Statement of Accounts

Greater Manchester Waste Disposal Authority Statement of Accounts

2015/16

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Introduction from the Chair and the Clerk

2015/16 CHAIR OF THE AUTHORITY - COUNCILLOR CATH PIDDINGTON

CLERK TO THE AUTHORITY – CAROLYN WILKINS

Welcome to the Greater Manchester Waste Disposal Authority's (GMWDA) Statement of Accounts for 2015/16. 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 more readable. Details of where to send comments and suggestions are set out on page 23.

The last financial year, 2015/16 was the first full year of operation of all our facilities built under the 2009 25 year Private Finance Initiative (PFI) Recycling and Waste Management Contract at a cost of £631m. As a result we have over achieved our diversion from landfill guarantee level by over 4%, having an outturn of 79.1%. That figure could have been higher, but unfortunately a number of issues have arisen at facilities which are being addressed by the Construction Contractor at no cost to the public purse.

On recycling, Districts continued to make improvements in their recycling levels, though unfortunately we did not hit the overall Contract target level in the year. Districts are making changes to the way they collect waste and recycling in 2016/17 and with full year effects from changes already made we are confident that in 2016/17 progress will again be positive.

In February 2016 the Authority delivered its third and final year of no levy increases/ reductions that we had agreed with the Association of Greater Manchester Authorities (AGMA). Overall that has seen levy increases of 0% in 2014/15, minus 3% in 2015/16 and a final 0% increase in 2016/17. In part those have been delivered by using savings generated through the PFI risk transfer due to some facilities being delivered late. However those Reserves will be substantially depleted by the end of 2016/17 and therefore it is essential that savings are identified in the current financial year to mitigate rises currently projected at 9.6% in 2017/18 and 7.6% in 2018/19.

As such whilst the Statements that follow continue to reflect a prudent financial position, they also set the baseline for a challenging period. That sound financial position does however give us a robust base on which to strive onwards with our vision of 'our aim is zero waste' (which means protecting resources (by preventing waste at source and recycling all we can) and to produce green energy so that we only landfill only waste we cannot turn into resources).

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

Councillor Cath Piddington
Chair of the Authority for 2015/16

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.

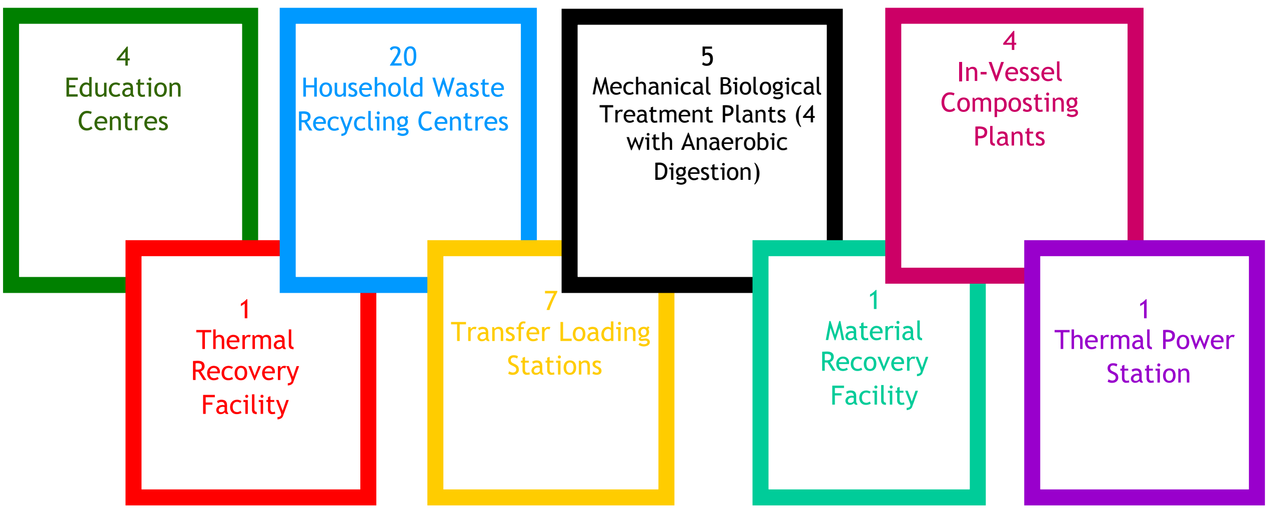
The Authority comprises of 21 Members, with two Members appointed annually from each of the constituent Councils, except Manchester who appoint three Members. These Members are Councillors within their respective Boroughs. Wigan Metropolitan Borough Council (MBC) is a Unitary Authority and is entitled to maintain a presence on the Authority for administrative purposes only. Following the Annual General Meeting on 12 June 2015 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 2.3 million.

The Authority is continuing to work towards achieving 'zero waste' and the 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 £3.8bn Contract brought to the region £631m of investment in world class facilities, never developed on such a scale before anywhere in the UK. Over 42 facilities have been developed throughout Greater Manchester, creating or sustaining 5,000 jobs during the construction phase and encouraging the involvement of community groups and school children through our education centres. 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

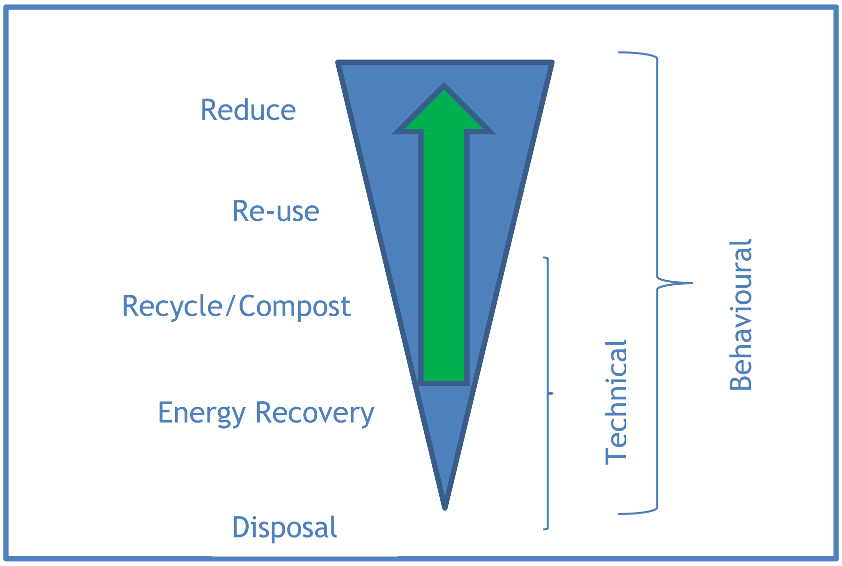
Tameside	SAT NAV
17. Bayley Street	SK15 1PZ
18. Ash Road	M43 6QU

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 to achieve 50% recycling by 2017 and increasing to 60% by 2025. In addition, to achieve a contracted 75% diversion from landfill from 2014/15, increasing to 90% 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.

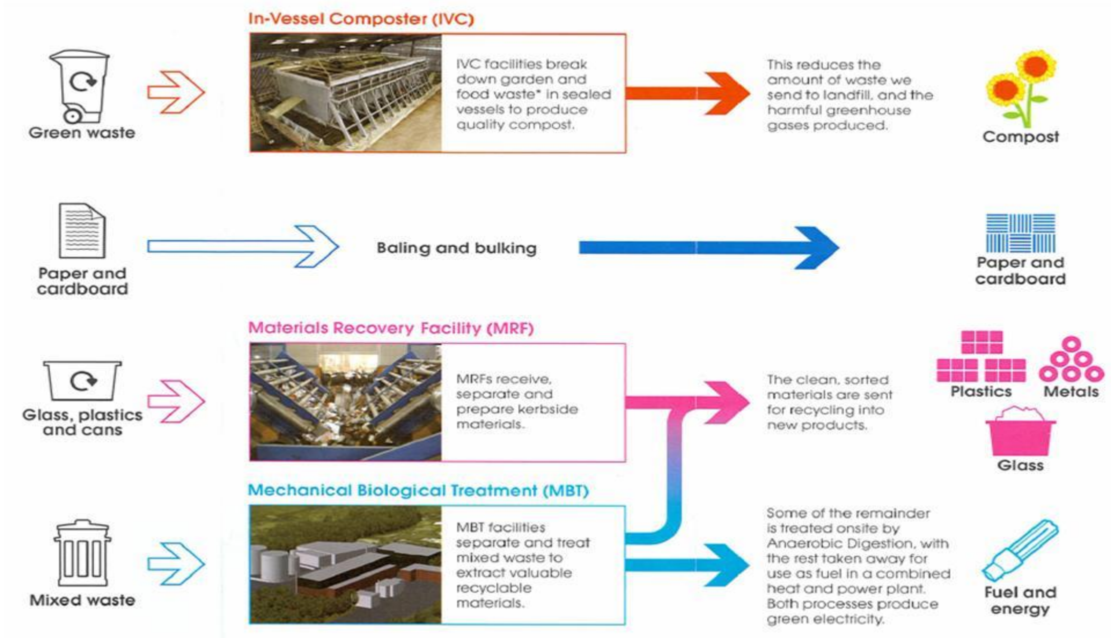
4. **Supporting businesses**
   Help local businesses to reduce, re-use, recycle and recover their own waste, and to take more responsibility for waste which arises from the products they produce.

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:

- Paper, card and cardboard cartons (Tetra Pak);
- 'Commingled'; plastic bottles, glass containers and cans;
- 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 not covered in the PFI Contract, but is still a core part of the Authority. The Engineering 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 be returned by 2023 at the latest (sites located at Cringle Road, Levenshulme and Barlow Hall, Wythenshawe). The Engineering Team manages and supports the infrastructure of the sites and monitors the boreholes for landfill gas.

Communications

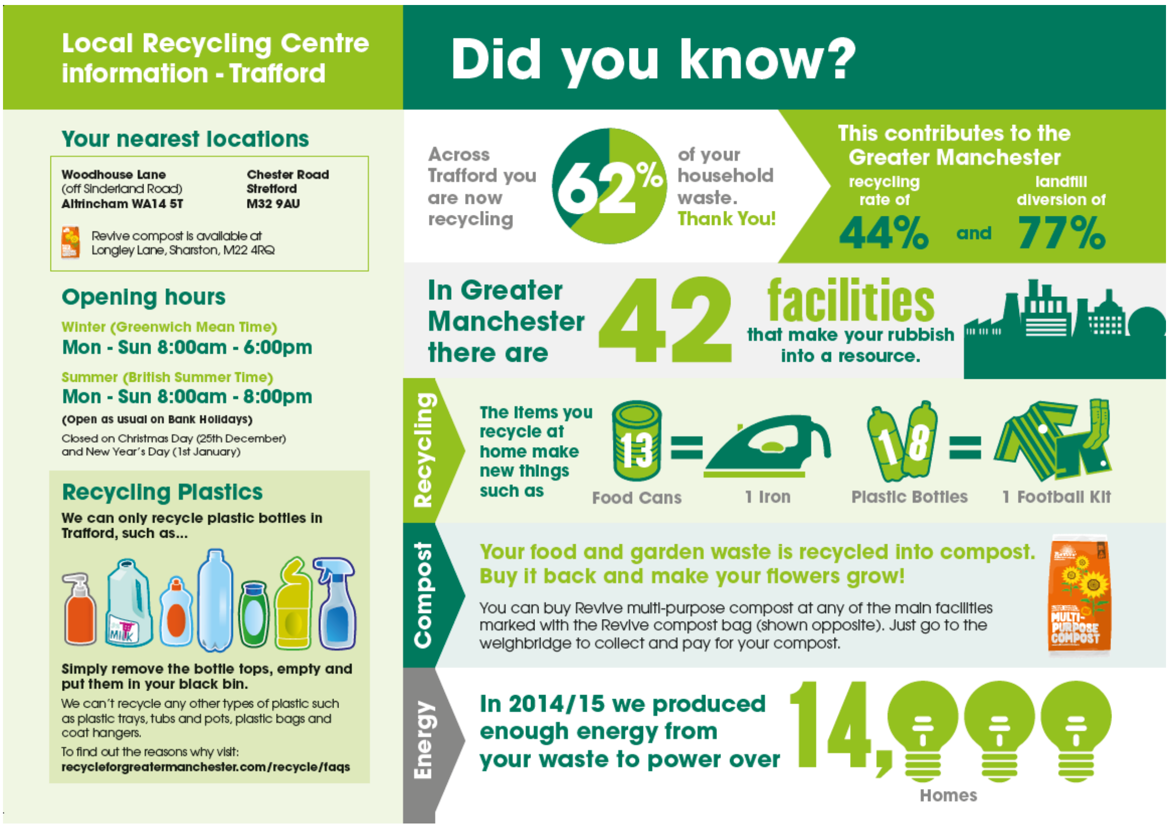
A single Communications Team working under the partnership brand R4GM ('Recycle for Greater Manchester') is located in VLGM and works to an Annual Action Plan to achieve behavioural change through waste prevention, promoting re-use and maximising recycling across Greater Manchester.

