



**TRAFFORD**  
**COUNCIL**

**AGENDA PAPERS FOR  
ACCOUNTS AND AUDIT COMMITTEE**

**Date: Tuesday, 28 June 2016.**

**Time: 6.30 p.m.**

**Place: Thomas de Trafford Conference Rooms A & B, Trafford Town Hall, Talbot Road, Stretford, M32 0TH.**

<b>A G E N D A</b>	<b>PART I</b>	<b>Pages</b>
1.	<b>ATTENDANCES</b>  To note attendances, including Officers and any apologies for absence.	
2.	<b>MINUTES</b>  To receive and if so determined, to approve as a correct record the Minutes of the meeting held on 22 March 2016.	1 - 4
3.	<b>MEMBERSHIP OF THE COMMITTEE 2016/17, INCLUDING CHAIRMAN, VICE-CHAIRMAN AND OPPOSITION SPOKESPERSON</b>  To note the Membership of the Committee for the 2016/17 Municipal Year, as appointed at the Annual Meeting of the Council held on 25 May, 2016, namely:  Councillors Baugh, Boyes, Brotherton, Coupe (Chairman), Lally (Vice-Chairman), Mitchell and Ross (Opposition Spokesperson).	
4.	<b>TERMS OF REFERENCE</b>  To note the Committee's Terms of reference as agreed at the Annual Meeting of the Council held on 25 May 2016.	5 - 8
5.	<b>STRATEGIC RISK UPDATE - LOSS / RETENTION OF SENIOR MANAGERS</b>  To consider a report of the Director of Human Resources.	9 - 12

**6. PRE-AUDITED ACCOUNTS 2015/16**

To consider the following reports of the Executive Member for Finance and the Chief Finance Officer:

- |     |  |           |
|-----|--|-----------|
| (a) | Accounts 2016 - Statutory Financial Accounts for the Year 2015/16 (pre-audit)    | 13 - 156  |
| (b) | Revenue Budget Monitoring 2015/16 - Period 12 Outturn (April 2015 to March 2016) | 157 - 206 |
| (c) | Capital Investment Programme 2015/16 Outturn                                     | 207 - 222 |

**7. DRAFT ANNUAL GOVERNANCE STATEMENT - 2015/16** 223 - 252

To consider a report of the Audit and Assurance Manager.

**8. CORPORATE GOVERNANCE CODE (UPDATED JUNE 2016)** 253 - 274

To consider a report of the Audit and Assurance Manager.

**9. TREASURY MANAGEMENT ANNUAL PERFORMANCE REPORT 2015/16** 275 - 290

To consider a report of the Chief Finance Officer.

**10. INSURANCE PERFORMANCE REPORT 2015/16** 291 - 304

To consider a report of the Chief Finance Officer.

**11. ANNUAL REPORT OF THE HEAD OF INTERNAL AUDIT 2015/16** 305 - 342

To consider a report of the Audit and Assurance Manager.

**12. ACCOUNTS AND AUDIT COMMITTEE PROGRESS AND UPDATE REPORT** 343 - 352

To receive a report from the Council's External Auditor.

**13. ACCOUNTS AND AUDIT COMMITTEE ANNUAL REPORT TO COUNCIL 2015/16** 353 - 370

To consider a report of the 2015/16 Committee Chairman and Vice-Chairman.

**14. ACCOUNTS AND AUDIT COMMITTEE - WORK PROGRAMME - 2016/17** 371 - 374

To consider a report of the Audit and Assurance Manager.

15. **URGENT BUSINESS (IF ANY)**

Any other item or items which by reason of special circumstances (to be specified) the Chairman of the meeting is of the opinion should be considered at this meeting as a matter of urgency.

**THERESA GRANT**  
Chief Executive

Membership of the Committee

Councillors J. Coupe (Chairman), P. Lally (Vice-Chairman), J. Baugh, C. Boyes, B. Brotherton, A. Mitchell and T. Ross.

Further Information

For help, advice and information about this meeting please contact:

Chris Gaffey, Democratic and Scrutiny Officer,  
Tel: 0161 912 2019  
Email: [chris.gaffey@trafford.gov.uk](mailto:chris.gaffey@trafford.gov.uk)

This agenda was issued on **Monday, 20 June 2016** by the Legal and Democratic Services Section, Trafford Council, Trafford Town Hall, Talbot Road, Stretford M32 0TH

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## ACCOUNTS AND AUDIT COMMITTEE

22 MARCH 2016

### PRESENT

Councillor A. Mitchell (in the Chair).

