribution less potential income from part of any enhanced value (overage) from future development of the sites. For these former landfill sites the Authority can determine, in financial terms, its maximum liability. As such a specific provision was created in 2013/14 to reflect this maximum liability and is being released on an annual basis. For the remaining four sites linked to the Authority, management has considered IAS37 and has concluded that no provision within the 2016/17 accounts is required.
- The Authority has undertaken a further revaluation of its Mechanical Biological Treatment (MBT) Plants as required by the Code of Practice. This is based on the requirement to revalue a full class of assets when there is a material event impacting on the notional book values of assets on the PFI Balance Sheet. Two facilities, Longley Lane, Sharston and Cobden Street, Salford suffered major issues with their hydrolysis tanks in 2015/16 which are in the process of

being rectified. Whilst the facilities are able to receive waste, they can't complete the biological process as at 31 March 2017, and indeed the latest agreed Defect Rectification Plan (DRP) envisages completion of these works in 2017/18. During the 2015/16 Statement of Final Accounts these two MBT plants at Cobden Street, Salford and Longley Lane, Sharston were impaired, along with a general downward revaluation on plant and machinery. To comply with the Code of Accounting Practice for 2016/17 additional cost has been incurred to update this valuation which is charged to the 2016/17 financial year. Further costs will then be incurred in 2017/18 due to an agreed future rectification being completed when a further full valuation of this class of assets will be required so they can be reinstated at market value to the Balance Sheet.

- Landfill Tax - The Authority has instructed Price Waterhouse Coopers Legal LLP (PWC) to act on its behalf in a claim in relation to landfill tax paid over HM Revenue and Customs. That claim has been lodged with the Courts, and if successful would see significant recovery of landfill tax being returned to the Authority. The claim is one of a series of cases which are taking place in relation to this area of interpretation of the law, and the Authority action remains 'stayed', whilst a test case progresses through the Courts system.

  Given that clarification of this complex area of law is awaited by way of a legally binding decision, which may be some distance in the future, it is considered that at this stage in the legal proceedings and given the uncertainty of the outcome of the claim, it is not considered prudent to anticipate the financial implications of a successful action.

- These 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. Items which could be adjusted in the forthcoming financial year are as follows:

| ITEM | UNCERTAINTIES | EFFECT IF ACTUAL RESULTS DIFFER FROM ASSUMPTIONS |
|---|---|---|
| PROPERTY, PLANT AND EQUIPMENT (PPE) | Estimated useful economic lives of PPE are based on management's judgement and experience, supported by advice of an independent valuer. When management identifies that the actual useful lives differ materially from the estimates used to calculate depreciation, that charge is adjusted prospectively.<br>Asset lives and residual values are reviewed annually and, historically, changes to remaining estimates of useful economic lives have not been material. | Variations between actual and estimated useful lives could impact on depreciation charges and asset values either negatively or positively.<br>If the useful life of assets reduces depreciation will increase and the carrying value of the assets will fall. An increase in the useful life would have the opposite effect. |

| ITEM | UNCERTAINTIES | EFFECT IF ACTUAL RESULTS DIFFER FROM ASSUMPTIONS |
|---|---|---|
| PFI UNITARY CHARGE | The payments made to VLGM under the Contract comprise elements for:<br>• the fair value of services received;<br>• lifecycle costs, which are the costs associated with replacing component assets during the Contract term;<br>• writing down the liability owed to the operator; and<br>• interest on the outstanding balance of the liability.<br>The allocation of the unitary payment between these elements depends on certain assumptions and estimates The Authority utilises a CIPFA endorsed, third party provided financial model to calculate the relevant accounting entries, which is updated annually. | The rate of inflation and other variable factors will affect the calculation of the amounts brought into Account if they differ from assumptions. |
| PENSIONS LIABILITY | Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the expected rate at which salaries are projected to increase, changes in retirement ages, mortality rates and the expected returns on pension fund assets. A firm of consulting actuaries (Hymans Robertson LLP) is engaged (via the Greater Manchester Pension Fund) to provide the Authority with expert advice about the assumptions to be applied.<br><br>The Authority's share of pension fund assets is rolled forward, by the actuary, from the latest formal valuation date. The roll forward amount is then adjusted for investment returns, the effective contributions paid into and estimated benefits paid from the fund by the Authority and its employees. As such this estimate may differ from the actual assets held by the Pension Fund at 31 March. | The effects on the net pension liability of changes in individual assumptions can be measured. For example, a 0.5% decrease in the discount rate assumptions would result in an increase in the pension liability of £3.504m.<br>However, the assumptions interact in complex ways. During 2016/17, the Authority's actuaries advised that the net pension liability had increased by £5.973m and asset values have increased by £6.856m. |

## Note 3 Adjustments Between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the Total Comprehensive Income and Expenditure recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

| | 2016/17 | | 2015/16 | | |
|---|---|---|---|---|---|
| | General Fund Balance £m | Unusable Reserves £m | General Fund Balance £m | Capital Receipts Reserve £m | Unusable Reserves £m |
| **Adjustments primarily involving the Capital Adjustment Account** | | | | | |
| Reversal of items included in the CIES: | | | | | |
| Depreciation of non-current assets | 8.449 | (8.449) | 8.306 | - | (8.306) |
| Impairment of non-current assets | 7.437 | (7.437) | 17.787 | - | (17.787) |
| Loss on disposal of non-current assets | - | - | (0.011) | - | 0.011 |
| Amortisation of intangible assets | 0.005 | (0.005) | 0.009 | - | (0.009) |
| Amortisation of deferred income | (0.524) | 0.524 | (0.524) | - | 0.524 |
| Capital expenditure charged to General Fund | (1.405) | 1.405 | (0.932) | - | 0.932 |
| Financing due to timing differences between actual and modelled | (0.046) | 0.046 | (0.046) | - | 0.046 |
| Capital Financing applied in the year: | | | | | |
| Use of capital receipts to finance new capital expenditure | | | - | (0.801) | 0.801 |
| Minimum Revenue Provision for capital financing | (12.821) | 12.821 | (9.091) | - | 9.091 |
| Revenue Financing of Capital Outlay | (0.720) | 0.720 | - | - | - |
| **Adjustments primarily involving the Pensions Reserve** | | | | | |
| Reversal of items relating to retirement benefits included in the CIES | 0.585 | (0.585) | 0.522 | - | (0.522) |
| Employer's pension contributions and direct payments to pensioners payable in the year | (0.681) | 0.681 | (0.751) | - | 0.751 |
| **Total adjustments** | **0.279** | **(0.279)** | **15.269** | **(0.801)** | **(14.468)** |

## Note 4 Material Items of Income and Expenditure

### Note 4.1 Financing and Investment Income and Expenditure

| | 2016/17 £m | 2015/16 £m |
|---|---|---|
| Interest payable on debt | 3.638 | 3.852 |
| Interest payable on PFI unitary payments | 53.930 | 53.802 |
| Net interest on the net defined benefit liability | 0.291 | 0.313 |
| Investment income interest | (3.737) | (3.141) |
| **Total financing and investment income and expenditure** | **54.122** | **54.826** |

### Note 4.2 Taxation and Non-specific Grant Income

| | 2016/17 | | 2015/16 | |
|---|---|---|---|---|
| | £m | £m | £m | £m |
| Agreed levy income for the year | 161.103 | | 161.103 | |
| Tonnage adjustments for the year | 2.812 | | 2.834 | |
| | | 163.915 | | 163.937 |
| Release of deferred income (PFI) | | 0.524 | | 0.524 |
| **Total taxation and non-specific grant income** | | **164.439** | | **164.461** |

## Note 5 Expenditure and Funding Analysis

### Note 5.1 Funding Analysis

| | 2016/17 | | | | |
|---|---|---|---|---|---|
| | As reported for resource management £m | Adjustment to arrive at the net amount chargeable to the General Fund £m | Net Expenditure Chargeable to the General Fund £m | Adjustments between the Funding and Accounting Basis £m | Net Expenditure in the Comprehensive Income and Expenditure Statement £m |
| **Authority own income and expenditure** | | | | | |
| Employees | 1.274 | - | 1.274 | 0.148 | 1.422 |
| Premises | 1.015 | - | 1.015 | - | 1.015 |
| Advisory Costs | 2.999 | - | 2.999 | - | 2.999 |
| Supplies and Services | 0.391 | - | 0.391 | - | 0.391 |
| Transport | 0.042 | - | 0.042 | - | 0.042 |
| Central Support Costs | 0.112 | - | 0.112 | - | 0.112 |
| Debt Charges / Cap Financing | 2.457 | 0.537 | 2.994 | 0.596 | 3.590 |
| Other Income | (0.332) | - | (0.332) | - | (0.332) |
| Interest | (0.076) | (6.412) | (6.488) | 1.521 | (4.967) |
| **Contract income and expenditure** | | | | | |
| Payment to Contractors | 182.367 | 0.001 | 182.368 | (1.452) | 180.916 |
| PFI Capital contribution | 4.909 | - | 4.909 | - | 4.909 |
| PFI Contract Support | 0.174 | - | 0.174 | - | 0.174 |
| Behavioural Change (R4GM) | 0.326 | - | 0.326 | - | 0.326 |
| Pension Deficit funding | 0.535 | - | 0.535 | (0.535) | - |
| PFI Credits | (10.019) | - | (10.019) | - | (10.019) |
| Sale of Spare Capacity | (3.076) | - | (3.076) | - | (3.076) |
| Levy | (163.915) | - | (163.915) | | (163.915) |
| (Surplus) or Deficit on the Provision of Services | 19.183 | (5.874) | 13.309 | 0.278 | 13.587 |

| **Movement in General Fund Balance** | **£m** |
|---|---|
| Opening General Fund Balance at 1 April 2016 | (63.620) |
| (Surplus)/Deficit on General Fund in year | 13.309 |
| Closing General Fund Balance at 31 March 2017 | (50.311) |

| 2015/16 | | | | | |
|---|---|---|---|---|---|
| | As reported for resource management £m | Adjustment to arrive at the net amount chargeable to the General Fund £m | Net Expenditure Chargeable to the General Fund £m | Adjustments between the Funding and Accounting Basis £m | Net Expenditure in the Comprehensive Income and Expenditure Statement £m |
| **Authority own income and expenditure** | | | | | |
| Employees | 1.455 | 0.209 | 1.664 | (0.007) | 1.657 |
| Premises | 0.560 | - | 0.560 | - | 0.560 |
| Advisory Costs | 0.360 | - | 0.360 | - | 0.360 |
| Supplies and Services | 0.313 | - | 0.313 | - | 0.313 |
| Transport | 0.041 | - | 0.041 | - | 0.041 |
| Establishment | 0.105 | - | 0.105 | - | 0.105 |
| Central Support Costs | 0.105 | - | 0.105 | - | 0.105 |
| Debt Charges / Cap Financing | 2.644 | 1.260 | 3.904 | 17.967 | 21.871 |
| Other Income | (0.280) | - | (0.280) | - | (0.280) |
| Interest | (0.184) | (4.135) | (4.319) | (1.178) | (5.497) |
| **Contract income and expenditure** | | | | | |
| Payment to Contractors | 184.135 | 0.001 | 184.136 | (0.978) | 183.158 |
| PFI Capital contribution | 4.930 | (0.000) | 4.930 | - | 4.930 |
| PFI Contract Support | 0.100 | - | 0.100 | - | 0.100 |
| Behavioural Change (R4GM) | 0.411 | - | 0.411 | - | 0.411 |
| Pension Deficit funding | 0.535 | - | 0.535 | (0.535) | - |
| PFI Credits | (10.019) | - | (10.019) | - | (10.019) |
| Sale of Spare Capacity | (5.182) | - | (5.182) | - | (5.182) |
| Levy | (163.937) | - | (163.937) | | (163.937) |
| (Surplus) or Deficit on the Provision of Services | 16.092 | (2.665) | 13.427 | 15.269 | 28.696 |

| **Movement in General Fund Balance** | **£m** |
|---|---|
| Opening General Fund Balance at 1 April 2015 | (77.047) |
| (Surplus)/Deficit on General Fund in year | 13.427 |
| Closing General Fund Balance at 31 March 2016 | (63.620) |