R4GM has a comprehensive communication, engagement and education programme, 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. The Annual Action Plan aims 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 this plan 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 2015/16

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 Principal Corporate Services Officer:

Michelle Lynch on ☎ 0161 770 1764 or

michelle.lynch@gmwda.gov.uk

Narrative Report

Introduction

This section of the Statement of Accounts for 2015/16 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 2015/16

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 2015/16 (the Code) and the Service Reporting Code of Practice for Local Authorities 2015/16 (SeRCOP), supported by International Financial Reporting Standards (IFRS).

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 2015/16 and in future years, it is important to move on to the presentation of the 2015/16 Accounts. These summarise the transactions for the financial year and the position of the Authority at the year-end of 31st March 2016.

The table below summarises the purpose of the various statements included in the 2015/16 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 2016.
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.
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.
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. • 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). • 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.

Key Factors that Influenced the Authority during 2015/16

The key factors that have influenced the Authority in 2015/16 are analysed below using the established PESTLE technique (Political, Economic, Social, Technological, Legal and Environmental).

Political

- **Devolution and the Creation 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. For this Authority it enables a review to be undertaken of the present operating model which started in 2015/16.
- **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. The Chancellor's Budget of March 2016 included further proposals for Government policies and strategies aimed at reducing the national budget deficit. For this Authority that will require us to identify further budget savings, so as to reduce the future year's burden of the levy (from 2017/18).
- **Future Developments in Europe -** The result of the General Election in May 2015 confirmed that there would be a referendum on the future membership of the European Union. The date has been set for 23rd June 2016 and the outcome will be important to the Authority who has invested strategically, on 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 has developed a local solution under its PFI Contract and the use of a Combined Heat and Power Plant at Runcorn (Runcorn CHP) to reduce the reliance on landfill. The Authority is actively lobbying in this area with Central Government.

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 a reduced overall levy agreed for 2015/16 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 to 2020 and earmarked reserves will not be available to continue to support a reduced levy until then.
- **Inflation** – this has been at a lower level than in previous years and the Authority has both benefited; via reduced contract payments, but suffered due to less income as well. The amount of contractual increase on both the PFI Contract and disposal of waste at Runcorn CHP were less than originally estimated in the Medium Term Financial Plan for 2015/16. This benefit was more than offset by the reduction in the electricity price which has

resulted in the Authority share of income generated from Runcorn CHP being less than that originally estimated.

- **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 2016/17.
- **Economic prospects** – 2015/16 resulted in steady Economic Growth within the UK which assisted in reducing a small proportion of the national deficit. Indications are that for 2016/17 economic growth will be at lower levels than that achieved for 2015/16 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 2015/16 resulted in an increase overall of waste deposited by the general public at HWRCs. This appears to be due to a number of factors including individuals replacing more items, particularly those relating to the household such as electrical goods, and one off events such as the Boxing Day floods.
- **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 increase recycling to the level anticipated in the 2015/16 budget** – The challenging level of improvements to recycling agreed with Districts when the Authority set its budget for the financial year 2015/16 was not achieved overall. This was despite some Districts introducing revised Waste Collection Arrangements which successfully reduced the amount of residual waste collected by them. This has 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 area 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 2015/16 budget was agreed. The revenue impact of this has been partially offset by the flexibility in agreement made to dispose of RDF, in Phase 2 of the Runcorn CHP facility, thus allowing 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 first 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 2015/16 budget.
- **Introduction of Shredding to the Waste Stream** – This was a planned improvement to increase diversion in 2015/16, which is to be funded from an earmarked reserve. The pilot project has worked well (adding around 7% to diversion in 2015/16) and the hired equipment used in 2015/16 is due to be replaced by purchased equipment in 2016/17.

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 1st 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 PFI Contract and the lifecycle of the facilities.
- **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 improved for the financial year 2015/16.

Environmental

- **Adverse weather conditions –** The Authority was impacted by Storms Desmond and Eva in December 2015 which resulted in extensive flooding in a number of Districts. This has resulted in extra disposal costs from the increased waste received at HWRC's from households who were flooded. Due to the water content in this waste it could not be converted into RDF for disposal at the CHP plant and had to be disposed of by sending to landfill. This was the most expensive form of disposal and could not be recovered by the Authority from Bellwin due to the Authority not qualifying for this support. Four of our Districts may, however, be able to reclaim cost under the scheme (being above the required cost threshold).
- **Solar Farm** – During 2015/16 the Authority completed the construction of a Solar Farm at Over Hulton, Bolton. This has enabled green electricity to be produced to both support the adjacent waste facility and contribute to the National Grid when the weather is sunny.

An Explanation of the Financial Position for 2015/16

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 so on.

The 2015/16 revenue budget process and need to reduce expenditure was influenced by the previously agreed Association of Greater Manchester Authorities (AGMA) three year agreement 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 suggestions.

In addition, during the summer/autumn of 2014, AGMA set up a Member/Officer Review group (Waste Task Group) to examine a range of waste efficiency issues to support the 2015/16 budget. That endorsed the approach of 'our aim is zero waste' and encouraged Districts to increase recycling further.

AGMA once again asked the Leaders of Bolton and Stockport (supported by their Treasurers) to undertake a detailed challenge of our 2015/16 budget proposals. Several meetings took place with the process being reported to the Greater Manchester Combined Authority (GMCA)/AGMA Executive Board where the Authority's approach was endorsed.

In February 2015 the Authority approved the revenue budget for 2015/16 amounting to £176.040m. The budget assumed a contribution from the Medium Term Financial Plan (MTFP) Reserve of £14.937m giving a Levy requirement of £161.103m.

The table below summarises the revenue costs of the Authority in 2015/16 compared to the Original and Revised Budgets. The Revised Budget approved an increase in the transfer from the Medium Term Financial Plan (MTFP) Reserve to cover overspends from 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.

	Original Estimate 2015/16 £m	Revised Estimate 2015/16 £m	Outturn 2015/16 £m
EXPENDITURE			
Employees	1.536	1.535	1.455
Premises	1.433	1.349	1.176
Advisory Costs	0.180	0.280	0.360
Community Waste Fund	0.020	-	-
Supplies and Services	0.127	0.154	0.313
Transport	0.035	0.046	0.041
Establishment	0.096	0.117	0.105
Central Support Costs	0.138	0.138	0.105
Controllable spend	3.565	3.619	3.555
Debt Charges / Cap Financing	2.894	2.633	2.644
	6.459	6.252	6.199
INCOME			
Government Grants	-	-	-
Other income	(0.328)	(0.271)	(0.280)
Interest	(0.475)	(0.125)	(0.184)
	(0.803)	(0.396)	(0.464)
To / (From) Provisions	(0.616)	(0.741)	(0.616)
GMWDA Costs	**5.040**	**5.115**	**5.119**
Payment to Contractors	157.753	162.618	158.809
Landfill costs	23.101	24.176	26.828
PFI Capital contribution	5.614	4.930	4.930
Communications Service	0.411	0.411	0.411
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	(4.377)	(4.909)	(5.182)
To / (From) provisions		(0.881)	(1.402)
Contribution from Senior Lending	(2.093)	(2.093)	(2.665)
Contract Costs	**171.000**	**174.768**	**172.245**
Net Expenditure	**176.040**	**179.883**	**177.364**
To / (From) reserves	(14.937)	(17.429)	(13.427)
To / (From) General Fund	-	-	-
Refunded / (Charged) to districts in year	-	(1.351)	(2.834)
Levy	161.103	161.103	161.103

Budget Monitoring

Revenue and capital budget monitoring information is reported to the Resources Committee throughout the year. Any areas of concern are referred to the full Authority meeting. During the year the full Authority received Contract Update reports highlighting the causes of the projected overspend.

In addition, treasury management performance is reported to the Audit and 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. 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 £1.909m on capital schemes in 2015/16. This includes:-

- The creation of a solar farm at Over Hulton, Bolton; and
- Drainage and infrastructure improvements at Salford Road, Over Hulton

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

General Fund	**2015/16 £m**	
Capital Expenditure (inc the PFI Contract)		1.909
Financed by:		
Capital Receipts Reserve	(0.801)	
Within the PFI Contract	(0.932)	
		(1.733)
Net Financing Need for the Year		0.176

Movement in Earmarked Reserves

TRANSFER TO/(FROM) RESERVES:	AMOUNT £M	REASON/PURPOSE
LIFE+ RESERVE	(0.046)	Specific provision to provide prudent cover whilst awaiting comment from the European Union on the submitted final report.

TRANSFER TO/(FROM) RESERVES:	AMOUNT £M	REASON/PURPOSE
INSURANCE RESERVE	0.731	Specific provision to meet unforeseen insurance costs on the Contract due to a hardening of the insurance market for this particular area and the risk sharing arrangements set out in the PFI Contract.
AUTHORITY LOAN RESERVE	0.124	Specific reserve to mitigate future risk for the Authority acting as Senior Lender to the PFI.
MEDIUM TERM FINANCIAL PLAN (MTFP) RESERVE	(16.562)	Reserve to support Medium Term Financial Strategy of the Authority as approved on 7th February 2015. This sum has been increased further to enable levy support in 2015/16 and 2016/17 and to protect the integrity of the MTFP.
OPTIMISATION RESERVE	2.000	Reserve to allow for further capital contribution (if required) to the PFI Contract
WASTE COMPOSITION ANALYSIS RESERVE	0.050	Reserve to enable an analysis of the changes to Waste Composition from changes to collection routines by Districts.
DIFFERENTIATED COLLECTIONS RESERVE	0.075	Reserve to allow for a review on an area of potential efficiency reviewing the collection regimes of all nine Districts.
CONTRACT SUPPORT RESERVE	0.200	Reserve to provide for some of the costs expected from work arising from reviewing the PFI Contract for efficiency savings.
TOTAL	(13.428)	

General Fund Balance

	£m
Balance as at 1 April 2015	9.434
Transfer from General Fund	-
Balance as at 31 March 2016	9.434

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 minimum risk level at which balances should be maintained at around £9.2m when setting its 2015/16 levy, £9.1m when setting its 2016/17 levy.