Councillors C. Boyes, B. Brotherton, D. Butt (Vice-Chairman), N. Evans and T. Ross.

#### In attendance

Director of Growth and Regulatory Services	(R. Roe)
Chief Finance Officer	(N. Bishop)
Head of Legal Services	(H. Khan)
Audit and Assurance Manager	(M. Foster)
Transformation Programme Manager	(S. Maynard)
Principal Audit & Assurance Team Leader	(J. Miller)
Democratic & Scrutiny Officer	(C. Gaffey)

#### Also in attendance

M. Heap, Grant Thornton UK LLP

H. Stevenson, Grant Thornton UK LLP

### APOLOGIES

Apologies for absence were received from Councillor J. Baugh.

### 46. MINUTES

RESOLVED: That the Minutes of the meeting held on 9 February 2016, be approved as a correct record and signed by the Chairman.

### 47. ONE TRAFFORD PARTNERSHIP UPDATE

The Committee received a presentation of the Director of Growth and Regulatory Services providing an update on the progress of the One Trafford Partnership. The presentation reminded Committee Members of the contract terms and governance arrangements, as well as highlighting the key milestones achieved so far. Members were also provided with an update on the partnership's current performance, as well as the next steps to be taken. The Director of Growth and Regulatory Services agreed to circulate the programme schedule for the rollout of the LED lights to Members.

Discussions took place around how residents and Members should contact Amey to raise any concerns, as some residents had reported not received feedback to an issue they had raised. The Committee were advised that once the new CRM system was in place these problems would be resolved. Service requests should be directed to the Access Trafford email address, while the Amey Members' email should be used for any complaints.

Members were advised that a dashboard providing detail on the key performance indicators would be available for Members in due course, most likely from the second quarter of the next financial year. This would allow for a 12 month bedding

**Accounts and Audit Committee**  
**22 March 2016**

in period of the partnership, enabling Members to make a fair assessment of the progress to date.

The Chairman thanked the Director of Growth and Regulatory Services for the presentation.

RESOLVED: That the presentation be noted.

**48. UPDATE ON SIGNIFICANT GOVERNANCE ISSUE FROM 2014/15 ANNUAL GOVERNANCE STATEMENT : RESHAPING TRAFFORD**

The Committee received a report of the Corporate Director Transformation & Resources. The report included an extract from the 2014/15 Annual Governance Statement outlining one of the significant governance issues identified for further development through 2015/16 – Reshaping Trafford. It provided the Committee with an update on developments in this area and further work planned.

The Committee discussed the Locality Plan as well as the new HR shared services arrangements. Members were advised that Greater Manchester Police and Trafford Council had now completed the design phase and submitted a full business case for creating a joint HR shared service centre based at Trafford Town Hall, which was due to begin operating in August 2016.

RESOLVED: That the report be noted.

**49. TRAFFORD COUNCIL AUDIT PLAN**

The Council's external auditor, Grant Thornton, submitted the Audit Plan for Trafford Council for the year ended 31 March 2016 which outlined its audit strategy and plan to deliver the audit. Members discussed the review of IT as part of the audit and how this would be undertaken.

RESOLVED: That the external auditor's Audit Plan for the year ended 31 March 2016, be noted.

**50. INTERNAL AUDIT CHARTER AND STRATEGY**

The Committee received a report of the Audit and Assurance Manager providing the Internal Audit Charter and Internal Audit Strategy documents for approval following their recent review. The documents were previously updated in March 2014 in accordance with the Public Sector Internal Audit Standards, and were recently reviewed and updated to reflect a number of changes as outlined in Section 2 of the report.

Members were reminded that an external assessment of Internal Audit had to be undertaken at least every 5 years. Work was ongoing to agree a timetable to ensure all participating Councils had received an assessment by the deadline of 31 March 2018 in accordance with the PSIAS. The Audit and Assurance Manager would report back to the Committee once this timetable had been agreed.

RESOLVED: That the Internal Audit Charter and Strategy be approved.