## Note 5.2 Note to the Expenditure and Funding Analysis

This note provides a reconciliation of the main adjustments to net expenditure chargeable to the General Fund to arrive at the amounts in the Comprehensive Income and Expenditure Statement. As a single purpose authority, all items relating to expenditure for capital purposes and pension adjustments are detailed in Note 3 and do not have to be split across services.

| Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement | 2016/17 Adjustment for Capital Purposes £m | Net change for the Pensions Adjustment £m | Total adjustment between Accounting and Funding Basis £m |
|---|---|---|---|
| **Authority own income and expenditure** | | | |
| Employees | - | 0.148 | **0.148** |
| Debt Charges / Cap Financing | 1.826 | (1.230) | **0.596** |
| Interest | - | 1.521 | **1.521** |
| **Contract income and expenditure** | | | |
| Payment to Contractors | (1.452) | | **(1.452)** |
| Pension Deficit funding | - | (0.535) | **(0.535)** |
| **Total** | **0.374** | **(0.096)** | **0.278** |

| Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement | 2015/16 Adjustment for Capital Purposes £m | Net change for the Pensions Adjustment £m | Total adjustment between Accounting and Funding Basis £m |
|---|---|---|---|
| **Authority own income and expenditure** | | | |
| Employees | - | (0.007) | **(0.007)** |
| Debt Charges / Cap Financing | 16.476 | 1.491 | **17.967** |
| Interest | - | (1.178) | **(1.178)** |
| **Contract income and expenditure** | | | |
| Payment to Contractors | (0.978) | - | **(0.978)** |
| Pension Deficit funding | - | (0.535) | **(0.535)** |
| **Total** | **15.498** | **(0.229)** | **15.269** |

### Adjustments for Capital Purposes

Adjustments for capital purposes – this column adds in depreciation and impairment and revaluation gains and losses, and for:

- **Other operating expenditure** – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets;
- **Financing and investment income and expenditure** – the statutory charges for capital financing (Minimum Revenue Provision) and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices; and
- **Taxation and non-specific grant income and expenditure** – capital grants are adjusted from income not chargeable under generally accepted accounting practices. Revenue grants are

adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

**Net change for the Pension Adjustments**

Net change for the removal of pension contributions and the additions of IAS 19 Employee Benefits pension related expenditure and income:

- **For services** this represents the removal of the employer pension contributions made by the Authority as allowed by statute and the replacement with current service costs and past service costs; and
- **For Financing and Investment Income and Expenditure –** the net interest on the defined benefit liability is charged to the Comprehensive Income and Expenditure Statement.

# Note 6 Property, Plant and Equipment

## Note 6.1 Movements on Property, Plant and Equipment Balances

| | Operational Assets | | | | | | |
|---|---|---|---|---|---|---|---|
| | Land (inc PFI) £m | Buildings (inc PFI) £m | Vehicles, Plant and Equipment (Inc PFI) £m | Infrastructure (Inc PFI) £m | Assets under Construction (inc PFI) £m | Total £m | PFI Assets included within Operational Assets £m |
| **Cost or Revaluation** | | | | | | | |
| **At 1 April 2015** | **28.372** | **114.260** | **112.660** | **3.085** | **1.394** | **259.771** | **256.075** |
| Reclassification | - | - | 1.394 | - | (1.394) | **-** | (1.215) |
| Additions | 0.298 | 0.978 | 0.633 | - | - | **1.909** | 0.990 |
| Revaluation Increases / (decreases) to Revaluation Reserve | 2.358 | 14.675 | 0.835 | - | - | **17.868** | 16.896 |
| Revaluation Increases / (decreases) to Cost of Services | (0.023) | (2.578) | (15.186) | - | - | **(17.787)** | (16.442) |
| Disposals | - | - | - | - | - | **-** | - |
| **At 31 March 2016** | **31.005** | **127.335** | **100.336** | **3.085** | **(0.000)** | **261.761** | **256.304** |
| Reclassification | - | - | - | - | - | **-** | - |
| Additions | 0.007 | 1.469 | 1.090 | - | - | **2.566** | 1.469 |
| Revaluation Increases / (decreases) to Revaluation Reserve | 3.900 | 1.976 | 0.122 | - | - | **5.998** | 5.876 |
| Revaluation Increases / (decreases) to Cost of Services | (0.070) | (0.437) | (6.930) | - | - | **(7.437)** | (7.409) |
| Disposals | - | - | - | - | - | **-** | - |
| **At 31 March 2017** | **34.842** | **130.343** | **94.618** | **3.085** | **(0.000)** | **262.888** | **256.240** |
| **Depreciation** | | | | | | | |
| **At 1 April 2015** | **-** | **23.505** | **8.254** | **0.124** | **-** | **31.883** | **31.604** |
| For Year | - | 4.339 | 3.906 | 0.062 | - | **8.307** | 8.174 |
| **At 31 March 2016** | **-** | **27.844** | **12.160** | **0.186** | **-** | **40.190** | **39.778** |
| For Year | - | 3.548 | 3.610 | 0.014 | - | **7.172** | 7.028 |
| Revaluations | - | 1.023 | 0.207 | 0.047 | - | **1.277** | 1.077 |
| **At 31 March 2017** | **-** | **32.415** | **15.977** | **0.247** | **-** | **48.639** | **47.883** |
| | | | | | | | |
| **Net Book Value** | | | | | | | |
| At 1 April 2015 | 28.372 | 90.755 | 104.406 | 2.961 | 1.394 | **227.888** | 224.471 |
| At 31 March 2016 | 31.005 | 99.491 | 88.176 | 2.899 | (0.000) | **221.571** | 216.526 |
| At 31 March 2017 | 34.842 | 97.928 | 78.641 | 2.838 | (0.000) | **214.249** | 208.357 |

## Note 6.2 Capital Expenditure and Capital Financing

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

| | 2016/17 £m | 2015/16 £m |
|---|---|---|
| **Opening CFR** | **430.823** | **442.296** |
| Capital Investment: | | |
| Property, Plant and Equipment | 2.566 | 1.909 |
| Senior Lending | 26.298 | (1.976) |
| Sources of Finance: | | |
| Capital Receipts | - | (0.801) |
| Sums set aside from revenue | (14.239) | (10.605) |
| **Closing CFR** | **445.448** | **430.823** |
| | | |
| Explanation for Movements in the Year: | | |
| (Decrease) in the underlying need to borrow | (16.844) | (12.463) |
| Increase in Long Term Investment | 30.000 | - |
| Assets acquired under PFI Contract | 1.469 | 0.990 |
| **Increase/(Decrease) in the CFR** | **14.625** | **(11.473)** |

### Note 6.3 Revaluations of Property, Plant and Equipment Held at Fair Value

The Authority carries out periodic revaluations that ensure the fair value of all Property, Plant and Equipment is measured at least every five years. Bilfinger GVA Limited, an independent valuer, carries out all land and buildings, infrastructure and PFI asset revaluations, except for assets held for sale, on the Authority's behalf, in accordance with the provisions of the professional standards of the Royal Institute of Chartered Surveyors. The most recent valuation was 31 March 2017. Assets held for Sale have been previously revalued by Unity Partnership Limited. Valuations of high-value vehicles, plant, furniture and equipment are based on current prices where there is an active second-hand market or latest list prices, adjusted for the condition of the asset. Where non-property assets have short useful lives and/or low values, they are not revalued; instead their depreciated historical cost is taken as a proxy for fair value.

The significant assumption applied by the valuer in estimating fair values is that the property would be sold as part of the Contract.

## Note 7 Investments

VLGM and Ineos Runcorn (TPS) Limited are Special Purpose Vehicle companies set up to deliver the Contract. Further detail of these loans is in Note 22.

### Note 7.1 Long-term Investments

| | 31 March 2017 £m | 31 March 2016 £m |
|---|---|---|
| Loan to VLGM | 34.993 | 23.323 |
| Loan to Ineos Runcorn (TPS) Ltd | 26.769 | 13.819 |
| | **61.762** | **37.142** |

### Note 7.2 Short-term Investments

| | 31 March 2017 £m | 31 March 2016 £m |
|---|---|---|
| VLGM repayments | 2.530 | 1.558 |
| Ineos Runcorn (TPS) Ltd repayments | 1.295 | 0.589 |
| | **3.825** | **2.147** |

## Note 8 Debtors

| | 31 March 2017 £m | 31 March 2016 £m |
|---|---|---|
| Central government bodies | 5.512 | 2.738 |
| Other local authorities | 3.715 | 4.325 |
| Other entities and individuals | 2.651 | 2.588 |
| **Total debtors** | **11.877** | **9.651** |

Of the Other Entities and Individuals debtors, £2.102m (31 March 2016: £2.102m) relates to the Authority's capital contribution to the Contract, which is treated as a prepayment of the Unitary Charge.

## Note 9 Cash and Cash Equivalents

| | 31 March 2017 £m | 31 March 2016 £m |
|---|---|---|
| Bank current accounts | 8.769 | 5.928 |
| Short term deposits with money market funds | 1.000 | 8.002 |
| Short term deposits with local authorities | - | 5.002 |
| **Total cash and cash equivalents** | **9.769** | **18.932** |

## Note 10 Creditors

| | 31-Mar-17 £m | 31-Mar-16 £m |
|---|---|---|
| Central government bodies | 0.063 | 0.140 |
| Other local authorities | 0.488 | 0.060 |
| Other entities and individuals | 29.548 | 18.424 |
| **Total creditors** | **30.099** | **18.624** |

Of the Other Entities and Individuals creditors, £8.084m (31 March 2016: £7.573m) relates to short-term element of the Authority's deferred lease obligation under the Contract.