Performance Indicators

The Authority employs a full suite of performance indicators (PI), that support its Corporate Plan 2015/16, 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.

For the purpose of this Statement of Accounts we have selected the key PI to report upon, but the full range of indicators will be available in the Authority's Annual Report. Unfortunately the timelines for data publication mean final data is not yet available.

		2015/16		
		TARGET	ACTUAL	COMMENTS
1.	SUCCESSFUL CONTRACT DELIVERY			
a)	Final acceptance of all major Greater Manchester facilities	42 completed	32	The 10 processing facilities have been completed but final acceptance is outstanding. In the main (for 8 sites) that is due to issues of corrosion. VLGM Construction Contractor, Costain PLC, is carrying out extensive defect rectification, which are not expected to conclude until May 2017.
b)	Budgeted Diversion from landfill	81.3%	83.76%	The performance above target was due to additional shredding operations; which enabled waste from mainly HWRC's to be diverted from landfill to the Runcorn CHP.
c)	District recycling rates	43.1%	44.1%	This was slightly above target due to the timing of roll out of collection changes in some Districts to residual waste. A further increase is predicted in 2016/17.

		2015/16		
		TARGET	ACTUAL	COMMENTS
d)	Contract Recycling Rates	47.93%	38.66%	This comprises two elements:- i) District recycling (over achieved); and ii) Facility (Contract) (under achieved) The underperformance on Contract facilities was due to:- i) Loss of wood outlets due to Environment Agency enforcement action; ii) Increased tonnages through the HWRC's following the December 2015 floods; iii) Landfilling of RDF during unplanned shutdowns of Runcorn CHP; iv) Loss of AD capacity due to corrosion issues (MBT); v) Lower grit capture (MBT); and vi) Lower metals capture (MBT) The latter three areas are subject to ongoing rectification work by VLGM
e)	Green Energy Generation			
	i) MBT plants	15,000 MWhr	2,702 MWhr	AD corrosion issues and reduced organics capture led to the target being missed. A more realistic target is to be set for 2016/17.
	ii) Bolton TRF	48,000 MWhr	46,104 MWhr	This result is a significant improvement over 2014/15, reflecting investment by Viridor Waste (Greater Manchester) Limited (VWGM) in improved boiler controls, which has improved throughput and reduced the amount of ash generated (the latter having a positive financial benefit also)

		2015/16		
		TARGET	ACTUAL	COMMENTS
	iii) Runcorn CHP Phase 1			
	- Electricity	240,000 MWhr	188,663 MWhr	This is lower than expected due to a number of facility shutdowns.
	- Steam	64 tonnes / hour	57 tonnes / hour	
f)	CO_2 equivalent reduction	232,825 tpa	286,942 tpa	
2.	PROTECTING THE ENVIRONMENT			
a)	Landfill aftercare - no environmental incidents resulting in pollution			
	i) Own sites (4)	Zero incidents	Zero incidents	Achieved
	ii) Landcare (Manchester) Limited sites (18)	Zero incidents	Zero incidents	(Based on a calendar year reporting to December 2015)
3.	INTERNAL PI'S			
a)	Sickness - less than target	4%	2.6%	Achieved
b)	50% of more staff achieve 100% attendance	>50%	50%	Achieved
c)	No reportable accidents (RIDDOR) - Authority only	0	0	Achieved

Proposed transfer of functions to Greater Manchester Combined Authority

At a meeting of the Greater Manchester Combined Authority (GMCA) held on the 30th June 2016 the GMCA agreed to consult on extending its functions, including taking on-board the functions currently carried out by this Authority. This process will now involve a consultation process, due to conclude on the 15th August 2016. After that date, subject to the proposal being broadly supported, a Statutory and Regulatory process will be followed, which if agreed would mean that the functions, property, rights and liabilities of the Authority would transfer to the GMCA as from 1st April 2017. 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. Further detail can be found in Note 27 – Events after the Balance Sheet Date.

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

20th July 2016

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 six 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.

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.

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 31st March 2016 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 the CIPFA/SOLACE Framework - Delivering Good Governance in Local Government as follows:

Principle 1 – Identifying and Communicating the Authority's Vision and Purpose

The Authority agreed a refreshed Corporate Plan for 2015/16 on the 20th March 2015, 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) agreed on the 16th March 2012, which 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% recycling during 2017/18 and 60% by 2025; and 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.

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. This quarterly reports focus on exception and corrective measures where key performance indicators have not been met. The performance management framework was further developed in 2015/16 to simplify reporting requirements and providing a clear link between the performance indicators and the desired outcomes.

The performance framework and payment mechanism, quality information and effective data management has continued working well throughout the year and the strong partnership working helped achieve our Corporate Objectives. Performance reporting continued to improve. Targets have been developed in key areas and benchmarking and comparative information is used to demonstrate effectiveness and VfM. That process continued to be refined and enhanced in year, with proposals in 2016/17 set to embed VfM in to the business planning process.

The Environment Strategy is now 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. The Vice-Chair to the Authority is a member of the AGMA Low Carbon Hub Board, the Treasurer & Deputy Clerk is represented on the Low Carbon Hub Programmes Board and Chief Officer Group.

The Asset Management Plan (AMP) was reviewed and a new plan approved by the Authority on the 20th March 2015. During 2015/16 significant progress has been made, most notably at Salford Road, with completion of the Solar Farm installation, and accompanying drainage works. The sale of Dunkirk Farm is in the final stages of transfer with the prices and conditions agreed, and an offer on the Sinderland Road site is being reviewed by the Solicitors. The Lester Road lease has been re-assigned to an adjacent land owner. The Authority continues to review its Assets to ensure they are fit for purpose and provide VfM, as well as the processes and systems required to manage them.

Principle 2 - Member and Officer – Purpose, Roles and Responsibilities

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.

The Authority delivered its work programme through a new Committee structure during 2015/16, which saw the number of Committees reduced from five to three, and the streamlining of reporting requirements. Analysis of those arrangements in March 2016 has shown clear benefits with increased focus on decisions at Authority meetings, strengthened decision powers for the Resources Committee, and the Waste Management Committee being subject to a higher level of scrutiny. For this municipal year the Authority also set up an Accommodation & Business Change (ABC) Board, to oversee an accommodation move, and investment in Information and

Communications Technology (ICT) to improve business processes, both of which were designed to deliver a £75k reduction in spend.

The extended Members' training package was again delivered following the positive feedback from Members in the first year of its introduction, though attendance was lower than the previous year leading to further Member feedback informing a more tailor programme for 2016/17.

During 2015/16, the Authority continued to refine its organisational structure to ensure it is fit for purpose so it has clearer responsibility and accountability at both strategic and operational levels. This also took into account further budget reductions of £125k required as a result of the Government's austerity programme, and saw a further reduction, from 1st April 2016, in the number of posts (now 22.2 full-time equivalents).

The new business processes have been set up, and will be further optimised following integration into the new IT systems. Separation from Oldham's IT system has been completed, and the initial migration to sharepoint took place in October 2015. A migration health check was undertaken in February 2016, and the issues resolved to pave the way for the final tranche of file migration that is soon to be completed, which will enable more flexible ways of working, and better document control.

The Authority continues to operate with a single communications delivery team located in VLGM working to an overarching strategy and annual plans, overseen by the Communications Service Delivery Group (SDG). This has left only a small reputational resource within the Authority, though the VLGM team offer support on press related contract matters.

Contract monitoring arrangements have been realigned to take account of the transition from the construction phase to full service delivery. This has meant a shift in emphasis on how the Contract is monitored, including data analysis and trends and life cycle/maintenance and facility condition. A strengthening of the Engineering Team provides specialist support for the latter.

A joint working group with local authority leaders, district waste portfolio Members, and district officer representatives was also established in 2015/16 to oversee further Contract related budget reduction measures (Leaders' Waste Task Group – WTG). That is making good progress and is due to present its recommendations in September 2016.

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 Contract, which has remained non-political. Members have driven the project forward within a supportive framework of good governance arrangements.

The revised structure, alongside the existing Constitution, and Partnership 2020 vision has clarified the respective roles and responsibilities and ensured the organisation continues to be fit for purpose.

Principle 3 – Values of Good Governance and Standards of Behaviour

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 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.

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

A Partnership Agreement and a Code of Conduct was agreed in 2009/10 between the Authority and VLGM. In addition staff have been issued with the Authority ‘Office Standards and Protocols’ and this is available on the intranet.

The Authority has adopted a Whistle Blowing Policy, Fraud and Corruption Strategy, and an Anti-Money Laundering policy. The policies are annually updated and are the subject of presentations to all staff, circulation of the documentation and issued on the portal (our internal electronic document management system), to emphasise the key messages of good corporate governance, including protecting the public purse, promoting probity, whistle blowing and the Officers Code of Conduct.

Since 2011 the Authority has published a Pay Policy Statement, which has been further improved to meet the requirements of the Local Government Transparency Code 2015. In 2015/16 a new People Strategy was introduced, and the Health and Safety Action Plan was published.

The Audit & Standards Committee is an essential part of good governance. The availability of three Independent Members during 2015/16 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 2015/16, presented to the 18th March 2016 Authority meeting, provided positive assurances to Members about the effectiveness of the Authority’s corporate governance in 2015/16. These included:

- continuation of improving the Member training ‘package’ to be undertaken;
- earlier consideration of the background to nature and purpose of risk management processes to be undertaken;
- the July meeting timing to be adjusted to facilitate the Statement of Accounts (Audited) interim timelines; and
- the terms of reference for the Waste Management Committee and the Audit & Standards Committee could be improved by providing clarity around the role of Waste Management being to protect the Authority’s Contractual interest; whilst the Audit & Standards Committee is limited only to protecting 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.

Principle 4 – Decision Making, Scrutiny and Managing Risk

Decisions are based on rigorous and transparent scrutiny and an excellent relationship between Officers and Members based on mutual trust (as set out in Principle 2). That trust is maintained by openness and appropriate arrangements to ensure the involvement of all relevant Parities at the right level of responsibility ensuring all strategic decisions are led by Members. Member’s 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.

Delegated decisions for all Contract matter 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 are 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. There 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 support in the letting of the Contract are still accessible, on a retention basis, for the implementation period of the Contract.

Our External Auditors received all of the papers for all of the Authority and Committee meetings and a member of the External Auditor's staff attended most Audit & Standards Committee meetings during 2015/16.

Scrutiny of budget matters was, again, in 2015/16 carried out by various AGMA bodies, including AGMA Executive Board, AGMA Scrutiny Committee, Sub Groups of Leaders, GM Treasurers and constituent WCA District Chief Officers. This ensures openness and transparency in the way in which Officers/Members engage in the budget challenge process as set out in principle 2, the work of the Leaders WTG has continued in 2015/16 examining specific budget challenges such as the impact of household growth, and delivering increased recycling rates.

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.

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 (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 is one of the areas reviewed by Internal Audit during 2015/16, with five low priority recommendations for improvement made.

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.

Principle 5 – Developing Capacity and Capability of Officers and Members

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 2015/16. 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 2016, prior to consideration of the Treasury Management Strategy for 2016/17. Positive feedback from Members led to a similar programme being put in place in 2015/16, however, a further review following reduced attendance, will lead to development of a new programme for 2016/17 that will tailor training to the individual Member's experience of the Authority and wider waste management issues.