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**51. INTERNAL AUDIT OPERATIONAL PLAN 2016/17**

The Committee received a report of the Audit and Assurance Manager providing the proposed Internal Audit Operational Plan for 2016/17. Members discussed how the service would mitigate the loss of two members of staff due to retirement, as well as the implications of the government's recent announcement regarding the academisation of all schools.

RESOLVED: That the 2016/17 Internal Audit Plan be approved.

**52. AUDIT AND ASSURANCE SERVICE : ANTI-FRAUD AND CORRUPTION UPDATE**

The Committee received a report of the Audit and Assurance Manager providing an update on Audit and Assurance Service work undertaken in relation to anti-fraud and corruption activity through the year. This had been briefly referred to in previous quarterly updates on the work of the Service.

Members were advised of the difficulty of assessing the direction of travel when discussing fraud; the use of new exercises and processes meant fraud which may have gone undiscovered previously could now be detected. The Audit and Assurance Manager confirmed that the counter fraud results would be available for Members later in the year.

RESOLVED: That the report be noted.

**53. STRATEGIC RISK REGISTER 2015/16 (MARCH 2016 UPDATE)**

The Committee received a report of the Audit and Assurance Manager providing an update on the strategic risk environment. This included arrangements in place to manage each of the strategic risks.

The Audit and Assurance Manager highlighted the risks which had been changed, removed and added, and proposed to continue to provide the Committee with biannual updates. Members were advised that, over recent years, Directorates were more involved with the risk register's development, and that the Corporate Management Team provided their direct input.

In response to a question on the recent announcement on business rates retention, the Chief Finance Officer suggest that a presentation on the topic be provided to the Committee once more information became available.

RESOLVED: That the report be noted.

**54. REVENUE BUDGET MONITORING 2015/16 - PERIOD 10 (APRIL 2015 TO JANUARY 2016)**

The Committee received a report of The Executive Member for Finance and the Chief Finance Officer detailing the outcomes of the monitoring of the Council's revenue budget for period 10 (April 2015 to January 2016).

**Accounts and Audit Committee  
22 March 2016**

Members were advised of the favourable movement in the overall underspend which was now at £4.4 million. There continued to be an overspend in Children's Services due to demand, but this was counteracted by the underspend in Adult's Social Services. The 22 per cent overspend in Community Health & Wellbeing was as a result of central government's in-year cut in the public health grant.

The Chief Finance Officer confirmed that the format of the Revenue Budget Monitoring reports would be assessed in due course.

RESOLVED: That the report be noted.

**55. ACCOUNTS AND AUDIT COMMITTEE - WORK PROGRAMME - 2015/16**

The Committee received a report of the Audit and Assurance Manager which set out the updated work plan for the Committee for the 2015/16 municipal year. The report outlined areas considered by the Committee at each of its meetings over the period of the year.

It was noted that the work programme had assisted in ensuring that the Committee had met its responsibilities under its terms of reference and maintained focus on key issues and priorities as defined by the Committee.

The Audit and Assurance Manager confirmed that the annual report for the 2016/17 Accounts & Audit Committee work programme would be brought to the next meeting, and the Chairman encouraged Members to put forward any items they might want to add to the programme.

RESOLVED: That the report be noted.

The meeting commenced at 6.30 pm and finished at 8.02 pm

## **ACCOUNTS AND AUDIT COMMITTEE**

### **Statement of Purpose**

The purpose of the committee is to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the Authority's financial and non financial performance to the extent that it affects the Authority's exposure to risk and weakens the control environment, and to oversee the financial reporting process.

### **Composition**

Membership of the Audit and Accounts Committee shall comprise 7 Members, be politically balanced and shall not include any Members of the Executive. A non voting member, with appropriate skills and experience, may be co-opted on to the Committee with the approval of the Council.