## Note 11 Provisions

The Authority sold 18 sites to the private sector in December 2012 in return for agreeing a fixed ten year contribution less payments of part of any enhanced value (overage) from future development of the sites. As such for these former landfill sites the Authority can determine, in financial terms, its maximum liability. There is a specific provision of £2.815m (Short term: £0.551m, Long term: £2.264m) to reflect this maximum liability as at 31 March 2017. A sum of £0.582m was used in 2016/17 to meet the annual charge.

A provision was created during 2014/15 for the National Non-Domestic Ratings (NNDR) that the authority was liable for on the PFI sites. All outstanding NNDR liabilities have been assessed by the District Valuer and paid during 2016/17 to individual local authorities and the full amount of the provision has therefore been released.

A number of appeals against the District Valuer assessment are outstanding but if successful any reduction in rateable value would be immaterial.

| | Landcare Provision £m | Short Term NNDR Provision £m | Total £m |
|---|---|---|---|
| Balance as at 1 April 2016 | 0.582 | 2.595 | 3.177 |
| Movements made in 2016/17 | - | - | - |
| Movement from Long Term | 0.551 | - | 0.551 |
| Amounts used in 2016/17 | (0.582) | (2.595) | (3.177) |
| **Balance as at 31 March 2017** | **0.551** | **-** | **0.551** |

| | Landcare Provision £m | Long Term NNDR Provision £m | Total £m |
|---|---|---|---|
| Balance as at 1 April 2016 | 2.815 | - | 2.815 |
| Movement to Short Term | (0.551) | - | (0.551) |
| **Balance as at 31 March 2017** | **2.264** | **-** | **2.264** |

Total movement in year is a decrease of £3.177m

## Note 12 Borrowing

### Note 12.1 Short-term Borrowing

| | Interest rate % | 31-Mar-17 £m | 31-Mar-16 £m |
|---|---|---|---|
| Public Works Loan Board loan | 3.47 - 8.75 | 2.504 | 2.405 |
| Other public bodies | 0.45 | 35.000 | 10.000 |
| Accrued interest | | 0.501 | 0.523 |
| | | **38.005** | **12.928** |

### Note 12.2 Long-term Borrowing

| | Interest rate % | 31-Mar-17 £m | 31-Mar-16 £m |
|---|---|---|---|
| Public Works Loan Board loan | 3.47 - 8.75 | 66.308 | 68.812 |
| | | **66.308** | **68.812** |

The maturity analysis of long-term borrowings is as follows:

| | 31-Mar-17 | 31-Mar-16 |
|---|---|---|
| | £m | £m |
| Maturing in less than 2 years | 2.608 | 2.504 |
| Maturing in 2 - 5 years | 10.417 | 10.079 |
| Maturing in 5 - 10 years | 21.066 | 20.401 |
| Maturing in more than 10 years | 32.217 | 35.828 |
| **Total long-term borrowing** | **66.308** | **68.812** |

## Note 13 Other long-term liabilities

| | 31-Mar-17 | 31-Mar-16 |
|---|---|---|
| | £m | £m |
| Deferred lease obligaton under PFI Contract | 263.802 | 271.886 |
| Deferred Income (PFI) | 8.388 | 8.912 |
| Transferred debt loans | 6.031 | 7.365 |
| Pensions Liability | 7.870 | 8.753 |
| **Total creditors** | **286.091** | **296.916** |

PFI deferred lease obligations of £263.802m (31 March 2016: £271.886m) are due to be settled under the terms of the Contract, as set out in Note 22.

The deferred income (PFI) relates to the Authority's use of the Bolton Thermal Recovery Facility, which is not included in the Contract, and is treated as a 'free' asset. The Deferred Income balance is released to the Taxation and Non-specific Grant Income line of the CIES over the period of the Contract.

The Transferred Debt Loans represent debt previously held by the Greater Manchester County Council (GMC) to finance waste disposal assets. They were transferred to the Authority by the Local Government Reorganisation (Debt Administration) (Greater Manchester) Order 1986, on the demise of GMC on 31 March 1986. The loan is being repaid to Tameside MBC on an annuity basis over a period of 36 years (to 31 March 2022). The total amount outstanding at the 31 March 2017 is:

| | £m |
|---|---|
| Long Term | 6.031 |
| To be repaid in 2017/18* | 1.334 |
| | 7.365 |

*this amount is shown in the Balance Sheet within Current Liabilities

The pension liability represents the difference between the fair value of the pension scheme's net assets and the present value of its obligations. Details are set out in Note 18.

## Note 14 Usable Reserves

The Authority's usable reserves are as follows:

| | Balance as at 31 March 2017 £m | Balance as at 31 March 2016 £m |
|---|---|---|
| General Fund | 12.132 | 9.434 |
| LIFE+ Reserve | 0.318 | 0.318 |
| Engagement Activities Reserve | 0.150 | 0.150 |
| Insurance Reserve | 3.757 | 2.757 |
| Authority Loan Reserve | 11.963 | 10.279 |
| Interest Rate Reserve | 2.000 | 2.000 |
| Pension Deficit Funding Reserve | 0.812 | 0.812 |
| MTFP Funding Reserve | 13.679 | 31.545 |
| Optimisation and Efficiency Reserve | 5.000 | 5.000 |
| Shredding Equipment Reserve | - | 0.800 |
| Waste Composition Analysis Reserve | 0.300 | 0.250 |
| Differentiated Collections Reserve | - | 0.075 |
| Contract Support & Reorganisation Reserve | 0.200 | 0.200 |
| | 50.311 | 63.620 |

**General Fund**

The General Fund is the statutory fund into which all the receipts of the Authority are required to be paid and out of which all the liabilities of the Authority are to be met, except to the extent that statutory rules might provide otherwise. These rules also specify the financial year in which liabilities and payments should impact the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Authority is statutorily empowered to spend on its services or on capital investment at the end of the year.

**Earmarked General Fund Reserves**

Set aside from the overall General Fund Balance, the Authority maintains earmarked reserves to provide financing for future expenditure plans. The purpose of each of the earmarked reserves is as follows:

**LIFE+ Reserve** – This Reserve is being held as grant funding for this project was allocated by expenditure type, which due to the community led nature of the campaigns, is not reflected in actual spend. The project was completed during 2015/16 and the European Union (EU) is due to audit the project in 2017/18. The reserve provides prudent protection in case the auditors raise any concerns, and will be reviewed post the audit conclusion.

**Engagement Activities Reserve** – A £0.100m additional contribution to support VLGM communication and engagement activity in 2015/16 was planned. However, that funding was not needed and the cost of the 2016/17 Annual Plan can be met by mainstream resources. The Authority has therefore agreed to use the £0.150m balance to support a pilot project looking to increase food waste collection around Manchester and Salford flats, as match funding for external support provided by the Waste Resources Action Programme (WRAP).

**Insurance Reserve** – To mitigate the risk to the Authority of any further levy imposed as part of the Scheme of Arrangement for the winding up of Municipal Mutual Insurance Limited and ongoing hardening of the insurance market for waste facilities – see Note 20.

**Authority Loan Reserve** – To mitigate the risk of the Authority acting as a Senior Lender to both VLGM and Ineos Runcorn (TPS) Limited – see Note 7.

**Interest Rate Reserve** – To enable the Authority to meet the additional cost of funding future increases in the margin chargeable on borrowings from PWLB, arising from the current policy of not taking longer term debt due to cash balances.

**Pension Deficit Funding Reserve** – To meet the cost of funding potential future deficit arising on transfer of former Greater Manchester Waste Limited employees into the Authority's pension fund on commencement of the Contract, and to take account of possible further efficiencies arising from austerity challenges – see note 19.

**Medium Term Financial Plan (MTFP) Reserve** - Reserve created to support Medium Term Financial Strategy of the Authority as approved on 7 February 2014 and reaffirmed at the 13 February 2015 budget setting meeting.

**Optimisation and Efficiency Reserve** - This reserve has been set up to allow a further capital contribution to be made (if required), so that the Authority can realise longer term financial and operational benefits from the approach to minimising the amount of waste sent to landfill – a pass through under the Contract (this approach is commonly referred to as 'our aim is zero waste').

At present the facilities have been designed to achieve a contractually backed guaranteed diversion rate (of landfill) of around 75%. Our aim is zero waste is targeting 90%, over the next few years, and that will potentially require some further capital investment to be made to optimise the facilities. The most cost effective way to do that is likely to be for the Authority to provide funding, and this reserve will allow any necessary business case justified investment to be able to be made.

**Shredding Equipment Reserve** – The purpose of this reserve was to meet the capital costs of the additional shredding equipment, so enabling at least 8% per annum additional landfill diversion to be made. The equipment was purchased in 2016/17 contributing to around 11% improved performance and an underspend on landfill costs and hence this reserve has now been released.

**Waste Compositional Analysis Reserve** – This Reserve provides for the cost of conducting a review of waste arisings to enable us to gauge whether our citizens are recycling, and in so doing, better target limited behavioural change resources. The last waste compositional analysis was carried out in 2011, and the next one is being planned for 2017, at an estimated cost of £0.300m.

**Differentiated Collections Reserve** – A specific Reserve to allow a review on an area of potential efficiency, joint collections, to be carried out. This consisted of a review of all nine District's policies and practices to see what can be gained by a consistent approach. The review was carried out in 2016/17 and this reserve has now been released.

**Contract Support and Reorganisation Reserve** – This Reserve has been created to provide for some of the costs expected from work arising from reviewing the PFI Contract and relocation to Churchgate House, Manchester.

### Transfers to/(from) Earmarked Reserves

| | Balance at 31 March 2017 £m | Transfers in/(out) in 2016/17 £m | Balance at 31 March 2016 £m | Transfers in/(out) in 2015/16 £m | Balance at 31 March 2015 £m |
|---|---|---|---|---|---|
| LIFE+ Reserve | 0.318 | - | 0.318 | (0.046) | 0.364 |
| Engagement Activities Reserve | 0.150 | - | 0.150 | - | 0.150 |
| Insurance Reserve | 3.757 | 1.000 | 2.757 | 0.731 | 2.026 |
| Authority Loan Reserve | 11.963 | 1.684 | 10.279 | 0.124 | 10.155 |
| Interest Rate Reserve | 2.000 | - | 2.000 | - | 2.000 |
| Pension Deficit Funding Reserve | 0.812 | - | 0.812 | - | 0.812 |
| MTFP Funding Reserve | 13.679 | (17.866) | 31.545 | (16.562) | 48.107 |
| Optimisation Reserve | 5.000 | - | 5.000 | 2.000 | 3.000 |
| Shredding Equipment Reserve | - | (0.800) | 0.800 | - | 0.800 |
| Waste Composition Analysis Reserve | 0.300 | 0.050 | 0.250 | 0.050 | 0.200 |
| Differentiated Collections Reserve | - | (0.075) | 0.075 | 0.075 | - |
| Contract Support Reserve | 0.200 | - | 0.200 | 0.200 | - |
| **Total Earmarked General Fund Reserves** | **38.179** | **(16.007)** | **54.186** | **(13.428)** | **67.614** |

Movements in other usable reserves are detailed in the Movement in Reserves Statement (page 46).