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

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 (Bronze Level), and will be again seeking re-accreditation in 2016/17. This is supported within a performance framework and a People Strategy (agreed at the 18th March 2016 Authority meeting) and appraisal system with targeted, relevant training. Business Management Team continue to develop their skills through sectional working, performance management and participating in development of and presenting reports at the Committees. This was enhanced through Leadership Development in 2015/16, which will continue into 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 2015/16 all appraisals were completed the outcomes of which will be used to inform individual development needs. Since 2009 the establishment has reduced from 53 full-time equivalent employees to 22 full-time equivalent employees.

The Authority has achieved its commitment to pay the Living Wage for all its staff, and is seeking to also achieve that through its contractual arrangements.

Principle 6 – Engaging with Local Communities and Others to Ensure Public 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 (as set out under Principle 1 above).

The Authority in 2015/16 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 2015/16 the Authority continued its VLGM single delivery team arrangements for communications and engagement. 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, 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 HWRCs and which promote reuse/recycling themes, and has continued to increase the sales of 'Revive' compost that provide 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 the AGMA 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. 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.

Consideration by the Authority of its budget and levy took place at its 12th February 2016 Authority meeting. Despite increasing cost pressures the Levy will see a further zero percent increase in 2016/17. However, with reduced support from reserves a Levy increase of 9.6% is predicted for 2017/18, and a further 7.6% in 2018/19. Clearly, with significant budget pressures being faced by our Districts we need to mitigate these increases. A number of potential budget reduction areas are therefore being jointly developed with Chief Officers (SOG)/District Treasurers (GMAMT) and overseen by the Leaders WTG. This is aligned with principle 4 above that requires the Authority's annual levy and budget is subject to external scrutiny. In addition we are being supported in that process by the Department for Environment Food and Rural Affairs (Defra)/Local Partnerships (under a memorandum of understanding (MoU arrangement).

As part of the Transparency Agenda the Authority agreed to publish Senior Officer salaries and invoices over £500 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 on 18th March 2016 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), 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.

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

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.

An external audit of the accounts year ending 31st March 2015 undertaken by Grant Thornton was reported to the Audit & Standards Committee 8th July 2015, which concluded the accounts and working paper were of high quality. That meeting approved the accounts almost 3 months before the 30th September statutory deadline.

A Value for Money (VfM) review was considered by the Audit & Standard Committee 4th November 2015. This was completed, using the 2009 Audit Commission' Use of Resources Framework which focus on a set of questions 'key lines of enquiry' (KLOE). Overall this demonstrated that economy, efficiency and effectiveness had been achieved, and outlined a framework for how VfM may be integrated into day to day management activities through adoption of a VfM Strategy. At that time the National Audit Office announced further changes to the VfM regime, which included updated criteria. As a result a revised assessment and Strategy were considered at the Audit & Standards Committee's 14th April 2016 meeting. Some enhancements to the assessment and a minor change to the Strategy were suggested. The VfM Strategy and Framework were agreed at the Authority's Annual General Meeting on the 10th June 2016.

Significant Governance Issues

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

2015/16 Issues	Planned Management Action to Reduce Risk
The Mechanical and Biological Treatment Plants have performed below expectations with low capture of recyclates and organics. During the year that was exacerbated due to failures in the biological treatment mainly relating to the anaerobic digestion plants. These failures and low organic capture in turn resulted in higher refuse derived fuel output, and therefore the Authority risks exceeding contractual capacity limits at the Runcorn Thermal Power Plant receiving this waste.	VLGM's construction contractor, Costain PLC, is undertaking, at its expense, significant remedial work at all five MBT sites. The programme of repairs is progressing to plan, with Arkwright Street, Oldham completed, and the five AD tanks at Bredbury Park Way, Bredbury and Reliance Street, Newton Heath having started their testing regime in May 2016. Significant tank work is underway at the remaining sites (Longley Lane, Sharston and Cobden Street, Salford) which will take until May 2017 to complete. The Authority's 2016/17 budget plans reflect the impact of these works.
The level of recycling is below expectation at all separation points; with lower than expected recovery of metal at the MBT plants and below target separation at Household Waste Recycling Centres, but mitigated in part by kerbside recycling.	VLGM continue to work at improving metal and grit capture, though progress on these is in part linked to defect rectification work on the corroded biological process tanks at MBT sites. The HWRC element is in the main due to lower than anticipated levels of green waste being present compared to actuals. In reality there is little action VLGM can take to improve performance in this area, and as a result contractual penalties are likely to continue to be imposed.

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 Cath Piddington	Carolyn Wilkins	John Bland
Chair of the Authority 2015/16	Clerk to the Authority	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 31st March 2016 and its income and expenditure for the year ended 31st March 2016.

John Bland

Treasurer & Deputy Clerk to the Authority

20th July 2016

Approval by the Audit & Standards Committee

In accordance with the Accounts and Audit Regulations 2015 the Statement of Accounts 2015/16 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 26th May 2016, and exercise of the delegation confirmed at that meeting

Jackie Njoroge

Independent Chair of the Audit & Standards Committee

20th July 2016

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 2016 under the Local Audit and Accountability Act 2014 (the "Act"). The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure 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 2015/16.

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 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 Deputy Clerk to the Authority and auditor

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Treasurer and Deputy Clerk to the Authority is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

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

Emphasis of matter – Proposed future transfer of functions, assets and liabilities to Greater Manchester Combined Authority

In forming our opinion on the financial statements, which is not modified, we draw attention to the disclosures made in notes 1.i and 27 to the financial statements concerning the proposed future transfer of the Authority's functions, assets and liabilities to the Greater Manchester Combined Authority (GMCA). We consider that these disclosures are fundamental to gaining a full understanding of the financial statements as they set out that, subsequent to the year end, approval, in principle, has been obtained for the Authority's functions, assets and liabilities to transfer to the GMCA with effect from 1 April 2017, subject to a period of public consultation and final approval by the Secretary of State.

In accordance with the public sector adaption to International Accounting Standard 1, as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, the Authority has continued to prepare the financial statements on a going concern basis as it considers that, notwithstanding the proposed transfer, the functions of the Authority will continue in operational existence for the foreseeable future. Transfers of services under combinations of public sector bodies (such as local government reorganisation) do not negate the presumption of going concern. As a result, the financial statements do not include the adjustments that would result if the Authority was unable to continue as a going concern.

Opinion on other matters

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

Matters on which we are required to report by exception

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

We have nothing to report in these respects.

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

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

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

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

We have undertaken our review in accordance with the Code of Audit Practice prepared by the Comptroller and Auditor General as required by the Act (the "Code"), having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, as to whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code in satisfying ourselves whether the Authority put in place proper arrangements to secure value for money through the economic, efficient and effective use of its resources for the year ended 31 March 2016.

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

Conclusion

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

Certificate

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

Graham Nunns

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

4 Hardman Square
Spinningfields
Manchester
M3 3EB

20 July 2016

Movement in Reserves Statement

	Note	General Fund Balance £m	Earmarked General Fund Reserves £m	Capital Receipts Reserve £m	**Total Usable Reserves £m**	Unusable Reserves £m	**Total Authority Reserves £m**
Balance at 31st March 2014		**9.981**	**55.710**	**0.801**	**66.492**	**(184.248)**	**(117.756)**
Surplus (or deficit) on the provision of services		11.361	-	-	**11.361**	-	**11.361**
Other Comprehensive Income and Expenditure		0.940	-	-	**0.940**	(0.109)	**0.831**
Total Comprehensive Income and Expenditure		12.301	-	-	**12.301**	(0.109)	**12.192**
Adjustments between accounting basis and funding basis under regulations	4	(0.945)	-	-	**(0.945)**	0.945	**-**
Net increase or decrease before transfers to earmarked reserves		11.356	-	-	**11.356**	0.836	**12.192**
Transfers to or (from) Earmarked Reserves	15	(11.903)	11.903	-	**-**	-	**-**
Increase or (decrease) in 2014/15		(0.547)	11.903	-	**11.356**	0.836	**12.192**
Balance at 31st March 2015		**9.434**	**67.613**	**0.801**	**77.848**	**(183.412)**	**(105.564)**
Surplus (or deficit) on the provision of services		(28.696)	-	-	**(28.696)**	-	**(28.696)**
Other Comprehensive Income and Expenditure		17.869	-	-	**17.869**	1.413	**19.282**
Total Comprehensive Income and Expenditure		(10.827)	-	-	**(10.827)**	1.413	**(9.414)**
Adjustments between accounting basis and funding basis under regulations	4	(2.600)	-	(0.801)	**(3.401)**	3.401	**-**
Net increase or decrease before transfers to earmarked reserves		(13.427)	-	(0.801)	**(14.228)**	4.814	**(9.414)**
Transfers to or (from) Earmarked Reserves	15	13.427	(13.427)	-	**-**	-	**-**
Increase or (decrease) in 2015/16		-	(13.427)	(0.801)	**(14.228)**	4.814	**(9.414)**
Balance at 31st March 2016		**9.434**	**54.186**	**-**	**63.620**	**(178.598)**	**(114.978)**

Comprehensive Income and Expenditure Statement

	Note	2015/16 Expense £m	2015/16 Income £m	2015/16 Net £m	2014/15 Expense £m	2014/15 Income £m	2014/15 Net £m
Corporate and Democratic Core		0.233	-	0.233	0.224	-	0.224
Environmental and Regulatory Services	[a]	153.590	(15.481)	138.109	116.871	(13.988)	102.883
Non Distributed Costs		-	-	-	-	-	-
Cost of Services	5.1	**153.823**	**(15.481)**	**138.342**	**117.095**	**(13.988)**	**103.107**
Other operating expenditure	5.2			(0.011)			0.184
Financing and investment	5.3			54.826			51.911
Taxation and non-specific grant income	5.4			(164.461)			(166.563)
(Surplus) or Deficit on the Provision of Services				**28.696**			**(11.361)**
(Surplus) or deficit on revaluation of property, plant and equipment assets				(17.869)			(0.940)
Impairment loss on non-current assets charged to the Revaluation Reserve				-			-
Remeasurement of the net defined liability benefit	19.1			(1.413)			0.109
Other Comprehensive Income and Expenditure				**(19.282)**			**(0.831)**
Total Comprehensive Income and Expenditure				**9.414**			**(12.192)**

[a] Included in Environmental and Regulatory Services is an expense of £17.787m (2014/15: £1.221m), relating to a reduction in the value of Assets.

Balance Sheet

	Note	31 March 2016	31 March 2015
		£m	£m
Property, Plant and equipment	6	221.572	227.889
Intangible Assets	7	0.010	0.019
Long term investments	8.1	37.142	39.289
Long term debtors		-	-
Long Term Assets		**258.724**	**267.197**
Assets held for sale	6.5	0.104	0.104
Short term investments	8.2	2.147	1.976
Short term debtors	9	9.650	9.822
Cash and cash equivalents	10	18.932	33.780
Current Assets		**30.833**	**45.682**
Short term borrowing	13.1	(12.928)	(4.864)
Short term creditors	11	(18.624)	(15.237)
Transferred Debt due within 12 months	14	(1.265)	(1.195)
Provisions due within 12 months	12	(3.177)	(4.613)
Current Liabilities		**(35.994)**	**(25.909)**
Provisions	12	(2.816)	(3.398)
Long term borrowing	13.2	(68.812)	(81.217)
Other long term liabilities	14	(296.916)	(307.920)
Long Term Liabilities		**(368.544)**	**(392.535)**
Net Assets		**(114.981)**	**(105.565)**
Usable Reserves	15	63.620	77.849
Unusable Reserves	16	(178.601)	(183.414)
Total Reserves		**(114.981)**	**(105.565)**

These financial statements replace the unaudited financial statements approved at the meeting of the Audit & Standards Committee on 15th July 2016.