### **Terms of Reference**

#### **Internal and External Audit**

- a) Review and approve (but not direct) the terms of reference for Internal Audit, an Internal Audit strategy and internal audit resourcing.
- b) Review and approve (but not direct) the annual Internal Audit work programme. Consider the proposed and actual Internal Audit coverage and whether this provides adequate assurance on organisations main business risks, review the performance of Internal Audit.
- c) Receive summary internal audit reports and seek assurance on the adequacy of management response to internal audit advice, recommendations and action plans.
- d) Review arrangements made for cooperation between Internal Audit, External Audit and other review bodies and ensure that there are effective relationships which actively promote the value of the audit process.
- e) Receive the Annual Internal Audit report and opinion.
- f) Review and consider proposed and actual External Audit coverage and its adequacy and consider the reports of external audit and inspection agencies.
- g) Receive updates from External Audit on External Audit findings and opinions (including the audit of the annual financial statements and the value for money conclusion) and seek assurance on the adequacy of management response to External Audit advice, recommendations and action plans.

## **Risk Management**

- a) Review the adequacy of arrangements for identifying and managing the organisation's business risks, including partnerships with other organisations. This includes review of the Council's risk management policy and strategy and their implementation.
- b) Review the robustness of the strategic risk register and the adequacy of associated risk management arrangements.
- c) Receive and consider regular reports on the risk environment and associated management action.

## **Internal Control Arrangements, Corporate Governance and the Annual Governance Statement**

- a) Review the effectiveness of corporate governance arrangements and internal control across the organisation and the adequacy of action taken to address any weaknesses or control failures.
- b) Conduct a critical review of the proposed Annual Governance Statement (AGS), which is a key assurance statement required to be completed each year in accordance with the Accounts and Audit Regulations 2011. The review includes the procedures followed in its completion and the content of the Statement to consider:
  - how meaningful the AGS is;
  - the robustness of the evidence and assurances on which the AGS is based; and
  - whether the AGS discloses adequately the organisations actions for addressing any significant internal control weaknesses disclosed within the statement.
- c) Make recommendations for amendment of the AGS and the associated procedures.

## **Anti - Fraud and Corruption Arrangements**

- a) Review and ensure the adequacy of the organisation's Anti – Fraud & Corruption policy and strategy and the effectiveness of their application throughout the Authority.
- b) Review and ensure that adequate arrangements are established and operating to deal with situations of suspected or actual fraud and corruption.

### **Accounts**

- a) Approve the annual Statement of Accounts, including subsequent amendments.
- b) Consider the External Auditor's report on the audit of the annual financial statements.
- c) Be responsible for any matters arising from the audit of the Council's accounts, including the auditor's opinion on the accounts, identification of any misstatements, comments on the accounting and internal control systems and qualitative aspects of accounting practices and financial reporting.

### **Access and Reporting**

- a) To have the right of access to senior officers and all committees of the Council.
- b) To report directly to the Executive or Council, as appropriate, on matters within these terms of reference.

### **Delegation**

In exercising the power and duties assigned to the Committee in its terms of reference, the Audit and Accounts Committee shall have delegated power to resolve and to act on behalf of and in the name of the Council.

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## TRAFFORD COUNCIL

**Report to:** Accounts and Audit Committee  
**Date:** 28<sup>th</sup> June 2016  
**Report for:** Information and Discussion  
**Report of:** Lisa Hooley, Director of HR

### Report Title

**Strategic Risk 5: Loss / absence and retention of senior managers to the organisation.**

### Summary

**To update the Accounts and Audit Committee on initiatives and plans in place to mitigate the risk of loss and absence of senior management expertise and capacity to the Council.**

### Recommendation

**That the Accounts and Audit Committee notes the content of the report.**

### Contact person for access to background papers and further information:

Name: Lisa Hooley, Director of HR  
Extension: 4670

### Background Papers: None

#### 1. Background

- 1.1 As an organisation, Trafford Council has faced some tremendous challenges over the last few years as we have reshaped the organisation to meet the challenging financial landscape.
- 1.2 We have significantly transformed over this time. Most services have been restructured, processes have been redesigned to reduce waste and we have reviewed and reduced spending on all our contracts and revised our staff terms and conditions. We have introduced smarter technology, more online services and paperless and agile working. We have also increased the services we trade to others.
- 1.3 As a result of this amount of change, we have seen the level of movement at a senior management tier rise, which in turn has the potential to increase the risk of

losing senior management expertise across the Council. This has been recognised as a strategic risk, recorded and a series of initiatives put in place to address this.

- 1.4 There are a range of factors that affect the potential for the loss and absence of senior management within the organisation; for example, a number of senior managers have left the Council due to retirement and for career development opportunities.
- 1.5 This report provides details of a range of initiatives that are in progress and further work planned to mitigate the risks identified.