## Note 15 Unusable Reserves

The Authority's unusable reserves are as follows:

| | 31-Mar-17 £m | 31-Mar-16 £m |
|---|---|---|
| Revaluation Reserve | 57.267 | 52.546 |
| Capital Adjustment Account | (222.769) | (222.394) |
| Pensions Reserve | (7.870) | (8.753) |
| **Total per Movement in Reserves Statement** | **(173.372)** | **(178.601)** |

### Revaluation Reserve

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

- revalued downwards or impaired, and the gains are lost;
- used in the provision of services, and the gains are consumed through depreciation; or
- disposed of, and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

Movements on the Revaluation Reserve are as follows:

| | 2016/17 | | 2015/16 | |
|---|---|---|---|---|
| | £m | £m | £m | £m |
| Balance at 1 April | | 52.546 | | 34.677 |
| Upward revaluation of assets | 5.998 | | 17.869 | |
| Surplus or deficit on revaluation of non-current assest not posted to the Surplus or Deficit on the Provision of Services | | 5.998 | | 17.869 |
| Difference between fair value depreciation and historical cost depreciation | (1.277) | | | |
| Amount written off to Capital Adjustment Account | | (1.277) | | |
| **Balance at 31 March** | | **57.267** | | **52.546** |

**Capital Adjustment Account**

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

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Movements on the Capital Adjustment Account are as follows:

| | 2016/17 | | 2015/16 | |
|---|---|---|---|---|
| | £m | £m | £m | £m |
| **Balance at 1 April** | | (222.394) | | (207.697) |
| **Reversal of items relating to capital expenditure debited or credited to the CIES:** | | | | |
| Charges for depreciation and impairment of non-current assets | (15.886) | | (26.093) | |
| Amortisation of intangible assets | (0.005) | | (0.009) | |
| Amortisation of deferred income | 0.524 | | 0.524 | |
| Capital expenditure charged to General Fund | 1.405 | | 0.932 | |
| Amounts of non-current assets written off as part of the gain/loss on disposal to the CIES | - | | 0.011 | |
| Financing expense due to timing difference from actual to modelled | 0.045 | | 0.045 | |
| | | (13.917) | | (24.590) |
| Capital financing applied in the year: | | | | |
| Use of Capital Receipts Reserve | - | | 0.801 | |
| Revenue Financing of Capital Outlay | 0.720 | | | |
| Minimum Revenue Provision | 12.822 | | 9.092 | |
| | | 13.542 | | 9.893 |
| Transfer from PFI Prepayment Reserve | | | | |
| **Balance at 31 March** | | **(222.769)** | | **(222.394)** |

**Pensions Reserve**

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

Movements on the Pensions Reserve are as follows:

| | 2016/17 £m | 2015/16 £m |
|---|---|---|
| Balance at 1 April | (8.753) | (10.395) |
| Actuarial gains/(losses) on pensions assets and liabilities | 0.787 | 1.413 |
| Reversal of items relating to retirement benefits debited /credited to the Surplus or Deficit on the Provision of Services in the CIES | (0.585) | (0.522) |
| Employer's pensions contributions and direct payments to pensioners payable in the year | 0.681 | 0.751 |
| **Balance at 31 March** | **(7.870)** | **(8.753)** |

Details of assets and liabilities are set out in Note 18.

## Note 16 Cash Flow Statement – Detail of Operating, Investing and Financing Activities

| | 2016/17 £m | 2016/17 £m | 2015/16 £m | 2015/16 £m |
|---|---|---|---|---|
| **Operating activities** | | | | |
| Taxation | 163.937 | | 163.179 | |
| Grants | 10.066 | | 10.019 | |
| Sales of Goods and Rendering of Services | 3.309 | | 5.820 | |
| Interest Received | 3.747 | | 3.139 | |
| Cash inflows generated from operating activities | | 181.059 | | 182.157 |
| Cash paid to and on behalf of employees | (1.855) | | (1.952) | |
| Cash paid to Suppliers of Goods and Services | (123.411) | | (130.799) | |
| Interest Paid | (57.589) | | (57.524) | |
| Cash outflows from operating activities | | (182.855) | | (190.275) |
| **Net cash flows from operating activities** | | **(1.796)** | | **(8.118)** |
| **Investing activities** | | | | |
| Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets | | (2.400) | | (3.202) |
| Purchase of short -term and long-term investments | | (30.000) | | - |
| Proceeds from short term and long term investments | | 3.702 | | 1.976 |
| **Net cash flows from investing activities** | | **(28.698)** | | **(1.226)** |
| **Financing activities** | | | | |
| Cash Receipts of Borrowing | | 35.000 | | - |
| Repayments of Borrowing | | (13.669) | | (5.505) |
| **Net cash flows from financing activities** | | **21.331** | | **(5.505)** |

## Note 17 Officers' Remuneration

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

| | | Salary, fees and allowances £000 | Expenses £000 | Compensation for loss of office £000 | Total remuneration excluding pension contribution £000 | Pension contribution £000 | Total remuneration £000 |
|---|---|---|---|---|---|---|---|
| Treasurer & Deputy Clerk | 2016/17 | 104 | - | - | **104** | 21 | **125** |
| | 2015/16 | 103 | 1 | - | **104** | 20 | **124** |
| Director of Contract Services | 2016/17 | 95 | 1 | - | **96** | 18 | **114** |
| | 2015/16 | 87 | 1 | - | **88** | 17 | **105** |
| Director of Resources & Strategy | 2015/16 | 78 | 1 | 122 | **201** | 16 | **217** |

The post of Director of Resources & Strategy was declared redundant on 31 March 2016.

Oldham Council's Chief Executive also acts as this Authority's Clerk. An allowance of £14,796 (2015/16: £14,481) is paid to Oldham Council for this duty. Details of the Clerk's remuneration is reported in the accounts of their employer, Oldham Council.

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

| Remuneration band | No of employees 2016/17 | 2015/16 |
|---|---|---|
| £50,000 - £54,999 | 2 | - |

Details of exit packages agreed in the year are set out in the table below:

| Exit package cost band | No. of compulsory redundancies 2016/17 | No. of compulsory redundancies 2015/16 | Total cost of exit packages 2016/17 | Total cost of exit packages 2015/16 |
|---|---|---|---|---|
| £0 - £19,999 | - | - | - | - |
| £20,000 - £39,999 | - | - | - | - |
| £40,000 - £59,999 | - | 1 | - | £46,549 |
| £60,000 - £79,999 | - | - | - | - |
| £80,000 - £100,000 | - | - | - | - |
| £100,000 - £120,000 | - | - | - | - |
| £120,000 - £140,000 | - | 1 | - | £122,285 |
| **Total** | **-** | **2** | **-** | **£168,834** |

## Note 18 Defined Benefit Pension Scheme

As part of the terms and conditions of employment of its Officers, the Authority makes contributions towards the cost of post-employment benefits.

The Authority participates in the Local Government Pension Scheme, administered locally by Tameside MBC. This is a funded defined benefit salary scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

Under the arrangements to sell the former Greater Manchester Waste Limited company to the PFI operating contract provider in April 2009, past service liabilities for former (deferred and pensioner) employees were transferred into the Authority's own section of the pension scheme. Arrangements to repay the deficit provision over a number of years are in place (Note 20 provides further information). These liabilities are included in the total deficit figures.

## Note 18.1 Transactions in the Year

The following transactions have been made in the Comprehensive Income and Expenditure Statement during the year.

| | 2016/17 | | 2015/16 | |
|---|---|---|---|---|
| | £m | £m | £m | £m |
| Cost of services: | | | | |
| Current service cost | 0.161 | | 0.209 | |
| Past service cost (including curtailments) | 0.133 | | - | |
| **Total Service Cost** | | **0.294** | | **0.209** |
| Financing and investment income and expenditure: | | | | |
| Interest Income on plan assets | (1.230) | | (1.178) | |
| Interest cost on defined benefit obligation | 1.521 | | 1.491 | |
| **Total Net Interest** | | **0.291** | | **0.313** |
| **Total defined benefit cost recognised in the Comprehensive Income and Expenditure Statement** | | **0.585** | | **0.522** |
| Remeasurements: | | | | |
| Changes in demographic assumptions | 0.014 | | - | |
| Changes in financial assumptions | 7.208 | | (1.931) | |
| Other experience | (0.771) | | (0.882) | |
| Return on assets excluding amounts included in net interest | (7.238) | | 1.400 | |
| **Total remeasurements recognised in Other Comprehensive Income** | | **(0.787)** | | **(1.413)** |
| **Total post-employment benefit charged to the Comprehensive Income and Expenditure Account** | | **(0.202)** | | **(0.891)** |

Accounting Standards require the Authority to recognise the cost of retirement benefits in the reported cost of services when employees earn them, rather than when the benefits are eventually paid as pensions. However, statutory regulations require the Authority to make a charge against the levy based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. Note 3 details the relevant adjustment.

**Note 18.2 Assets and Liabilities in Relation to Post-employment Benefits**

A reconciliation of the present value of the scheme liabilities is as follows:

| | 2016/17 £m | 2015/16 £m |
|---|---|---|
| Opening balance 1 April | 45.768 | 49.114 |
| Current service cost | 0.161 | 0.209 |
| Interest cost | 1.521 | 1.491 |
| Contributions by scheme members | 0.047 | 0.057 |
| Actuarial (gains)/losses | 6.451 | (2.813) |
| Benefits paid | (2.340) | (2.290) |
| Losses / (Gains) on Curtailments | 0.133 | - |
| **Closing balance at 31 March** | **51.741** | **45.768** |

A reconciliation of the fair value of scheme assets is as follows:

| | 2016/17 £m | 2015/16 £m |
|---|---|---|
| Opening balance 1 April | 37.015 | 38.719 |
| Expected rate of return | 1.230 | 1.178 |
| Actuarial (gains)/losses | 7.238 | (1.400) |
| Employer contributions | 0.681 | 0.751 |
| Contributions by scheme participants | 0.047 | 0.057 |
| Benefits paid | (2.340) | (2.290) |
| **Closing balance at 31 March** | **43.871** | **37.015** |

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in respective markets.