John Bland

Treasurer & Deputy Clerk

20th July 2016

Cash Flow Statement

	Note	2015/16 £m	2014/15 £m
Operating activities			
Net (Surplus) or Deficit on the Provision of Services		**28.696**	**(11.361)**
Adjustments to net surplus or deficit on the provision of services for non cash movements	17	(62.503)	(52.432)
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing	17	-	-
Interest paid (including PFI Finance Charge)	5.2	57.654	54.472
Interest received		(0.183)	(0.225)
Dividends received		-	-
Reversal of operating activity items included in the net surplus or deficit on the provision of services		(57.471)	(54.247)
Net Cash Flows from Operating Activities		**(33.807)**	**(63.793)**
Investing activities			
Cash outflows			
Purchase of fixed assets	6	1.909	1.436
Other Capital Cash Payments		-	-
Cash inflows			
Sale of fixed assets			
Capital grants received		-	-
Other receipts (proceeds from short and long term		(4.908)	(4.663)
Net Cash Flows from Investing Activities		**(2.999)**	**(3.227)**
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	24	45.596	47.055
Repayments of short and long term borrowing		6.059	13.218
Other payments for financing activities		-	-
Net Cash Flows from Financing Activities		**51.655**	**60.273**
Net (Increase) or Decrease in Cash and Cash Equivalents		**14.849**	**(6.747)**
Cash and cash equivalents at the beginning of the reporting period		(33.781)	(27.034)
Cash and cash equivalents at the end of the reporting period	10	**(18.932)**	**(33.781)**

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Note 27 Events after the Balance Sheet Date

Notes to the Accounts

Note 1 Accounting Policies

i General Principles

The Statement of Accounts summarises the Authority's transactions for the 2015/16 financial year and its position at the year-end of 31st March 2016. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which require the Statement to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (the Code) and the Service Reporting Code of Practice (SERCOP) 2015/16, 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 have 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.

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. 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 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 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 Scheme is accounted for as a defined benefits scheme, as follows:

- 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 arising from service earned this year.	Debited in the CIES to the services for which the employees worked.
PAST SERVICE COST/GAIN	The change in liabilities arising from current year decisions that affect service earned in earlier years.	Debited or credited in the CIES to Non Distributed Costs.
NET INTEREST ON THE NET DEFINED BENEFIT LIABILITY	The net interest expense for the Authority.	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	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 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.

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.

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 Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority as a result of past events is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Authority. Software is accounted for as intangible assets, to the extent that it is not an integral part of a particular IT system, in which case it is accounted for as part of the hardware item of Property, Plant and Equipment.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and the Authority intends to complete it (with adequate resources being available) and will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Authority’s goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised, on a straight-line basis, over its estimated useful life, to the relevant service line in the Comprehensive Income and Expenditure Statement. All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Authority. The expected useful lives of major software assets used by the Authority are five years.

An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

xi 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.

xii 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 2015/16 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
- 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.

Any revaluation surplus included in the Revaluation Reserve in respect of an item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

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.

Assets Held for Sale are:

- Immediately available for sale
- Sale is highly probable
- Actively marketed
- Expected to be sold within 12 months

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.

xiii 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.

xiv Provisions, Contingent Liabilities and Contingent Assets 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

xv 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 16.

xvi 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.

Note 2 Accounting Standards That Have Been Issued But Have Not Yet Been Adopted

The Code of Practice on Local Council Accounting in the United Kingdom 2015/16 (the Code) has introduced several changes in accounting policies which will be required from 1 April 2016, the following changes are not considered to have a significant impact on the Statement of Accounts as demonstrated below:

- IAS 1 Presentation of Financial Statements. This standard provides guidance on the form of the financial statements and will result in changes to the format of the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement and will introduce a new Expenditure and Funding analysis. These changes are as a result of the 'Telling the Story' review of the presentation of the local authority financial statements as well as the December 2014 changes to IAS 1 under the International Accounting Standards Board (IASB) Disclosure Initiative.

  Other minor changes due to Annual Improvement to IFRSs cycles, IFRS11 Joint arrangements, IAS 16 Property Plant, Equipment and IAS 38 Intangible Assets and IAS 19 Employee Benefits are minor and are not expected to have a material effect on the Authority's Statement of Accounts.

  The Code requires implementation from 1 April 2016 and there is therefore no impact on the 2015/16 Statement of Accounts.

Note 3 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. 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.

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 is not sufficient to indicate that the assets of the Authority might be impaired as a result of the need to close facilities and reduce levels of service provision.

- The Authority is deemed to control the services provided under the Contract with VLGM and also to control the residual value of the facilities (excluding the Thermal Facility built at

Runcorn) at the end of the Contract. The accounting policies for PFI Schemes and Similar Contracts have been applied to the Contract, and the facilities are recognised as Property, Plant and Equipment on the Authority's Balance Sheet.

- During the year, the Authority continued to make minimum payments under a contract for 25 years through VLGM to dispose of residual waste which is transported to a Thermal Facility at Runcorn operated by a second Special Purpose Vehicle (SPV) Thermal Power Station Limited (TPSCo). It also receives a share of the income from energy generated from incinerating the waste once the base income level has been achieved. The Authority has considered the most appropriate accounting treatment for transactions relating to this Contract. Having regard to current accounting guidance, the Authority is of the view that the contractual arrangements do not give rise to the Authority having control of the asset comprising the Thermal Facility nor does it consider that it has a lease of the asset. Accordingly, the payments made and income received are included in the Comprehensive Income and Expenditure Statement and there is no asset or liability accounted for on the Balance Sheet of the Authority.

- Treatment of Former Landfill Sites – The Authority sold 18 sites to the private sector 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. For the remaining four sites linked to the Authority, management has considered IAS37 and has concluded that no provision within the 2015/16 accounts is required.

- The Authority has undertaken a revaluation of its Mechanical Biological Treatment (MBT) Plants as required by the 2015/16 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 31st March 2016, and indeed the detailed Defect Rectification Plan (DRP) envisages a late 2016 early 2017 completion. As such after discussions with our External Auditors within the 2015/16 the Code of Accounting Practice requires the Authority to impair these two MBT plants at Cobden Street, Salford and Longley Lane, Sharston, along with a general downward revaluation on plant and machinery. To comply with the Code of Accounting Practice additional cost has been incurred on this valuation which is charged to the 2015/16 financial year. Further costs will then be incurred in 2016/17 due to an agreed DRP being completed a further full valuation of this class of assets will be required so they can be reinstated at market value excluding impairment 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 is '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. 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. 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.
PFI UNITARY CHARGE	The payments made to VLGM under the Contract comprise elements for: • the fair value of services received; • lifecycle costs, which are the costs associated with replacing component assets during the Contract term; • writing down the liability owed to the operator; and • interest on the outstanding balance of the liability. 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.

ITEM	UNCERTAINTIES	EFFECT IF ACTUAL RESULTS 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.	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 £3.387m. However, the assumptions interact in complex ways. During 2015/16, the Authority's actuaries advised that the net pension liability had decreased by £3.346m and asset values have decreased by £1.704m.

Note 4 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.

	2015/16			2014/15	
	General Fund Balance £m	Capital Receipts Reserve £m	Unusable Reserves £m	General Fund Balance £m	Unusable Reserves £m
Adjustments primarily involving the Capital Adjustment Account					
Reversal of items included in the CIES:					
Depreciation of non-current assets	8.306	-	(8.306)	8.070	(8.070)
Impairment of non-current assets	17.787	-	(17.787)	1.221	(1.221)
Loss on disposal of non-current assets	(0.011)	-	0.011	0.183	(0.183)
Amortisation of intangible assets	0.009	-	(0.009)	0.010	(0.010)
Amortisation of deferred income	(0.524)	-	0.524	(0.524)	0.524
Capital expenditure charged to General Fund	(0.932)	-	0.932	(0.574)	0.574
Financing due to timing differences between actual and modelled	(0.046)	-	0.046	(0.045)	0.045
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	(9.091)	-	9.091	(8.243)	8.243
Adjustments primarily involving the Capital Receipts Reserve					
Transfer of cash proceeds to Capital Receipts Reserve	-	-	-	-	-
Adjustments primarily involving the Revaluation Reserve					
Gain / Loss on revaluation of non-current assets	(17.869)	-	17.869	(0.940)	0.940
Adjustments primarily involving the Pensions Reserve					
Reversal of items relating to retirement benefits included in the CIES	0.522	-	(0.522)	0.600	(0.600)
Employer's pension contributions and direct payments to pensioners payable in the year	(0.751)	-	0.751	(0.703)	0.703
Total adjustments	**(2.600)**	**(0.801)**	**3.401**	**(0.945)**	**0.945**

Note 5 Material Items of Income and Expenditure

Note 5.1 Income and Expenditure of Continuing Operations

	2015/16	2014/15
	£m	£m
Corporate and Democratic Core	0.233	0.224
Non Distributed Costs	-	-
PFI Service Charge	45.836	45.197
Impairment of non-current assets	17.787	1.221
Other expenditure	89.973	70.453
Total Service Expenditure	**153.829**	**117.095**
PFI Credits	(10.019)	(10.019)
Other income	(5.462)	(3.969)
Total Service Income	**(15.481)**	**(13.988)**

Note 5.2 Other Operating Expenditure

	2015/16	2014/15
	£m	£m
(Gain)/loss on disposal of non-current assets	(0.011)	0.183
Total other operating expenditure	**(0.011)**	**0.183**

Note 5.3 Financing and Investment Income and Expenditure

	2015/16	2014/15
	£m	£m
Interest payable on debt	3.852	4.202
Interest payable on PFI unitary payments	53.802	50.270
Net interest on the net defined benefit liability	0.313	0.415
Investment income interest	(3.141)	(2.976)
Total financing and investment income and expenditure	**54.826**	**51.911**

Note 5.4 Taxation and Non-specific Grant Income

	2015/16		2014/15	
	£m	£m	£m	£m
Agreed levy income for the year	161.103		166.080	
Tonnage adjustments for the year	2.834		2.076	
In-Year Refund	-		(2.117)	
		163.937		166.039
PFI Credits (element for interest payments)		-		-
Release of deferred income (PFI)		0.524		0.524
Total taxation and non-specific grant income		**164.461**		**166.563**

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 2014	**28.783**	**115.608**	**110.495**	**3.085**	**(0.000)**	**257.971**	**254.563**
Reclassification	(0.004)	(2.860)	2.860	-	-	**(0.004)**	-
Additions	0.094	0.573	0.019	-	2.112	**2.798**	1.292
Revaluation Increases / (decreases) to Revaluation Reserve	-	0.940	-	-	-	**0.940**	0.940
Revaluation Increases / (decreases) to Cost of Services	(0.501)	(0.001)	(0.001)	-	(0.718)	**(1.221)**	(0.720)
Disposals	-	-	(0.713)	-	-	**(0.713)**	-
At 31 March 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**
Depreciation							
At 1 April 2014	**-**	**20.082**	**4.199**	**0.062**	**-**	**24.343**	**23.603**
Reclassification	-	(0.204)	0.204	-	-	**-**	-
For Year	-	3.627	4.381	0.062	-	**8.070**	8.001
Transfers	-	-	-	-	-	**-**	-
Disposals	-	-	(0.530)	-	-	**(0.530)**	-
Impairments	-	-	-	-	-	**-**	-
Revaluations	-	-	-	-	-	**-**	-
At 31 March 2015	**-**	**23.505**	**8.254**	**0.124**	**-**	**31.883**	**31.604**
Reclassification	-	-	-	-	-	**-**	-
For Year	-	4.339	3.906	0.062	-	**8.307**	8.174
Transfers	-	-	-	-	-	**-**	-
Disposals	-	-	-	-	-	**-**	-
Impairments	-	-	-	-	-	**-**	-
Revaluations	-	-	-	-	-	**-**	-
At 31 March 2016	**-**	**27.844**	**12.160**	**0.186**	**-**	**40.190**	**39.778**
Net Book Value							
At 1 April 2014	28.783	95.526	106.296	3.023	(0.000)	**233.628**	230.960
At 31 March 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

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.