## **2. Addressing the Strategic Risk**

- 2.1 A number of controls have been put in place as detailed below that both support the Council to address the risk and our senior managers in undertaking their leadership roles.

### Executive Search Framework

- 2.2 An executive search framework is in place to secure experienced and available candidates from a range of professional disciplines for both permanent and short-term assignments. The latter provides support for particular pieces of critical and time-limited work or to provide additional leadership and specialist capacity.

### Leadership and Management Development

- 2.3 A range of leadership development sessions have supported staff to develop leadership and management skills and knowledge, with a focus on emotional intelligence skills to support them to manage resilience levels and lead their teams through change.
- 2.4 In addition a number of middle managers have attended the North West Employers Emerging Leaders programme, which is an accelerated learning opportunity over an eight-month period for talented Middle Managers who have the potential to be the senior leaders of the future.
- 2.5 Managers can also access a Coaching Network and work with experienced coaches to aid their continuous development and strengthen skill areas, supporting employee motivation and intrinsic satisfaction levels.
- 2.6 A formal succession planning approach is also currently being developed to identify senior and business critical posts and their successors at a senior management level.

### Reshaping Trafford: Supporting Change to Happen

- 2.7 The Supporting Change to Happen Strategy is in place, which underpins the Reshaping Trafford Council programme so that as the Council reshapes, managers

have the necessary skills to lead their teams through change and work in very different ways.

- 2.8 Underpinning this strategy is the Mobilising for Change development programme, which offers a range of learning initiatives to upskill and support our senior managers and the wider workforce.
- 2.9 Sessions delivered to-date within Phases one and two include Coaching for Improved Performance, Strategic Influencing and Managing the Stretch and Strain of Change, amongst others. Phase three is now underway and this includes sessions on How to Constructively Challenge, Strength-Based Conversations: Empowering Others and Being Resourceful and Resilient.
- 2.10 In addition, a Confident Manager programme is available for those individuals who aspire to move into management roles.

#### Engagement Strategy: One Trafford Culture

- 2.11 Further to feedback from staff through recent surveys and engagement at Trafford Leaders' and Working Together for Trafford events, we have recognised the need to engage with our workforce in different ways so they feel motivated, enthused and fully involved in the reshaping of the organisation.
- 2.12 Therefore, an engagement strategy has been developed and recently agreed that helps to reinforce our one team ethos of working together.
- 2.13 The strategy also recognises the achievements of our workforce and celebrates all of the good work that is done across the Council, which aids the motivation of our employees through initiatives such as the Celebrating Success scheme and the annual Employee Recognition Awards.

#### Health and Well-Being Strategy

- 2.14 We have developed a strategy that brings together a range of well-being interventions, including our occupational health offer, which provides access to confidential counselling and physiotherapy, in recognition of the importance of supporting and promoting the health and well-being of our workforce to improve and maintain healthy lifestyles.
- 2.15 An action plan with a range of future wellbeing interventions is being developed aligned to four key themes: Healthy Lifestyle, Mental Well-being, Safe and Healthy Workplace and Workforce Consultation and Engagement.

### **3. Conclusion and Recommendation**

- 3.1 The strategic risk register is updated quarterly on initiatives in place to support the mitigation of risk; the risk is kept under constant review and new initiatives are continuously developed and put in place to maintain and mitigate risk levels.

3.2 The Accounts and Audit Committee is recommended to note the contents of the report.

## TRAFFORD METROPOLITAN BOROUGH COUNCIL

**Report to:** Accounts & Audit Committee  
**Date:** 28 June 2016  
**Report for:** Information  
**Report of:** Chief Finance Officer

### Report Title

**Accounts 2016 – Statutory Financial Accounts for the year 2015/16 (pre-audit)**

### Summary

**Attached at agenda Item 6(a) is the full pre-audited Statement of Accounts for the year ended 31 March 2016, “Accounts 2016”.**

**Related reports on this agenda are :**

- the Revenue Budget Monitoring 2015/16 Outturn report (Item 6(b));
- the Capital Investment Programme 2015/16 Outturn report (Item 6(c)).