Pension Scheme Assets comprised:

| Asset Category | Period ended 31 March 2017 | | | | Period ended 31 March 2016 | | | |
|---|---|---|---|---|---|---|---|---|
| | Quoted prices in active markets | Quoted prices not in active markets | Total | Percentage of Total Asset | Quoted prices in active markets | Quoted prices not in active markets | Total | Percentage of Total Asset |
| | £m | £m | £m | % | £m | £m | £m | % |
| **Equity Securities** | | | | | | | | |
| Consumer | 3.566 | - | 3.566 | 8% | 3.260 | - | 3.260 | 9% |
| Manufacturing | 3.651 | - | 3.651 | 8% | 2.683 | - | 2.683 | 7% |
| Energy and Utilities | 2.920 | - | 2.920 | 7% | 1.987 | - | 1.987 | 5% |
| Financial Institutions | 4.485 | - | 4.485 | 10% | 3.591 | - | 3.591 | 10% |
| Health and Care | 1.574 | - | 1.574 | 4% | 1.548 | - | 1.548 | 4% |
| Information Technology | 1.115 | - | 1.115 | 3% | 0.832 | - | 0.832 | 2% |
| Other | 0.747 | - | 0.747 | 2% | 0.488 | - | 0.488 | 1% |
| **Debt Securities** | | | | | | | | |
| Corporate Bonds (investment grade) | 2.081 | - | 2.081 | 5% | 1.844 | - | 1.844 | 5% |
| Corporate Bonds (non-investment grade) | - | - | - | 0% | - | - | - | 0% |
| UK Government | 0.577 | - | 0.577 | 1% | 0.294 | - | 0.294 | 1% |
| Other | 1.386 | - | 1.386 | 3% | 1.156 | - | 1.156 | 3% |
| **Private Equity** | | | | | | | | |
| All | - | 1.247 | 1.247 | 3% | - | 0.925 | 0.925 | 2% |
| **Real Estate** | | | | | | | | |
| UK Property | - | 1.203 | 1.203 | 3% | - | 1.166 | 1.166 | 3% |
| Overseas Property | - | - | - | 0% | - | - | - | 0% |
| **Investment Funds and Unit Trusts** | | | | | | | | |
| Equities | 10.984 | - | 10.984 | 25% | 10.315 | - | 10.315 | 28% |
| Bonds | 3.131 | - | 3.131 | 7% | 2.876 | - | 2.876 | 8% |
| Hedge Funds | - | - | - | 0% | - | - | - | 0% |
| Commodities | - | - | - | 0% | - | - | - | 0% |
| Infrastructure | - | 1.012 | 1.012 | 2% | - | 0.496 | 0.496 | 1% |
| Other | 0.787 | 2.186 | 2.973 | 7% | 0.727 | 1.800 | 2.527 | 7% |
| **Derivatives** | | | | | | | | |
| Inflation | - | - | - | 0% | - | - | - | 0% |
| Interest Rate | - | - | - | 0% | - | - | - | 0% |
| Foreign Exchange | - | - | - | 0% | - | - | - | 0% |
| Other | - | - | - | 0% | 0.097 | - | 0.097 | 0% |
| **Cash and Cash Equivalents** | | | | | | | | |
| All | 1.219 | - | 1.219 | 3% | 0.933 | - | 0.933 | 3% |
| **Total** | **38.223** | **5.648** | **43.871** | **100%** | **32.631** | **4.387** | **37.018** | **100%** |

## Note 18.3 Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Hymans Robertson LLP, an independent firm of actuaries, has assessed the Local Government Pension Scheme liabilities on behalf of the Authority. Estimates are based on the last full valuation of the scheme as at 1 April 2016.

The principal assumptions used by the Actuary have been:

| | **2016/17** | **2015/16** |
|---|---|---|
| Longevity at 65 for current pensioners: | | |
| Males | 21.5 years | 21.4 years |
| Females | 24.1 years | 24.0 years |
| Longevity at 65 for future pensioners: | | |
| Males | 23.7 years | 24.0 years |
| Females | 26.2 years | 26.6 years |
| Rate of increase in salaries | 3.2% | 3.4% |
| Rate of increase in pensions | 2.4% | 2.1% |
| Rate of discounting scheme liabilities | 2.5% | 3.4% |
| Take-up of option to convert annual pension into retirement lump sum: | | |
| Pre-April 2008 service | 55.0% | 55.0% |
| Post-April 2008 service | 80.0% | 80.0% |

**Note 18.4 Scheme History**

| | **31-Mar-17**<br>**£m** | **31-Mar-16**<br>**£m** | **31-Mar-15**<br>**£m** | **31-Mar-14**<br>**£m** | **31-Mar-13**<br>**£m** |
|---|---|---|---|---|---|
| Present value of liabilities | (51.741) | (45.768) | (49.114) | (46.474) | (45.834) |
| Fair value of scheme assets | 43.871 | 37.015 | 38.719 | 36.085 | 32.255 |
| **Surplus/(deficit) in the scheme** | **(7.870)** | **(8.753)** | **(10.395)** | **(10.389)** | **(13.579)** |

The liabilities show the underlying commitments the Authority has in the long run to pay post-employment (retirement) benefits. The net liability of £7.870m (2015/16: £8.753m) has a substantial impact on the net worth of the Authority, as recorded in the Balance Sheet. However, the statutory arrangements for funding the deficit mean that the financial position of the Authority remains sustainable, as the deficit on the local government pension scheme will be made good by increased contributions over the remaining working life of employees (in other words, before payments fall due), as assessed by the scheme actuary.

The total contributions expected to be made to the Local Government Pension Scheme (LGPS) by the Authority in the year to 31 March 2018 is £0.681m.

## Note 19 External Audit Costs

The Authority incurred the following costs in relation to the audit of its Statement of Accounts. No other services were provided by external auditor, Grant Thornton, during the year 2016/17.

| | 2016/17 | 2015/16 |
|---|---|---|
| | £ | £ |
| Fees payable to Grant Thornton as per Audit Plan | 31,418 | 31,418 |
| Extra fees re 2014/15 audit | - | 19,989 |
| | **31,418** | **51,407** |

## Note 20 Contingencies

At 31st March 2017, the Authority had the following material contingent liabilities:

- **Scheme of Arrangement – Municipal Mutual Insurance Limited**

  The Scheme of Arrangement was enacted in 2012/13 and the Scheme Administrator has requested two levies to-date totalling 25% of past claims paid. The liability upon the Authority as a scheme creditor cannot be fully estimated at this stage for claims incurred but not yet reported between 1974 and 1992 as recognised in the latest report to Scheme Creditors. Whilst the Authority has considered the financial impact in producing its Statement of Accounts there is a risk that the Authority's financial liability could increase from this level. The Insurance Reserve has, in part, been established to mitigate against that potential risk.

- **Pension Liabilities – former GM Waste Limited (GMW) Employees**

  As part of the 2009 Private Finance Initiative Agreement with VLGM the Authority agreed to deal with past pension liabilities of GMW, in accordance with the HM Treasury Guidance in the Standard Form of Contract (SoCP4).

  Those employees were part of either the Local Government Pension Scheme (LGPS), administered for the Greater Manchester Pension Fund (GMPF) by Tameside MBC, or part of the Citrus Pension schemes (formerly LAWDC schemes), administered by Capita Employee Benefits Limited. Due to the differing nature of those schemes the strategy adopted to mitigate risk differs, and also the strategy between active Members (taken on by VWGM) and those in respect of the deferred and pensioners which were retained for responsibility purposes by the Authority.

  Deferred and Pensioners

  Citrus Scheme

  A policy of achieving Insurance backed buyout was concluded in 2016, and as such the Authority will have no further liabilities in this area.

  LGPS

  Arrangements have been made with Tameside MBC, on behalf of GMPF, to meet estimated unfunded costs over an extended period by the provision of an annual lump sum payment of £0.535m. The 2017 Actuarial Review confirmed, again, the suitability of that sum which will ensure that liabilities are met during the remaining Contract period. The estimated cost of meeting funding liabilities associated with those employees is included in the FRS17 statement and valuation (set out in detail at Note 18). However, with a small number of active employees in the Scheme, compared to deferred and pensioners, this gives rise to the potential for significant future volatility in required contributions. That volatility could be partly mitigated by adopting a less 'growth performance' based investment strategy, but in the short term that could increase liabilities. Options, linked to the 2016 triennial revaluation are therefore being considered in partnership with the both the administering authority, Tameside MBC and Greater Manchester Combined Authority which will become the successor body from 1 April 2018.

Active employees

These were transferred to VWGM on a fully funded basis, and now form part of a separate division within the schemes. VWGM currently has full responsibility for on-going funding with the scheme provider and it is anticipated any surplus or deficit will be reviewed in future contractual negotiations.

For the LGPS the Authority as at 31 March 2017 remains the guarantor (as required under the Rules), but it is expected that that will be considered in future negotiations, and in any case this potential liability is financially mitigated by the provision by VWGM of a tri-annually assessed external bond.

It is not therefore thought that liability will accrue, at any significant levels, and therefore no provision has been included in the Accounts.

- **Claims against VLGM by their main Construction provider**

The majority of the £400m of PFI investment within the conurbation is completed. However, we have been made aware that the main construction provider has lodged multi million pound claims against VLGM. VLGM and their legal advisors have assessed those claims, and advised that they are not substantiated, and in any case the risk is mitigated by offset to the Operating Contractor or to the Authority.

In respect of the latter it is not considered that those claims could be substantiated, and if proven they would remain either with VLGM, or their sub-contractors. No provision is thus required at this stage, though the situation will be kept under review should new information come to light and in future contract negotiations.

- **Decisions made by the Authority**

At its meeting on the 26 April 2017 the full Authority agreed to terminate the PFI Contract. Sat alongside that decision a number of contractual disputes are the subject of legal action. Recent unsubstantiated press reports indicate that the decision taken will be subject to scrutiny by interested parties with a potential claim.

Given the commercial nature of any claim it is not appropriate to consider these in detail. However, the Authority does not consider there is any Authority liability (both contractually and in its role as a bank) although this matter will be kept under continual review.

At 31 March 2017, the Authority had no contingent assets.

## Note 21 Related Parties

The Authority is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Authority or to be controlled or influenced by the Authority. Disclosure of these transactions allows readers to assess the extent to which the Authority might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Authority.

**United Kingdom (UK) Government**

UK central government has significant influence over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides (directly or indirectly) a major element of the funding, and prescribes the terms of many of the transactions that the Authority has with other parties. Grants received from UK central government departments are included as income in the Comprehensive Income and Expenditure Statement and detailed in Note 5. No grant receipts are outstanding at 31 March 2017.

**Other Public Bodies**

The Authority is constituted from nine Greater Manchester District councils. The levy each District pays to the Authority is agreed at the start of the year and is then only subject to adjustments based on waste tonnage arising from the District during the year.