	2015/16	2014/15
	£m	£m
Opening CFR	**442.296**	**450.805**
Capital Investment:		
Property, Plant and Equipment	1.909	2.797
Intangible Assets	-	-
Senior Lending	(1.976)	(1.920)
Sources of Finance:		
Capital Receipts	(0.801)	-
Sums set aside from revenue	(10.605)	(9.386)
Closing CFR	**430.823**	**442.296**
Explanation for Movements in the Year:		
(Decrease) in the underlying need to borrow	(12.463)	(9.801)
Assets acquired under PFI Contract	0.990	1.292
Increase/(Decrease) in the CFR	**(11.473)**	**(8.509)**

Note 6.3 Capital Commitments

The Authority has committed a capital contribution to its Contract totalling £68.040m. At 31st March 2016 £65.928m (2014/15: £65.928m) of that contribution had been paid out leaving a commitment at that date of a further £2.102m. In addition, due to assumed neutral ground conditions not being supported when actual sites were found, an additional capital contribution of £13.292m has been paid, and no further payment is anticipated. A further capital contribution of a maximum of £7.180m was agreed for Salford Road IVC, Bolton with the full amount having been paid.

Note 6.4 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 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. 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 6.5 Non-current assets held for sale

The Authority's Action Plan initiated from the Asset Management Plan includes actions to market and sell the buildings and barn at Dunkirk Farm and also land at Sinderland Road, Altrincham. In accordance with the Code, these are held at the lower of carrying amount and fair value less costs to sell.

	2015/16	2014/15
	£m	£m
Land (inc PFI)	0.104	0.104

Note 7 Intangible Assets

The movement on Intangible Asset balances in the year is as follows:

	2015/16	2014/15
	£m	£m
Cost as at 1 April	0.076	0.076
Additions purchased in year	-	-
Disposals	-	-
Cost as at 31 March	0.076	0.076
Amortisation as at 1 April	0.056	0.046
Charge for the year	0.010	0.010
Disposals	-	-
Amortisation as at 31 March	0.066	0.056
Net book value as at 1 April	0.020	0.030
Net book value as at 31 March	0.010	0.020

Note 8 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 24.

Note 8.1 Long-term Investments

	31 March 2016 £m	31 March 2015 £m
Loan to VLGM	23.323	24.881
Loan to Ineos Runcorn (TPS) Ltd	13.819	14.408
	37.142	**39.289**

Note 8.2 Short-term Investments

	31 March 2016 £m	31 March 2015 £m
VLGM repayments	1.558	1.451
Ineos Runcorn (TPS) Ltd repayments	0.589	0.524
	2.147	**1.975**

Note 9 Debtors

	31 March 2016 £m	31 March 2015 £m
Central government bodies	2.738	3.771
Other local authorities	4.325	3.311
Other entities and individuals	2.588	2.740
Total debtors	**9.651**	**9.822**

Of the Other Entities and Individuals debtors, £2.102m (31st March 2015: £2.148m) relates to the Authority's capital contribution to the Contract, which is treated as a prepayment of the Unitary Charge.

Note 10 Cash and Cash Equivalents

	31 March 2016 £m	31 March 2015 £m
Cash held by the Authority	-	0.001
Bank current accounts	5.928	15.780
Short term deposits with building societies	-	5.000
Short term deposits with money market funds	8.002	2.000
Short term deposits with local authorities	5.002	11.000
Total cash and cash equivalents	**18.932**	**33.781**

Note 11 Creditors

	31-Mar-16 £m	31-Mar-15 £m
Central government bodies	0.140	0.039
Other local authorities	0.060	0.420
Other entities and individuals	18.424	14.777
Total creditors	**18.624**	**15.236**

Of the Other Entities and Individuals creditors, £7.573m (31 March 2015: £7.033m) relates to short-term element of the Authority's deferred lease obligation under the Contract.

Note 12 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 £3.397m (Short term: £0.582m, Long term: £2.815m) to reflect this maximum liability as at 31st March 2016. A sum of £0.616m was used in 2015/16 to meet the annual charge.

A provision was created during 2014/15 for the National Non-Domestic Ratings (NNDR) that the Authority is liable for on the PFI sites. An assessment as to the level of NNDR outstanding as at 31 March 2016 on these sites has been undertaken by VLGM's contractor and a provision of £2.595m has been assessed as being adequate.

	Short Term		
	Landcare Provision £m	NNDR Provision £m	Total £m
Balance as at 1 April 2015	0.616	3.997	4.613
Movements made in 2015/16	-	(0.250)	(0.250)
Movement from Long Term	0.582	-	0.582
Amounts used in 2015/16	(0.616)	(1.152)	(1.768)
Balance as at 31 March 2016	**0.582**	**2.595**	**3.177**

	Long Term		
	Landcare Provision £m	NNDR Provision £m	Total £m
Balance as at 1 April 2015	3.397	-	3.397
Movements made in 2015/16	-	-	-
Movement to Short Term	(0.582)	-	(0.582)
Amounts used in 2015/16	-	-	-
Balance as at 31 March 2016	**2.815**	**-**	**2.815**

Total movement in year is a reduction of £2.018m.

Note 13 Borrowing

Note 13.1 Short-term Borrowing

	Interest rate %	31-Mar-16 £m	31-Mar-15 £m
Public Works Loan Board loan	3.47 - 8.75	2.405	4.309
Other public bodies	1.60	10.000	-
Accrued interest		0.523	0.555
		12.928	**4.864**

Note 13.2 Long-term Borrowing

	Interest rate %	31-Mar-16 £m	31-Mar-15 £m
Public Works Loan Board loan	3.47 - 8.75	68.812	71.217
Other public bodies	1.60	-	10.000
		68.812	**81.217**

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

	31-Mar-16	31-Mar-15
	£m	£m
Maturing in less than 2 years	2.504	12.405
Maturing in 2 - 5 years	10.079	7.828
Maturing in 5 - 10 years	20.401	21.691
Maturing in more than 10 years	35.828	39.293
Total long-term borrowing	**68.812**	**81.217**

Note 14 Other long-term liabilities

	31-Mar-16	31-Mar-15
	£m	£m
Deferred lease obligaton under PFI Contract	271.886	279.459
Deferred Income (PFI)	8.912	9.436
Transferred debt loans	7.365	8.630
Pensions Liability	8.753	10.395
Total creditors	**296.916**	**307.920**

PFI deferred lease obligations of £271.886m (31 March 2015: £279.459m) are due to be settled under the terms of the Contract, as set out in Note 24.

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 31st March 1986. The loan is being repaid to Tameside MBC on an annuity basis over a period of 36 years (to 31st March 2022). The total amount outstanding at the 31st March 2016 is:

	£m
Long Term	7.365
To be repaid in 2016/17*	1.265
	8.630

*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 19.

Note 15 Usable Reserves

The Authority's usable reserves are as follows:

	Balance as at 31 March 2016 £m	Balance as at 31 March 2015 £m
General Fund	9.434	9.434
Capital Receipts Reserve	-	0.801
LIFE+ Reserve	0.318	0.364
Engagement Activities Reserve	0.150	0.150
Insurance Reserve	2.757	2.026
Authority Loan Reserve	10.279	10.155
Interest Rate Reserve	2.000	2.000
Pension Deficit Funding Reserve	0.812	0.812
MTFP Funding Reserve	31.545	48.107
Optimisation Reserve	5.000	3.000
Shredding Equipment Reserve	0.800	0.800
Waste Composition Analysis Reserve	0.250	0.200
Differentiated Collections Reserve	0.075	-
Contract Support Reserve	0.200	-
	63.620	77.849

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.

Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the Reserve has been applied in the year to support our 'invest to save' Solar Farm initiative at Salford Road, Over Hulton

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 – Part of this Reserve was used in year to meet costs incurred in finalising 'on the ground' project delivery above those provided for in the base budget. The remainder 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. A final statement and budget redetermination application has been submitted to the European Union (EU), but not yet agreed. The reserve provides prudent protection in case that application is not successful/is only partially approved. The project was completed during 2015/16 and we would expect that final report will be determined by the EU later in 2016.

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 anticipated increases in 2014/15 and 2015/16 additional (shared) costs in relation to the hardening of the insurance market for waste facilities – see Note 21.

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 8.

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. This sum is expected to be fully utilised in the 2017/18 financial year.

Optimisation Reserve - This reserve has been set up to allow a further capital contribution to be made (if required) to the PFI Project, 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.

The Reserve has been increased during the year, to match expected costs of solutions being developed by VLGM and VWGM, which if successful would see a very short payback period for the investment.

Shredding Equipment Reserve – The purpose of this Reserve is to meet the capital costs of the additional shredding equipment, so enabling around 7% to 8% per annum additional landfill diversion to be made. The arrangement was run very successfully in 2015/16, using hired equipment, and VWGM has now ordered equipment with delivery expected later in 2016. Once purchased, the Reserve will be fully expended.

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 £0.250m.

Differentiated Collections Reserve – A specific Reserve to allow a review on an area of potential efficiency, joint collections, to be carried out. This will consist of a review of all nine District's policies and practices to see what can be gained by a consistent approach.

Contract Support Reserve – This Reserve has been created to provide for some of the costs expected from work arising from reviewing the PFI Contract for further efficiency savings to optimisation.

Transfers to/(from) Earmarked Reserves

	Balance at 31 March 2016 £m	Transfers in/(out) in 2015/16 £m	Balance at 31 March 2015 £m	Transfers in/(out) in 2014/15 £m	Balance at 31 March 2014 £m
Behavioural Change Reserve	-	-	-	(0.214)	0.214
LIFE+ Reserve	0.318	(0.046)	0.364	-	0.364
Engagement Activities Reserve	0.150	-	0.150	-	0.150
Insurance Reserve	2.757	0.731	2.026	0.400	1.626
Authority Loan Reserve	10.279	0.124	10.155	1.918	8.237
Interest Rate Reserve	2.000	-	2.000	-	2.000
Pension Deficit Funding Reserve	0.812	-	0.812	0.212	0.600
MTFP Funding Reserve	31.545	(16.562)	48.107	9.387	38.720
Optimisation Reserve	5.000	2.000	3.000	-	3.000
Shredding Equipment Reserve	0.800	-	0.800	-	0.800
Waste Composition Analysis Reserve	0.250	0.050	0.200	0.200	-
Differentiated Collections Reserve	0.075	0.075	-	-	-
Contract Support Reserve	0.200	0.200	-	-	-
Total Earmarked General Fund Reserves	**54.186**	**(13.428)**	**67.614**	**11.903**	**55.711**

Movements in other usable reserves are detailed in the Movement in Reserves Statement (page 41).