**The Accounts and Audit (England) Regulations 2015 require approval of the Statement of Accounts by the relevant Committee after the audit has been completed, and in any event not later than 30 September 2016.**

**In accordance with the Regulations, the accounts are required by 30 June 2016 to be certified by the Chief Financial Officer that they are a true and fair view of the financial position of the Council at 31 March 2016, and the same for its income and expenditure for the year ended 31 March 2016. This is prior to public inspection and review by the appointed external auditor.**

**These accounts are presented so that Committee can review the full financial results of the Council for 2015/16 at the earliest opportunity, before external audit and public inspection, and in accordance with best practice.**

### Recommendation(s)

**The Committee is requested to note the Accounts 2016, prior to submission to the external auditor and public inspection.**

### Contact person for access to background papers and further information:

**Name:** Dave Muggerridge, Finance Manager Financial Accounting  
**Extension:** 4534

## **Background Information**

- Service Reporting Code of Practice (SeRCOP) 2015/16, CIPFA;
- Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 ("The Code");
- The Accounts and Audit (England) Regulations 2015
- Local Government Finance Acts (various).

Financial Implications:	Not applicable
Legal Implications:	Failure to approve the accounts in a proper format would be contrary to the Account and Audit Regulations.
Human Resources Implications:	Not applicable
Asset Management Implications:	Not applicable
E-Government Implications:	Not applicable
Risk Management Implications:	Not applicable
Health and Safety Implications:	Not applicable

1. The Council, or delegated Committee (Accounts & Audit Committee), is required by regulation to approve the Financial Accounts drawn up in a format defined by regulation and best practice (which has the weight of law) by 30 September 2016, after submission to the Council's external auditor, Grant Thornton, and public inspection.
2. The Chief Financial Officer is required by the Regulations, to certify by 30 June 2016 that the accounts are a true and fair view of the financial position of the Council at 31 March 2016, and its income and expenditure for the year ended 31 March 2016. This is prior to public inspection and review by the appointed external auditor.
3. The Accounts 2016 are reported so that Committee can review the full financial results of the Council for the 2015/16 financial year at the earliest opportunity, before audit and public inspection, and in accordance with best practice.
4. The Committee may wish to raise questions with the Chief Finance Officer (4238), Interim Head of Financial Management (4336) or the Finance Manager Financial Accounting (4534) prior to the meeting.
5. A copy of the Council's out-turn position reports to the Executive for both revenue and capital are included at items 6(b) and 6(c) respectively for further information. Committee will be verbally briefed on the Accounts 2016 and related reports, covering an analysis of the accounts, with attention drawn to significant matters, changes and variances, and explanations provided.

## **Recommendation**

6. Committee is requested to note the Statement of Accounts for the year ended 31 March 2016, prior to submission to the external auditor and public inspection.



**TRAFFORD**  
**COUNCIL**

# ACCOUNTS

# 2016

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# narrative report by the chief finance officer

## Introduction

This document provides the detail behind the Council's financial performance for the year 1 April 2015 to 31 March 2016.

The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015. The regulations require the accounts to be prepared in accordance with proper accounting practices and these primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom in 2015/16 (the Code) and the Service Reporting Code of Practice (SeRCOP) 2015/16, supported by International Financial Reporting Standards (IFRS).

In complying with the requirements and standards of the Chartered Institute of Public Finance and Accountancy (CIPFA) in preparing the accounts, they aim to provide all stakeholders including partners, elected councillors and residents of the Borough and other interested parties an understanding of the financial position of the Council in 2015/16, confidence that public money has been accounted for correctly and that the financial position of the Council is robust.

This Narrative Report provides information about Trafford, its objectives and achievements whilst also providing a summary of the financial position at 31 March 2016 and key issues that have affected the accounts during the year.

## Trafford the Borough

Trafford has a robust economy with over 11,000 businesses, ranging from cutting edge digital and creative companies to advanced manufacturing and green technology. The 230,000 strong population of Trafford is the most highly skilled and educated in the North West of England with 44% qualified at NVQ4 and above. The Gross Value Added (GVA) for Trafford is £6.6 billion p.a. which represents the highest productivity per head in Greater Manchester.

Trafford has over 7.6m visitors per year, mainly due to the prestigious attractions that reside here including the Intu Trafford Centre, one of the largest indoor shopping centres in the UK and visited by over 30 million people per year. Trafford Wharfside is a leading visitor destination, home to

Manchester United FC, Lancashire County Cricket Club, Coronation Street and the award winning Imperial War Museum North.