Levies received from the member authorities in the year were as follows:

| | 2016/17 | | 2015/16 | |
|---|---|---|---|---|
| | Original levy | Adjustment | Original levy | Adjustment (including refund) |
| | £m | £m | £m | £m |
| Bolton MBC | 19.601 | 0.055 | 19.440 | 0.494 |
| Bury MBC | 12.530 | 0.046 | 11.528 | 0.670 |
| Manchester CC | 32.474 | 0.328 | 33.962 | 1.074 |
| Oldham Council | 15.897 | 1.601 | 16.573 | 0.464 |
| Rochdale MBC | 14.990 | 0.066 | 14.823 | 0.023 |
| Salford CC | 18.978 | 0.097 | 17.611 | 0.443 |
| Stockport MBC | 18.694 | 0.651 | 17.023 | 0.438 |
| Tameside MBC | 13.581 | (0.170) | 16.519 | (0.765) |
| Trafford MBC | 14.358 | 0.138 | 13.624 | (0.007) |
| | **161.103** | **2.812** | **161.103** | **2.834** |

At 31 March 2017, no levy receipts were due. The tonnage adjustments are paid by/to Districts in the following year.

**Oldham Council**

Oldham Council is the Authority's nominated Lead District under arrangements agreed by the Association of Greater Manchester Authorities on the demise of the former Greater Manchester

County Council. Oldham Council's Chief Executive acts as the Clerk to the Authority. During 2016/17, Oldham Council and its partners also provided the Authority with services including:

- legal, health and safety, human resources, procurement, deputy treasurer and internal audit; and
- IT and estates service provision (under its contract with the Unity Partnership Limited).

The value of these services was £0.249m (2015/16: £0.148m). Of this amount, £0.100m remained unpaid as at 31 March 2017 (2015/16: £0.058m).

**Greater Manchester Combined Authority (GMCA)**

The Authority during 2016/17 engaged colleagues from the GMCA, and Transport for Greater Manchester (TfGM) to augment in-house resources in relation to the ongoing contractual dispute with VLGM. These additional resources, like external commercial advisors, provide support to the Authority, but their role is not one of key decision makers as defined by the Code.

The value of those services was £0.232m (2015/16: £0m). All of that sum remained unpaid as at 31 March 2017.

**Members**

Members of the Authority have direct control over the Authority's financial and operating policies.

The Authority does not have the legal power to pay Members' allowances. Members are paid allowances for their Authority duties by their nominating District Council. Details of these payments are reported in their nominating Councils' accounts.

Members have not disclosed any material transactions with related parties.

The Register of Members' Interests is open to public inspection during office hours at the Authority's offices (4th Floor, Metropolitan Place, Hobson Street, Oldham, OL1 1TT).

**Officers**

Details of Officers' remuneration, required by the Code to be disclosed, are set out in Note 17.

Officers have not disclosed any material transactions with related parties.

## Note 22 Recycling and Waste Management Contract

2016/17 was the eighth year of a 25 year PFI Contract for the construction and maintenance of 43 new facilities and management of the waste disposal operation.

The Contract specifies the minimum standards for the services to be provided by the contractor, VLGM, with deductions from the fee payable being made if facilities are unavailable, or performance is below the minimum standards. The contractor took on the obligation to construct the facilities and maintain them to at least a minimum acceptable condition and to procure and maintain the plant and equipment necessary to operate the service. The facilities, including any plant and equipment installed, within Greater Manchester (42 of) will be transferred to the Authority for nil consideration at the end of the contract period, or on termination.

A second Special Purpose Vehicle (SPV) has constructed a thermal facility at Runcorn (TPSCo) which does not revert at the end of 25 years, but instead the Authority can obtain access at discounted rates / take a royalty sum for a further 15 years. As such the Runcorn asset is excluded from the Balance Sheet in accordance with the Code after considering IFRIC12 and IFRIC4.

The Authority only has rights to terminate where the contractor is not meeting its obligations (Contractor Default), or if it compensates the contractor in full for costs incurred (subject to any offset costs) and for the future profits that would have been generated over the remaining term of the Contract (Authority Voluntary Termination).

The assets used to provide the recycling and waste management service in Greater Manchester are recognised on the Authority's Balance Sheet. Movements in their value over the year are detailed in the analysis of movements on the Property, Plant and Equipment balance in Note 6.

The Authority makes agreed payments each year, which increase each year linked to inflation (RPIx) and can be reduced if the Contractor fails to meet availability and performance standards, but which is otherwise fixed.

Payments remaining to be made under the Contract at 31 March 2017 (excluding any estimation of inflation and availability/performance deductions) are as follows:

| | Payment for services £m | Reimbursement of capital expenditure £m | Interest £m | Total £m |
|---|---|---|---|---|
| Payable in 2017/18 | 49.238 | 8.084 | 36.878 | **94.200** |
| Payable within 2 - 5 years | 227.074 | 33.126 | 134.641 | **394.841** |
| Payable within 6 - 10 years | 349.906 | 53.619 | 134.130 | **537.655** |
| Payable within 11 - 15 years | 404.258 | 106.935 | 81.464 | **592.657** |
| Payable within 16 - 18 years | 178.256 | 70.122 | 8.219 | **256.597** |
| **Total** | **1,208.732** | **271.886** | **395.332** | **1,875.950** |

Although the payments made to the Contractor are described as unitary payments, they have been calculated to compensate the Contractor for the fair value of the services they provide, the capital expenditure they incur and interest on the liability outstanding.

The liability outstanding to reimburse the Contractor for capital expenditure incurred is as follows:

| | 2016/17 £m | 2015/16 £m |
|---|---|---|
| Balance outstanding at 1 April | 279.459 | 286.492 |
| Payments during the year | (45.189) | (45.596) |
| Finance cost included | 37.616 | 38.563 |
| **Balance outstanding at 31 March** | **271.886** | **279.459** |

Under the second SPV for Runcorn TPS, the Authority has agreed to pay an annual fixed availability fee (to 8 April 2034) with 57% being linked to inflationary increases. This amount may be offset by an income sharing agreement for sale of electricity and steam. The expected full year payment (2017/18) is £40.145m.

The Authority is in the unique position of being a senior lender to its own Contract. Originally, the provision of loan finance was £35m but the Authority agreed to provide further Senior Lending directly for a delayed In Vessel Composting facility at Over Hulton, Bolton taking the total Senior Lending to £46m. On 30 June 2016, the Authority purchased an additional £30m senior lending from the Lloyds Banking Group. The terms of the lending are the same as the commercial banks lending to the scheme and secured on the assets of both SPV's, except that the original Authority tranche of £35m is at pre-determined fixed rates.

The Authority's lending to the PFI Contractor is as follows:

| | **2016/17** | **2015/16** |
|---|---|---|
| | **£m** | **£m** |
| Balance outstanding at 1 April | 39.289 | 41.264 |
| Additional lending during year | 30.000 | - |
| Payments received during the year | (7.356) | (4.932) |
| Interest and fees | 3.654 | 2.957 |
| Balance outstanding at 31 March | 65.587 | 39.289 |

Note 7 sets out further information on this investment.

## Note 23 Financial Instruments

### Note 23.1 Categories of Financial Instruments

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instruments of another entity. Non exchange transactions, such as those relating to taxes and government grants, do not give rise to financial instruments.

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

| | Note | 31st March 2017 Long Term £m | 31st March 2017 Current £m | 31st March 2016 Long Term £m | 31st March 2016 Current £m |
|---|---|---|---|---|---|
| Loans and Receivables - Investments | 7.1 | 61.762 | 3.825 | 37.142 | 2.147 |
| Loans and Receivables - Cash | 9 | - | 9.768 | - | 18.914 |
| Loans and Receivables - Accrued Interest | 9 | - | 0.001 | - | 0.018 |
| **Total Investments** | | **61.762** | **13.594** | **37.142** | **21.079** |
| Loans and Receivables - Debtors | | - | 0.885 | - | 0.762 |
| **Total included in Debtors** | | **-** | **0.885** | **-** | **0.762** |
| *Debtors that are not Financial Instruments* | | - | *10.992* | - | *8.889* |
| **Total Debtors** | 8 | **-** | **11.877** | **-** | **9.651** |
| Financial Liabilities at amortised cost - Principal | | 66.308 | 37.504 | 68.812 | 12.405 |
| Financial Liabilities at amortised cost - Accrued Interest | | - | 0.501 | - | 0.523 |
| **Total Borrowings** | 12 | **66.308** | **38.005** | **68.812** | **12.928** |
| PFI Liabilities | | 263.802 | - | 271.886 | - |
| Transferred Debt | | 6.031 | - | 7.365 | - |
| **Total included in Other Long Term Liabilities** | | **269.833** | **-** | **279.251** | **-** |
| *Other Long Term Liabilities that are not Financial Instruments* | | *16.258* | - | *17.665* | - |
| **Total Other Long Term Liabilities** | 13 | **286.091** | **-** | **296.916** | **-** |
| Financial Liabilities at amortised cost | | - | 30.696 | - | 18.551 |
| **Total included in Creditors** | | **-** | **30.696** | **-** | **18.551** |
| *Creditors that are not Financial Instruments* | | - | *0.737* | - | *1.338* |
| **Total Creditors** | 10,13 | **-** | **31.433** | **-** | **19.889** |

## Note 23.2 Income, Expense, Gains and Losses

The income, expenditure, gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments comprise:

| | 2016/17 | | | | 2015/16 | | | |
|---|---|---|---|---|---|---|---|---|
| | Financial assets: loans and receivables | Financial assets: available for sale | Financial liabilities: at amortised cost | Total | Financial assets: loans and receivables | Financial assets: available for sale | Financial liabilities: at amortised cost | Total |
| | £m | £m | £m | £m | £m | £m | £m | £m |
| Interest income | 3.737 | - | - | **3.737** | 3.141 | - | - | **3.141** |
| Interest expense | - | - | (57.568) | **(57.568)** | - | - | (57.654) | **(57.654)** |
| **Net income/(expense) to CIES** | **3.737** | **-** | **(57.568)** | **(53.831)** | **3.141** | **-** | **(57.654)** | **(54.513)** |

## Note 23.3 Fair Value of Assets and Liabilities

Financial liabilities, financial assets represented by loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments (Level 2), using the following assumptions:

- Interest is calculated using the most common market convention, ACT/365;
- no early repayment or impairment is recognised;
- For PWLB loans, premature repayment rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures;
- For non-PWLB loans payable, prevailing market rates have been applied to provide the fair value under PWLB debt redemption procedures;
- where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value; and
- the fair value of trade and other receivables is taken to be the invoiced amount.