Note 16 Unusable Reserves

The Authority's unusable reserves are as follows:

	31-Mar-16 £m	31-Mar-15 £m
Revaluation Reserve	52.546	34.677
Capital Adjustment Account	(222.394)	(207.696)
Pensions Reserve	(8.753)	(10.395)
Total per Movement in Reserves Statement	**(178.601)**	**(183.414)**

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 1st 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:

	2015/16		2014/15	
	£m	£m	£m	£m
Balance at 1 April	34.677			33.737
Upward / (Downward) revaluation of assets	17.869		0.940	
Surplus (or Deficit) on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services		17.869		0.940
Balance at 31 March		**52.546**		**34.677**

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 enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the 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 enhancement.

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

Movements on the Capital Adjustment Account are as follows:

	2015/16		2014/15	
	£m	£m	£m	£m
Balance at 1 April		(207.697)		(207.598)
Reversal of items relating to capital expenditure debited or credited to the CIES:				
Charges for depreciation and impairment of non-current assets	(26.093)		(9.291)	
Revaluation losses on Property, Plant and Equipment	-			
Amortisation of intangible assets	(0.009)		(0.010)	
Amortisation of deferred income	0.524		0.524	
Capital expenditure charged to General Fund	0.932		0.574	
Amounts of non-current assets written off as part of the gain/loss on disposal to the CIES	0.011		(0.184)	
Financing expense due to timing difference from actual to modelled	0.045		0.045	
		(24.590)		(8.342)
Capital financing applied in the year:				
Use of Capital Receipts Reserve	0.801		-	
Minimum Revenue Provision	9.092		8.243	
		9.893		8.243
Transfer from PFI Prepayment Reserve				-
Balance at 31 March		**(222.394)**		**(207.697)**

Pensions Reserve

The Pensions Reserve absorbs 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:

	2015/16 £m	2014/15 £m
Balance at 1 April	(10.395)	(10.389)
Actuarial gains/(losses) on pensions assets and liabilities	1.413	(0.109)
Reversal of items relating to retirement benefits debited /credited to the Surplus or Deficit on the Provision of Services in the CIES	(0.522)	(0.600)
Employer's pensions contributions and direct payments to pensioners payable in the year	0.751	0.703
Balance at 31 March	**(8.753)**	**(10.395)**

Details of assets and liabilities are set out in note 19.

Note 17 Cash Flow Statement – Adjustment of Net Surplus or Deficit on the Provision of Services for Non Cash Movements

Adjust Net (Surplus) or Deficit on the Provision of Services for Non Cash Movements

	Note	2015/16	2014/15
		£m	£m
Depreciation	6	(8.306)	(8.070)
Amortisation	7	(0.009)	(0.010)
Amortisation of deferred income		(0.524)	(0.524)
Impairment and Revaluation losses	6	(17.787)	(1.221)
Movement in creditors	11	3.388	0.338
Movement in debtors	9	0.171	1.110
Movement in provisions	12	(2.018)	3.344
Movement in Pension Liability	19.2	(1.642)	2.634
Carrying amount of non current assets and non current assets held for sale, sold or derecognised	6.5	(0.104)	(0.104)
Other non cash items charged to net surplus and deficit on the provision of services		(35.672)	(49.929)
		(62.503)	(52.432)

Adjustments for items included in the Net Surplus or Deficit on the Provision of Services that are investing and Financing Activities

	2015/16	2014/15
Proceeds from the Sale of PPE	-	-
Capital Grants credited to surplus or deficit on the provision of services	-	-
	-	-

Note 18 Officers' Remuneration

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

		Salary, fees and allowances £000	Car user expenses £000	Compensation for loss of office £000	Total remuneration excluding pension contribution £000	Pension contribution £000	Total remuneration £000
Treasurer & Deputy Clerk	2015/16	103	1	-	**104**	20	**124**
	2014/15	103	1	-	**104**	20	**124**
Director of Contract Services	2015/16	87	1	-	**88**	17	**105**
	2014/15	85	2	-	**87**	17	**104**
Director of Resources & Strategy	2015/16	78	1	122	**201**	16	**217**
	2014/15	77	1	-	**78**	15	**93**

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 £14,481 (2014/15: £11,401) is paid to Oldham Council for this duty. Details of the Clerk's remuneration is reported in the accounts of their employer, Oldham Council.

No other Authority employees received more than £50,000 remuneration for the year (excluding employer's pension contributions).

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

Exit package cost band	No. of compulsory redundancies		No. of other departures agreed		Total number of exit packages		Total cost of exit packages	
	2015/16	**2014/15**	**2015/16**	**2014/15**	**2015/16**	**2014/15**	**2015/16**	**2014/15**
£0 - £19,999	-	-	-	1	-	1	-	£9,643
£20,000 - £39,999	-	1	-	-	-	1	-	£25,333
£40,000 - £59,999	1	-	-	-	1	-	£46,549	-
£60,000 - £79,999	-	-	-	-	-	-	-	-
£80,000 - £100,000	-	-	-	-	-	-	-	-
£100,000 - £120,000	-	-	-	-	-	-	-	-
£120,000 - £140,000	1	-	-	-	1	-	£122,285	-
Total	**2**	**1**	**-**	**1**	**2**	**2**	**£168,834**	**£34,976**

Note 19 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 21 provides further information). These liabilities are included in the total deficit figures.

Note 19.1 Transactions in the Year

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

	2015/16		2014/15	
	£m	£m	£m	£m
Cost of services:				
Current service cost	0.209		0.185	
Past service cost (including curtailments)	-		-	
Total Service Cost		**0.209**		**0.185**
Financing and investment income and expenditure:				
Interest Income on plan assets	(1.178)		(1.449)	
Interest cost on defined benefit obligation	1.491		1.864	
Total Net Interest		**0.313**		**0.415**
Total defined benefit cost recognised in the Comprehensive Income and Expenditure Statement		**0.522**		**0.600**
Remeasurements:				
Changes in demographic assumptions	-		-	
Changes in financial assumptions	(1.931)		3.330	
Other experience	(0.882)		(0.569)	
Return on assets excluding amounts included in net interest	1.400		(2.652)	
Total remeasurements recognised in Other Comprehensive Income		**(1.413)**		**0.109**
Total post-employment benefit charged to the Comprehensive Income and Expenditure Account		**(0.891)**		**0.709**

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 4 details the relevant adjustment.

Note 19.2 Assets and Liabilities in Relation to Post-employment Benefits

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

	2015/16 £m	2014/15 £m
Opening balance 1 April	49.114	46.474
Current service cost	0.209	0.185
Interest cost	1.491	1.864
Contributions by scheme members	0.057	0.059
Actuarial (gains)/losses	(2.813)	2.761
Benefits paid	(2.290)	(2.229)
Losses / (Gains) on Curtailments	-	-
Past service costs	-	-
Closing balance at 31 March	**45.768**	**49.114**

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

	2015/16 £m	2014/15 £m
Opening balance 1 April	38.719	36.085
Expected rate of return	1.178	1.449
Actuarial (gains)/losses	(1.400)	2.652
Employer contributions	0.751	0.703
Contributions by scheme participants	0.057	0.059
Benefits paid	(2.290)	(2.229)
Closing balance at 31 March	**37.015**	**38.719**

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 2016				Period ended 31 March 2015			
	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	3.260	-	3.260	9%	3.892	-	3.893	10%
Manufacturing	2.683	-	2.683	7%	3.622	-	3.622	9%
Energy and Utilities	1.987	-	1.987	5%	3.239	-	3.239	8%
Financial Institutions	3.591	-	3.591	10%	4.587	-	4.587	12%
Health and Care	1.548	-	1.548	4%	1.830	-	1.830	5%
Information Technology	0.832	-	0.832	2%	0.779	-	0.779	2%
Other	0.488	-	0.488	1%	0.487	-	0.487	1%
Debt Securities								
Corporate Bonds (investment grade)	1.844	-	1.844	5%	2.282	-	2.282	6%
Corporate Bonds (non-investment grade)	-	-	-	0%	-	-	-	0%
UK Government	0.294	-	0.294	1%	0.360	-	0.360	1%
Other	1.156	-	1.156	3%	1.915	-	1.915	5%
Private Equity								
All	-	0.925	0.925	2%	-	1.076	1.076	3%
Real Estate								
UK Property	-	1.166	1.166	3%	-	1.072	1.072	3%
Overseas Property	-	-	-	0%	-	-	-	0%
Investment Funds and Unit Trusts								
Equities	10.315	-	10.315	28%	7.149	-	7.149	18%
Bonds	2.876	-	2.876	8%	2.147	-	2.147	6%
Hedge Funds	-	-	-	0%	-	-	-	0%
Commodities	-	-	-	0%	-	-	-	0%
Infrastructure	-	0.496	0.496	1%	-	0.425	0.425	1%
Other	0.727	1.800	2.527	7%	0.500	1.914	2.414	6%
Derivatives								
Inflation	-	-	-	0%	-	-	-	0%
Interest Rate	-	-	-	0%	-	-	-	0%
Foreign Exchange	-	-	-	0%	-	-	-	0%
Other	0.097	-	0.097	0%	0.432	-	0.432	1%
Cash and Cash Equivalents								
All	0.933	-	0.933	3%	1.010	-	1.010	3%
Total	**32.631**	**4.387**	**37.018**	**100%**	**34.231**	**4.486**	**38.719**	**100%**

Note 19.3 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 1st April 2013.

The principal assumptions used by the Actuary have been:

	2015/16	2014/15
Longevity at 65 for current pensioners:		
Men	21.4 years	21.4 years
Women	24.0 years	24.0 years
Longevity at 65 for future pensioners:		
Men	24.0 years	24.0 years
Women	26.6 years	26.6 years
Rate of increase in salaries	3.4%	3.3%
Rate of increase in pensions	2.1%	2.1%
Rate of discounting scheme liabilities	3.4%	3.1%
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 19.4 Scheme History

	31-Mar-16	31-Mar-15	31-Mar-14	31-Mar-13	31-Mar-12
	£m	£m	£m	£m	£m
Present value of liabilities	(45.768)	(49.114)	(46.474)	(45.834)	(41.795)
Fair value of scheme assets	37.015	38.719	36.085	32.255	28.775
Surplus/(deficit) in the scheme	**(8.753)**	**(10.395)**	**(10.389)**	**(13.579)**	**(13.020)**

The liabilities show the underlying commitments the Authority has in the long run to pay post-employment (retirement) benefits. The net liability of £8.753m (2014/15: £10.395m) 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 31st March 2017 is £0.707m.

Note 20 External Audit Costs

The Authority incurred costs of £51,407 (2014/15: £38,304) in relation to the audit of its Statement of Accounts.

	2015/16	2014/15
	£	£
Fees payable to Grant Thornton as per Audit Plan	31,418	41,891
Rebate	-	(3,587)
Extra fees re 2014/15 audit	19,989	-
	51,407	**38,304**

Note 21 Contingencies

At 31st March 2016, 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 early 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 £535k. The 2014 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 19). 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 developed in partnership with the administering authority, Tameside MBC.

Active employees

These were transferred to VWGM on a fully funded basis, and now form part of a separate division within the schemes. VWGM thus has full responsibility for on-going funding with the scheme provider and no liability is expected, as there is no link for the Authority to the Citrus Scheme.

For the LGPS the Authority continues to act as guarantor (as required under the Rules), but is not expected that that will be called upon, and in any case that risk 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**

As the majority of the £400m of PFI investment within the conurbation is completed 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.

At 31st March 2016, the Authority had no contingent assets.