## Trafford Council

Trafford's vision is to remain a cultural, prosperous and economically vibrant borough. To ensure this ambition is met we need to make sure we have a highly effective Council working in partnership with the community, businesses and the voluntary and social enterprise sector.

To meet our vision the Council is working to a number of priorities which are reflected across the whole business and are resident in every decision we make. The Council's Corporate Strategy set's out these priorities that help shape Trafford as a great place to live, learn, work and relax:

- Low Council Tax and Value For Money
- Economic Growth and Development
- Safe Place to Live – Fighting Crime
- Services Focused on the Most Vulnerable People
- Excellence in Education
- Reshaping Trafford Council

Trafford is one of the lowest spending Council's in the UK, has the lowest council tax in Greater Manchester and yet is proud to be delivering effective high quality services. Through both direct service delivery and effective partnership working the Council has maintained performance and quality standards. Examples of the high level of delivery include:

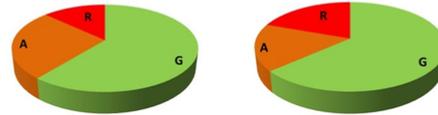
- Our children's services were rated by OFSTED as the joint highest performing Children's safeguarding service in the country.
- 94% of Trafford pupils attend schools which are rated as "good" or "outstanding".
- Maintaining income by the highest rate of council tax collection rate in Greater Manchester
- 100% delivery of the highways capital maintenance programme

We recognise that to respond to the challenges of growing demand and reducing funding, our Council needs to change. In 2014 the Council launched the "Reshaping Trafford Council" programme, some of the key areas for focus are "delivering a common vision with partners", "making things happen which wouldn't have otherwise", "making expectations clear for customers" and "taking more risks".

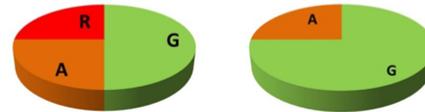
**PERFORMANCE SUMMARY**

2014/15 2015/16

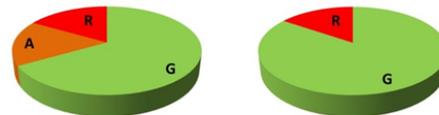
**All Indicators**



**Low Council Tax and Value for Money**



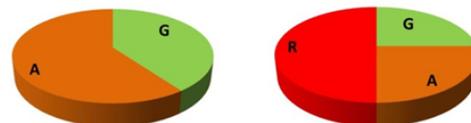
**Economic Growth & Infrastructure**



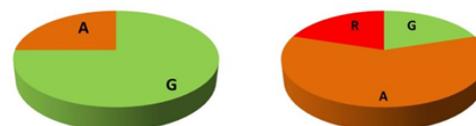
**Safe Place to Live – Fighting Crime**



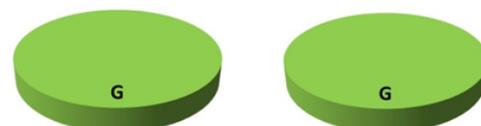
**Health and Wellbeing**



**Supporting Young People**



**Reshaping Trafford Council**



Public services are naturally moving closer together due to the way we are transforming as a borough. We are increasingly working with our public sector partners to operate more efficiently and our next major step will see the integration of health and social care creating an all-age service for our residents. This means having one service to meet the needs of individuals – all through one front door – a single point of access.

This is complimented by a ground breaking new Care Coordination Centre which was developed during the last financial year and is now operating. This has been developed in partnership with the Trafford Clinical Commissioning Group and it will ensure the provision of efficient coordinated support to local people to improve and maintain their health and wellbeing.

The Council has also examined where services could be more effectively and efficiently delivered through alternative delivery models. During this year the operating model for the council's leisure services was changed and this is now operating as a Community Interest Company which will help to ensure that Trafford can operate and maintain the current level of provision.

Also in 2015, we launched our One Trafford Partnership with Amey PLC. This is partnership we are proud of and one which is designed to keep our services running in the most cost-effective manner. This partnership covers council services such as collecting bins, and maintaining roads and pavements.