The fair values calculated are as follows:

| | 31st March 2017 | | 31st March 2016 | |
|---|---|---|---|---|
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| | £m | £m | £m | £m |
| Loans and Receivables - Investments | 65.587 | 116.891 | 39.289 | 74.112 |
| Loans and Receivables - Cash | 9.769 | 9.769 | 18.932 | 18.925 |
| **Total Investments** | **75.356** | **126.660** | **58.221** | **93.037** |
| | | | | |
| Loans and Receivables - Debtors | 0.885 | 0.885 | 0.762 | 0.762 |
| **Total Debtors** | **0.885** | **0.885** | **0.762** | **0.762** |
| | | | | |
| Financial Liabilities at amortised cost | 104.313 | 125.531 | 81.740 | 101.739 |
| **Total Borrowings** | **104.313** | **125.531** | **81.740** | **101.739** |
| | | | | |
| PFI Liabilities | 263.802 | 625.184 | 271.886 | 631.568 |
| Transferred Debt | 6.031 | 6.031 | 7.365 | 7.365 |
| **Total Other Long Term Liabilities** | **269.833** | **631.215** | **279.251** | **638.933** |
| | | | | |
| Financial Liabilities at amortised cost | 30.696 | 30.696 | 18.551 | 18.551 |
| **Total Creditors** | **30.696** | **30.696** | **18.551** | **18.551** |

The fair value of the liabilities is higher than the carrying amount because the Authority's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rate at the Balance Sheet date. This shows a future notional loss (based on economic conditions at 31 March 2017) arising from a commitment to pay interest to lenders above current market rates. For the PFI liabilities, although the repayment liability is the responsibility of the Authority, the actual financial instruments are not the Authority's. They are held by the PFI provider.

The fair value of assets is higher than the carrying amount because the Authority's portfolio of investments includes a number of fixed rate loans where the interest rate receivable is higher than the rates available for similar loans at the Balance Sheet date. This shows a notional future gain (based on economic conditions at 31 March 2017) attributable to the commitment to receive interest above current market rates.

Available for sale assets and assets and liabilities at fair value through profit and loss are carried in the Balance Sheet at their fair value. These fair values are based on public price quotations where there is an active market for the instrument.

The fair value of PWLB loans of £90.523m measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The difference between the carrying amount and the fair value measures the additional interest that the Authority will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates.

The Authority has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets. A supplementary measure of the additional interest that the Authority will pay as a result of its PWLB commitments for fixed rate loans is to compare the terms of these loans with the new borrowing rates available from the PWLB. If a value is calculated on this basis, the carrying amount of £68.812m would be valued at £83.839m. However, if the Authority were to realise the projected gain by repaying the loans to the PWLB, the PWLB would raise a penalty charge for early redemption in addition to charging a premium for the additional interest that will not now be paid. The exit price for the PWLB loans including the penalty charge would be £14.526m

## Note 24 Nature and Extent of the Risks Arising from Financial Instruments

The Authority'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 Authority;
- liquidity risk – the possibility that the Authority might not have funds available to meet its commitments to make payments;
- re-financing risk – the possibility that the Authority might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms; and
- market risk – the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates, stock market movements and currency exchange rates.

The Authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is the responsibility of the Director of Contract Services, with day-to-day responsibility shared by the Authority's Business Management Team, under policies approved by the Authority in the annual Treasury Management Strategy. The Strategy provides 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.

**Credit Risk**

Credit risk arises from:

- deposits with banks and financial institutions; and
- senior lending and prepayments to the PFI Contractor.

The Authority does not have significant credit risk exposure to customers, as it rarely supplies goods or services on credit.

Credit 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's Credit Ratings Services. The Annual Investment Strategy also considers maximum amounts and time limits with a financial institution located in each category.

The credit criteria in respect of financial assets held by the Authority are detailed below:

The Authority uses the creditworthiness service provided by Capita Asset Services. This service uses a sophisticated modelling approach with credit ratings from all three rating agencies – Fitch, Moody's and Standard & Poor's, forming the core element. However, it does not rely on the current credit ratings of counterparties but also uses the following as overlays:

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

The full Investment Strategy for 2016/17 was approved by the full Authority on 18 March 2017 and is available on the Authority's website.

The Authority's maximum exposure to credit risk, in relation to its investments in banks and building societies of £10m, 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 Authority's deposits, but there was no evidence at the 31 March 2017 that this was likely to crystallise.

The credit risk arising from the Authority's lending to the PFI Contractor is managed through the funding agreement drawn up as part of the Contract. The Authority's senior lending is protected by the same provisions that apply to all senior lenders to the Contract, including those set out in the Commercial Loans Facility Agreement.

**Liquidity Risk**

The Authority 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 CIPFA Code of Practice. This seeks to ensure that cash is available when needed.

The Authority has ready access to borrowings from the money markets and the Public Works Loans Board. The Authority 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 no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

All trade and other payables are due to be paid in less than one year.

**Refinancing and Maturity Risk**

The Authority 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 Authority 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 Authority approved treasury and investment strategy is to ensure that no more than a manageable proportion of loans are due to mature within any rolling three-year period through a combination of careful planning of new loans taken out and (where it is economic to do so) making early repayments.

Analyses of the maturity of long-term borrowing and other long-term liabilities are shown in Note 12 and Note 13.

**Market Risk (Interest Rate Risk)**

The Authority is exposed to the risk of interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Authority. For instance, a rise in 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 will fall (no impact on revenue balances);
- investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement 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 Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

The Authority has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Authority's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. 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 rates borrowing would be postponed.

The finance team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated. The analysis also advises whether new borrowing taken out is fixed or variable. The Authority currently only has fixed rate borrowings.

**Market Risk (Price Risk)**

The Authority, excluding the pension fund, does not invest in equity shares or marketable bonds. As a consequence, the Authority is not exposed to financial risk from fluctuating share prices.

**Market Risk (Foreign Exchange Risk)**

The Authority has no financial assets or liabilities denominated in foreign currencies except for a small European Union LIFE+ grant, and therefore has no material exposure to risks from movements in exchange rates.

## Note 25 Prior Period Adjustments

The Authority has restated its 2015/16 Comprehensive Income and Expenditure Statement following the change in requirements in the CIPFA Code of Practice on Local Authority Accounting 2016/17. The net cost of services previously presented based on SeRCOP classifications and is now disclosed in the local reporting format. For this single purpose Authority the result is that only the Cost of Services line is presented on the face of the Comprehensive Income and Expenditure Statement where previously there were two lines and a subtotal.

As part of the changes to the Code it was also necessary to show earmarked and unearmarked general fund reserves on the face of the Movement in Reserves Statement. It was noted that the Movement in Reserves Statement had extra rows that were unnecessary and under the Code were incorrect. This has had no impact on Reserves and is only a matter for presentation. As the Authority does not have many usable and unusable reserves, only the effect on the totals have been included below for ease of presentation.

The Authority has also corrected and represented its Cash Flow Statement from the indirect method to the direct method. As a single purpose Authority the change to the direct method is more transparent as the items in the Expenditure and Funding Analysis can be traced back to the Operating activities in the Cash Flow Statement note.

**Previous**

**Comprehensive Income and Expenditure Statement**

| | 2015/16 | | |
|---|---|---|---|
| | **Expense** | **Income** | **Net** |
| Corporate and Democratic Core | 0.233 | - | 0.233 |
| Environmental and Regulatory Services | 153.590 | (15.481) | 138.109 |
| **Cost of Services** | **153.823** | **(15.481)** | **138.342** |

**Restated**

**Comprehensive Income and Expenditure Statement**

| | 2015/16 | | |
|---|---|---|---|
| | **Expense** | **Income** | **Net** |
| **Cost of Services** | **153.823** | **(15.481)** | **138.342** |

## Previous

## Movement in Reserves Statement

| | Total Usable Reserves | Unusable Reserves | Total Authority Reserves |
|---|---|---|---|
| | £m | £m | £m |
| **Balance at 31 March 2015** | **77.848** | **(183.415)** | **(105.567)** |
| Transfers to or (from) Earmarked Reserves | - | - | - |
| Surplus (or deficit) on the provision of services | (28.696) | - | (28.696) |
| Other Comprehensive Income and Expenditure | 17.869 | 1.413 | 19.282 |
| Total Comprehensive Income and Expenditure | (10.827) | 1.413 | (9.414) |
| Adjustments between accounting basis and funding basis under regulations | (3.401) | 3.401 | - |
| Increase or (decrease) in 2015/16 | (14.228) | 4.814 | (9.414) |
| **Balance at 31 March 2016** | **63.620** | **(178.601)** | **(114.981)** |

## Restated

## Movement in Reserves Statement

| | Total Usable Reserves | Unusable Reserves | Total Authority Reserves |
|---|---|---|---|
| | £m | £m | £m |
| **Balance at 31 March 2015** | **77.848** | **(183.415)** | **(105.567)** |
| Transfers to or (from) Earmarked Reserves | - | - | - |
| Total Comprehensive Income and Expenditure | (28.696) | 19.282 | (9.414) |
| Adjustments between accounting basis and funding basis under regulations | 14.468 | (14.468) | - |
| Increase or (decrease) in 2015/16 | (14.228) | 4.814 | (9.414) |
| **Balance at 31 March 2016** | **63.620** | **(178.601)** | **(114.981)** |

## Cash Flow Statement

| | 2015/16 £m |
|---|---|
| **Operating activities** | |
| **Net (Surplus) or Deficit on the Provision of Services** | **28.696** |
| Adjustments to net surplus or deficit on the provision of services for non-cash movements | (62.503) |
| Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities | - |
| Interest paid (including PFI Finance Charge) | 57.654 |
| Interest received | (0.183) |
| Dividends received | - |
| Reversal of operating activity items included in the net surplus or deficit on the provision of services | (57.471) |
| **Net Cash Flows from Operating Activities** | **(33.807)** |
| **Investing activities** | |
| **Cash outflows** | |
| Purchase of fixed assets | 1.909 |
| Other Capital Cash Payments | - |
| **Cash inflows** | |
| Sale of fixed assets | - |
| Capital grants received | - |
| Other receipts (proceeds from short and long term investments) | (4.908) |
| **Net Cash Flows from Investing Activities** | **(2.999)** |
| **Financing Activities** | |
| Cash receipts from long and short term borrowing | - |
| Other receipts for financing activities | - |
| Cash payments for the reduction of outstanding liabilities relating to the PFI Contract | 45.596 |
| Repayments of short and long term borrowing | 6.059 |
| **Net Cash Flows from Financing Activities** | **51.655** |
| **Net (Increase) or Decrease in Cash and Cash Equivalents** | **14.849** |
| Cash and cash equivalents at the beginning of the reporting period | (33.781) |
| **Cash and cash equivalents at the end of the reporting period** | **(18.932)** |

## Cash Flow Statement

| | 2015/16 | |
|---|---|---|
| | £m | £m |
| Cash and cash equivalents at the beginning of the reporting period | | 33.781 |
| Operating Activities | (8.118) | |
| Investing Activities | (1.226) | |
| Financing Activities | (5.505) | |
| Net increase or decrease in cash and cash equivalents | | (14.849) |
| **Cash and cash equivalents at the end of the reporting period** | | **18.932** |

## Note 26 Events After the Balance Sheet Date

The Statement of Accounts were approved for publication by the Authority's Section 151 Officer (the Treasurer & Deputy Clerk) on 17 July 2017. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2017, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

### Note 26.1 Fire at Chichester Street IVC, Rochdale

A major fire occurred on the 7th/8th April 2017 at Chichester Street IVC, Rochdale. A forensic review is underway (to determine cause), but as yet any conclusions could only be speculative. At this stage it appears likely that demolition may be needed, but it is not yet clear what the extent of the full damage is (such as whether foundations are intact). These matters are in assessment by VLGM and their insurers/loss adjusters. The IVC is fully insured by VLGM and is currently valued in this Statement of Accounts as at 31 March 2017 at £5.030m.