Note 22 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 its funding, and prescribes the terms of many of the transactions that the Authority has with other parties. Grants received from government departments are set out in Note 5.4. No grant receipts are outstanding at 31 March 2016.

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:

	2015/16		2014/15	
	Original levy	Adjustment	Original levy	Adjustment (including refund)
	£m	£m	£m	£m
Bolton MBC	19.440	0.494	19.337	0.636
Bury MBC	11.528	0.670	13.333	(0.108)
Manchester CC	33.962	1.074	34.407	0.073
Oldham Council	16.573	0.464	16.742	(0.203)
Rochdale MBC	14.823	0.023	14.910	0.361
Salford CC	17.611	0.443	17.742	0.040
Stockport MBC	17.023	0.438	17.241	(0.115)
Tameside MBC	16.519	(0.765)	17.745	(0.613)
Trafford MBC	13.624	(0.007)	14.623	(0.112)
	161.103	**2.834**	**166.080**	**(0.041)**

At 31st March 2016, no levy receipts were due. The tonnage adjustments are paid in the following year.

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 2015/16, Oldham Council and its partners also provided the Authority with services including:

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

The value of these services was £0.148m (2014/15: £0.133m). Of this amount, £0.058m remained unpaid as at 31st March 2016 (2014/15: £0.007m).

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 the Officers' remuneration, required by the Code to be disclosed, are set out in Note 18.

Officers have not disclosed any material transactions with related parties.

Note 23 Amounts Reported for Resource Allocation Decisions

Note 23.1 Income and Expenditure of the Authority in the Budget Outturn Report

The analysis of income and expenditure on the face of the Comprehensive Income and Expenditure Statement is that specified by the *Service Reporting Code of Practice*. However, the Authority makes decisions about resource allocation on the basis of budget reports. These reports are on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, amortisation, and revaluation and impairment losses in excess of the balance on the Revaluation Reserve, are charged to services in the Comprehensive Income and Expenditure Statement);
- the cost of retirement benefits is based on cash flows (payment of employer's pension contributions) rather than current service cost of benefits accrued in the year; and

- the costs of the Contract are based on cash flows rather than the PFI qualifying asset on balance sheet treatment required by IFRS.

The analysis of income and expenditure for the year reported to Authority Members in the Budget Outturn Report is as follows:

	2015/16	2014/15
	£m	£m
Employees	1.455	1.623
Payments to contractors	158.809	127.243
Landfill costs	26.828	28.243
Premises and establishment	1.281	1.288
Supplies and services	0.313	0.268
Waste prevention	-	0.220
Debt charges / capital financing	2.644	2.669
PFI capital contribution	4.930	4.930
Pension deficit funding	0.535	0.535
Other expenditure	0.918	0.982
Total expenditure	**197.713**	**168.001**
PFI credits	(10.019)	(10.019)
Government grants	-	(0.402)
Interest	(0.184)	(0.224)
Other income	(5.462)	(3.568)
Total income	**(15.665)**	**(14.213)**
Net expenditure	**182.048**	**153.788**
Levy for the year (net)	(163.937)	(166.039)
(Surplus)/deficit for the year	**18.111**	**(12.251)**

Note 23.2 Reconciliation to Subjective Analysis of Net Costs in the CIES

This reconciliation shows how the figures in the Budget Outturn Report reconcile to a subjective analysis of the Surplus/Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

	Outturn Report £m	Amounts not reported to management £m	Amounts not included in CIES cost of services £m	Cost of services £m	Corporate amounts £m	Total £m
2015/16						
Fees, charges & other service income	(5.462)	-	-	(5.462)	-	(5.462)
Interest & investment income	(0.183)	(2.645)	2.828	-	(2.828)	(2.828)
Income from levy	(163.937)	-	163.937	-	(163.937)	(163.937)
Release of deferred income	-	(0.524)	0.524	-	(0.524)	(0.524)
Government grants & contributions	(10.019)	-	-	(10.019)	-	(10.019)
Total income	**(179.601)**	**(3.169)**	**167.289**	**(15.481)**	**(167.289)**	**(182.770)**
Employee expenses	1.990	0.313	(0.313)	1.990	0.313	2.303
Other service expenses	133.385	-	(26.969)	106.416	0.233	106.649
Depreciation, amortisation and impairment	-	25.578	-	25.578	-	25.578
Interest payments	57.654	-	(57.654)	-	57.654	57.654
(Gain)/loss on disposal of non-current assets	-	(0.011)	0.011	-	-	-
Total expenditure	**193.029**	**25.880**	**(84.925)**	**133.984**	**58.200**	**192.184**
Transfers to earmarked reserves	(13.428)	-	(13.428)	-	-	-
(Surplus)/deficit on the provision of services	**-**	**22.711**	**68.936**	**118.503**	**(109.089)**	**9.414**
2014/15						
Fees, charges & other service income	(3.567)	-	-	(3.567)	-	(3.567)
Interest & investment income	(0.225)	(4.200)	4.425	-	(4.425)	(4.425)
Income from levy	(166.039)	-	166.039	-	(166.039)	(166.039)
Release of deferred income	-	(0.524)	0.524	-	(0.524)	(0.524)
Government grants & contributions	(10.019)	-	-	(10.019)	-	(10.019)
Total income	**(179.850)**	**(4.724)**	**170.988**	**(13.586)**	**(170.988)**	**(184.574)**
Employee expenses	2.158	1.864	(1.864)	2.158	1.864	4.022
Other service expenses	110.770	-	(5.883)	104.887	0.224	105.111
Depreciation, amortisation and impairment	-	8.777	-	8.777	-	8.777
Interest payments	54.472	-	(54.472)	-	54.472	54.472
(Gain)/loss on disposal of non-current assets	-	0.184	(0.184)	-	-	-
Total expenditure	**167.400**	**10.825**	**(62.403)**	**115.822**	**56.560**	**172.382**
Transfers to earmarked reserves	11.903	-	11.903	-	-	-
(Surplus)/deficit on the provision of services	**(0.547)**	**6.101**	**120.488**	**102.236**	**(114.428)**	**(12.192)**

Note 24 Recycling and Waste Management Contract

2015/16 was the seventh 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.

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 the Contract if it compensates the contractor in full for costs incurred and for the future profits that would have been generated over the remaining term of the Contract.

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 31st March 2016 (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 2016/17	48.891	7.573	37.998	**94.462**
Payable within 2 - 5 years	221.750	34.082	140.124	**395.956**
Payable within 6 - 10 years	346.608	50.332	142.274	**539.214**
Payable within 11 - 15 years	409.961	91.329	93.131	**594.421**
Payable within 16 - 19 years	276.728	96.142	15.866	**388.736**
Total	**1,303.938**	**279.458**	**429.393**	**2,012.789**

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:

	2015/16 £m	2014/15 £m
Balance outstanding at 1 April	286.492	291.563
Payments during the year	(45.596)	(47.054)
Capital expenditure incurred in the year	-	-
Finance cost included	38.563	41.983
Balance outstanding at 31 March	**279.459**	**286.492**

Under the second SPV for Runcorn TPS, the Authority has agreed to pay an annual fixed availability fee (to 8th 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 (2016/17) is £39.467m.

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. 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:

	2015/16	2014/15
	£m	£m
Balance outstanding at 1 April	41.264	43.185
Payments received during the year	(4.932)	(4.664)
Interest and fees	2.957	2.743
Balance outstanding at 31 March	39.289	41.264

Note 8 sets out further information on this investment.

Note 25 Financial Instruments

Note 25.1 Categories of Financial Instruments

The following categories of financial instruments are held in the Balance Sheet:

		31st March 2016		31st March 2015	
	Note	Long Term	Current	Long Term	Current
		£m	£m	£m	£m
Loans and Receivables - Investments	8.1	37.142	2.147	39.289	1.975
Loans and Receivables - Cash	10	-	18.914	-	33.781
Loans and Receivables - Accrued Interest	10	-	0.018	-	-
Total Investments		**37.142**	**21.079**	**39.289**	**35.756**
Loans and Receivables - Debtors		-	0.762	-	0.969
Total included in Debtors		**-**	**0.762**	**-**	**0.969**
Debtors that are not Financial Instruments		-	*8.889*	-	*8.853*
Total Debtors	9	**-**	**9.651**	**-**	**9.822**
Financial Liabilities at amortised cost - Principal		68.812	12.405	81.217	4.309
Financial Liabilities at amortised cost - Accrued Interest		-	0.523	-	0.555
Total Borrowings	13	**68.812**	**12.928**	**81.217**	**4.864**
PFI Liabilities		271.886	-	279.459	-
Transferred Debt		7.365	-	8.630	-
Total included in Other Long Term Liabilities		**279.251**	**-**	**288.089**	**-**
Other Long Term Liabilities that are not Financial Instruments		*17.665*	-	*19.831*	-
Total Other Long Term Liabilities	14	**296.916**	**-**	**307.920**	**-**
Financial Liabilities at amortised cost		-	18.551	-	16.250
Total included in Creditors		**-**	**18.551**	**-**	**16.250**
Creditors that are not Financial Instruments		-	*1.338*	-	*0.182*
Total Creditors	11, 14	**-**	**19.889**	**-**	**16.432**

Note 25.2 Income, Expense, Gains and Losses

	2015/16				2014/15			
	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	3.141	-	-	**3.141**	2.976	-	-	**2.976**
Interest expense	-	-	(57.654)	**(57.654)**	-	-	(54.472)	**(54.472)**
Net income/(expense) to CIES	**3.141**	**-**	**(57.654)**	**(54.513)**	**2.976**	**-**	**(54.472)**	**(51.496)**

Note 25.3 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 2016		31st March 2015	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£m	£m	£m	£m
Loans and Receivables - Investments	39.289	74.112	41.264	41.264
Loans and Receivables - Cash	18.932	18.925	33.781	33.887
Total Investments	**58.221**	**93.037**	**75.045**	**75.151**
Loans and Receivables - Debtors	0.762	0.762	0.969	0.969
Total Debtors	**0.762**	**0.762**	**0.969**	**0.969**
Financial Liabilities at amortised cost	81.740	101.739	86.081	98.383
Total Borrowings	**81.740**	**101.739**	**86.081**	**98.383**
PFI Liabilities	271.886	631.568	279.459	581.073
Transferred Debt	7.365	7.365	8.630	8.630
Total Other Long Term Liabilities	**279.251**	**638.933**	**288.089**	**589.703**
Financial Liabilities at amortised cost	18.551	18.551	16.250	16.250
Total Creditors	**18.551**	**18.551**	**16.250**	**16.250**

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 2016) 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 2016) 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.

Note 26 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 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 31st March 2016 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 13 and Note 14.

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 loans may be repaid early to limit exposure to losses. The risk of loss is ameliorated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates or the Authority's cost of borrowing and provide compensation for a proportion of any higher costs.

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 27 Events After the Balance Sheet Date

The Statement of Accounts were approved for publication by the Authority's s151 Officer (the Treasurer & Deputy Clerk) on 20th July 2016. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31st March 2016, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

At a meeting of the Greater Manchester Combined Authority (GMCA) held on the 30th June 2016 the GMCA agreed to consult on extending its functions, including taking on-board the functions currently carried out by this Authority. This process will now involve a consultation process, due to conclude on the 15th August 2016. After that date, subject to the proposal being broadly supported, a Statutory and Regulatory process will be followed, which if agreed would mean that the functions, property, rights and liabilities of the Authority would transfer to the GMCA as from 1st April 2017. 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.

However, 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 regardless of the outcome of reorganisation, the functions of the Authority will 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. The functional changes are still at the proposal stage.

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.