### Note 26.2 Intention to terminate the PFI Contract

The Authority agreed at its meeting on 26 April 2017 to terminate its Waste and Recycling (PFI) Contract with Viridor Laing (Greater Manchester) Ltd. The contractual provisions mean that the timing of termination still cannot be confirmed and as such this Statement of Accounts has been prepared with the PFI assets and liabilities intact. It is not possible at this stage to make an informed estimate of any potential material financial impact.

# Glossary

Please see our website, which has a glossary containing all acronyms relating specifically to the waste industry which have been used in this document at
http://www.gmwda.gov.uk/publications/glossary-of-terms

**Accruals Basis**

The accruals principle is that income is recorded when it is earned rather than when it is received, and expenses are recorded when goods or services are received rather than when the payment is made.

**Actuarial Gains & Losses**

Actuaries assess financial and non-financial information provided by the Authority to project levels of future pension fund requirements. Changes in actuarial deficits or surpluses can arise leading to a loss or gain because:

- events have not coincided with the actuarial assumptions made for the last valuation
- the actuarial assumptions have changed.

**Amortised Cost of a Financial Asset or Financial Liability**

This is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

**Appointed Auditors**

The PSAA appoints external auditors to every Local Authority, from one of the major firms of registered auditors. From 2012/13, an external audit function is no longer directly undertaken by the Audit Commission due to a change in the Audit Commission's role. Grant Thornton is the Authority's appointed auditor.

**Balances**

The balances of the Authority represent the accumulated surplus of income over expenditure on any of the Funds.

**Bellwin Scheme**

The Bellwin scheme is a United Kingdom Government emergency financial assistance which 'reimburses local authorities for costs incurred on, or in connection with, their immediate actions to safeguard life and property or to prevent suffering or severe inconvenience as a result of a disaster or emergency in their area'.

**Capital Adjustment Account**

The Account accumulates (on the debit side) the write-down of the historical cost of non-current assets as they are consumed by depreciation and impairments or written off on disposal. It accumulates (on the credit side) the resources that have been set aside to finance capital expenditure. The same process applies to capital expenditure that is only capital by statutory definition (deferred charges). The balance on the account thus represents timing differences between the amount of the historical cost of non-current assets that has been consumed and the amount that has been financed in accordance with statutory requirements.

**Capital Expenditure**

This is expenditure on the acquisition of a non-current asset, or expenditure, which adds to, and not merely maintains, the value of an existing non-current asset.

**Capital Financing Charges**

This is the annual charge to the revenue account in respect of interest and principal repayments and payments of borrowed money, together with leasing rentals.

**Capital Receipts**

Income received from the sale of land or other capital assets, a proportion of which may be used to finance new capital expenditure, subject to the provisions contained within the Local Government Act 2003.

**Carrying Amount**

The Balance Sheet value recorded of either an asset or a liability.

**Chartered Institute of Public Finance and Accountancy (CIPFA)**

CIPFA is the leading professional accountancy body for public services.

**Contingency**

This is money set aside in the budget to meet the cost of unforeseen items of expenditure, or shortfalls in income, and to provide for inflation where this is not included in individual budgets.

**Contingent Liabilities or Assets**

These are amounts potentially due to or from individuals or organisations which may arise in the future but which at this time cannot be determined accurately, and for which provision has not been made in the Authority's accounts.

**Creditors**

Amounts owed by the Authority for work done, goods received or services rendered, for which payment has not been made at the date of the balance sheet.

**Current Service Cost**

Current Service Cost is the increase in the present value of a defined benefit pension scheme's liabilities expected to arise from employee service in the current period, i.e. the ultimate pension benefits "earned" by employees in the current year's employment.

**Curtailment**

Curtailments will show the cost of the early payment of pension benefits if any employee has been made redundant in the previous financial year.

**Debtors**

These are sums of money due to the Authority that have not been received at the date of the Balance Sheet.

**Deferred Liabilities**

These are liabilities which are payable beyond the next year at some point in the future or paid off by an annual sum over a period of time e.g. deferred purchase arrangements.

**Defined Benefit Scheme**

This is a pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).

**Defined Contribution Scheme**

A Defined Contribution Scheme is a pension or other retirement benefit scheme into which an employer pays regular contributions as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

**Depreciation**

This is the measure of the wearing out, consumption, or other reduction in the useful economic life of a non-current asset.

**Derecognition**

Financial assets and liabilities will need to be removed from the Balance Sheet once performance under the contract is complete or the contract is terminated.

**Earmarked Reserves**

The Authority holds a number of reserves earmarked to be used to meet specific known or predicted future expenditure.

**Effective Interest Rate**

This is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see IAS18 Revenue), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to estimate reliably the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

**External Audit**

The independent examination of the activities and accounts of Local Authorities to ensure the accounts have been prepared in accordance with legislative requirements and proper practices and to ensure the Authority has made proper arrangements to secure value for money in its use of resources.

**Expenditure**

This is amounts paid by the Authority for goods received or services rendered of either a capital or revenue nature. This does not necessarily involve a cash payment since expenditure is deemed to have been incurred once the goods or services have been received even if they have not been paid for.

**Fair value**

Fair value is the amount at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's-length transaction.

**Finance Lease**

A finance lease is a lease that transfers substantially all of the risks and rewards of ownership of a non-current asset to the lessee.

**Financial Instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term 'financial instrument' covers both financial assets and financial liabilities and includes both the most straightforward financial assets and liabilities such as trade receivables and trade payables and the most complex ones such as derivatives and embedded derivatives.

**Financial Rules**

These are the written code of procedures approved by the Authority, intended to provide a framework for proper financial management. Financial rules usually set out rules on accounting, audit, administrative and budgeting procedures.

**General Fund**

This is the main revenue fund of the Authority and includes the net cost of all services financed by local taxpayers and Government grants.

**Impairment**

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

**Income**

These are amounts due to the Authority for goods supplied or services rendered of either a capital or a revenue nature. This does not necessarily involve a cash payment. Income is deemed to have been earned once the goods or services have been supplied even if the payment has not been received (in which case the recipient is a debtor to the Authority).

**Infrastructure Assets**

Non-Current Assets which generally cannot be sold and from which benefit can be obtained only by continued use of the asset created. Examples of such assets are highways, footpaths, bridges and water and drainage facilities.

**Intangible Assets**

These are Non-Current Assets that do not have physical substance but are identifiable and controlled by the Authority. Examples include software, licenses and patents.

**International Accounting Standard (IAS) 19**

IAS 19 sets out the treatment of pensions and other forms of retirement benefits in an organisation's statutory accounts. The main features of IAS 19 are the valuation of assets and liabilities relating to pensions and other retirement benefits and their recognition and disclosure in the financial statements.

**Leasing Costs**

This is where a rental is paid for the use of an asset for a specified period of time. Two forms of lease exist: finance leases and operating leases.

**Liabilities**

These are amounts due to individuals or organisations which will have to be paid at some time in the future. Current liabilities are usually payable within one year of the Balance Sheet date.

**Minimum Revenue Provision (MRP)**

MRP is the minimum amount which must be charged to an Authority's revenue account each year and set aside as provision for credit liabilities, as required by the Local Government and Housing Act 1989.

**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 depreciation.

**Net Current Replacement Cost**

This is the cost of replacing or recreating a particular asset in its existing condition and in its existing use, i.e. the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

**Net Debt**

Net debt is the Authority's borrowings less cash and liquid resources.

**Net Realisable Value (NRV)**

NRV is the open market value of the asset in its existing use (or open market value in the case of non-operational assets) less the expenses to be incurred in realising the asset.

**Non-Current Assets**

Assets that yield benefits to the Authority and the services it provides for a period of more than one year. Examples include land, buildings and vehicles.

**Non-Operational Assets**

Non-current assets held which are not directly used in the delivery of Authority services.

**Operational Assets**

Non-current assets held and occupied, used or consumed in the delivery of Authority services.

### Operating Lease

This is a type of lease, usually of computer equipment, office equipment, furniture, etc. where the balance of risks and rewards of holding the asset remains with the lessor. The asset remains the property of the lessor and the lease costs are revenue expenditure to the Authority.

### Prior Period Adjustments

These are material adjustments which are applicable to an earlier period arising from changes in accounting policies or for the correction of fundamental errors.

### Private Finance Initiative (PFI)

A Central Government initiative which aims to increase the level of funding available for public services by attracting private sources of finance. The PFI is supported by a number of incentives to encourage Authorities' participation.

### PFI Assets

Assets constructed as part of the PFI.

### Provisions

Amounts set aside to meet liabilities or losses which it is anticipated will be incurred but where the amount and/or the timing of such costs is uncertain.

### Public Works Loan Board (PWLB)

An arm of Central Government which is the major provider of loans to finance long term funding requirements for Local Authorities.

### Related Parties

Related parties are Central Government, other Local Authorities, precepting and levying bodies, subsidiary and associated companies, Elected Members, all senior Officers and the Pension Fund. For individuals identified as related parties, the following are also presumed to be related parties:-

- Members of the close family, or the same household; and
- Partnerships, companies, trusts or other entities in which the individual, or member of their close family or the same household, has a controlling interest.

### Reporting Standards

The Code of Practice prescribes the accounting treatment and disclosures for all normal transactions of a local authority. It is based on International Financial Reporting Standards (IFRS), International Accounting Standards (IAS) and International Financial Reporting Interpretations Committee (IFRIC) plus UK Generally Accepted Accounting Practice (GAAP) and Financial Reporting Standards (FRS).

### Reserves

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

**Revaluation Reserve**

The Reserve records the accumulated gains on the non-current assets held by the Authority arising from increases in value as a result of inflation or other factors (to the extent that these gains have not been consumed by subsequent downward movements in value).

**Revenue Expenditure**

Expenditure incurred on the day-to-day running of the Authority. This mainly includes employee costs, general running expenses and capital financing costs.

**Service Reporting Code of Practice (SeRCOP)**

Prepared and published by CIPFA, the SeRCOP is reviewed annually to ensure that it develops in line with the needs of modern Local Government, Transparency, Best Value and public services reform. SeRCOP establishes proper practices with regard to consistent financial reporting for services and in England and Wales, it is given legislative backing by regulations which identify the accounting practices it propounds as proper practices under the Local Government Act 2003.

**Subsidiary**

This is an entity over which the reporting Authority is able to exercise control over operating and financial policies and is able to gain benefits from the entity or is exposed to the risk of potential losses arising from this control.

**Treasury Management**

This is the process by which the Authority controls its cash flow and its borrowing and lending activities.

**Unsupported (Prudential) Borrowing**

This is borrowing for which no financial support is provided by Central Government. The borrowing costs are to be met from current revenue budgets.