**Performance Monitoring**

The Council monitors and reports on its performance against a suite of key performance indicators (KPIs) designed to measure progress against the Council's priorities as outlined above. This helps to ensure that our scarce resources are targeted in the most efficient way.

Performance in 2015/16 shows that 80% of indicators are being delivered close to target or above (Green – G and Amber – A in the chart below) and this is broadly in line with 2014/15 (83%). During the year the performance reporting was enhanced to cover a broader range of indicators and further details of all the indicators and direction of travel can be found on the Council's website.

### The Revenue Budget 2015/16

The financial year 2015/16 presented the biggest financial challenge since austerity began six years earlier in 2010. Throughout this period the Council has been committed to delivering value for money services and a low Council Tax and this can only be achieved by a strong culture of financial management across all services. The Council also has a strong ethos of collaboration and working in partnership to strengthen our local and organisational resilience. On 18 February 2015 the Executive recommended the Council approve an overall net revenue budget of £148.914m following a budget process that involved consultation with stakeholders, the Final Local Government Finance Settlement and following detailed scrutiny.

There was no increase in Council Tax for Trafford services, keeping the Band D Council Tax at £1,105.23 for the fifth consecutive year. This Band D Council Tax increased to £1,315.17 when precepts for the Police and Crime Commissioner for Greater Manchester and Greater Manchester Fire and Rescue Authority are included, making Trafford the 16th lowest in the country.

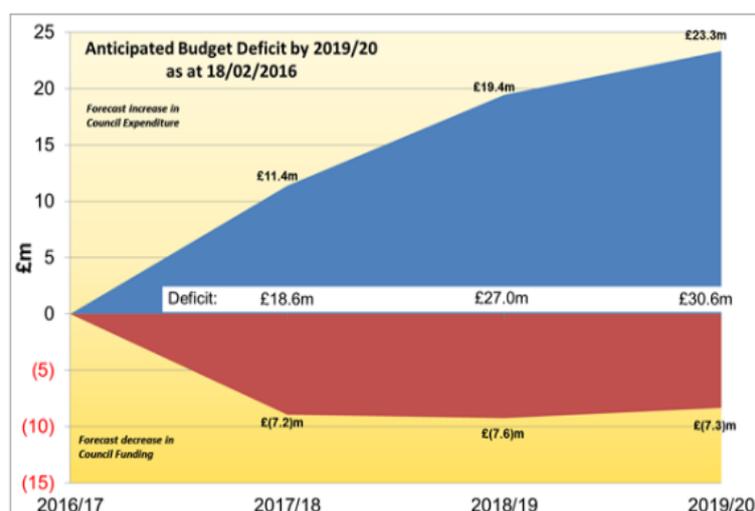
In setting a balanced and robust budget, a budget gap of £24.7m, created by reductions in Government funding of £10.1m and cost pressures of £14.6m, had to be addressed and this was met by new income of £3.1m and efficiency and policy choice related savings of £21.6m. At the time of setting the budget the overall gap in our medium term forecasts for 2015/18 was £57m. This position was updated during the course of the year following the spending review and local government finance settlement which was worse than anticipated for Trafford, particularly in 2016/17 and 2017/18.

Taking into account the indicative allocations in the settlement and additional flexibilities around council tax it is projected

that the Council will need to make further savings in excess of £30m by 2019/20, which is approximately 21% of our current net budget.

	Revised Budget £m	Actual Exp £m	Variance £m	%
CFW Children's Service	28.095	28.693	0.598	2.1
CFW – Adult Social Services	48.812	46.464	(2.348)	(4.8)
CFW – Public Health	(0.868)	(0.715)	0.153	17.6
Economic Growth , Environment and Infrastructure	32.223	31.445	(0.778)	(2.4)
Transformation and Resources	16.983	15.900	(1.083)	(6.4)
	<b>125.245</b>	<b>121.787</b>	<b>(3.458)</b>	<b>(2.8)</b>
Council-wide budgets	23.669	21.569	(2.100)	(8.9)
<b>Outturn variance</b>	<b>148.914</b>	<b>143.356</b>	<b>(5.558)</b>	<b>(3.7)</b>
<b>Financed By:-</b>				
Council Tax	<b>(80.316)</b>	<b>(80.316)</b>		
Business Rates	<b>(36.652)</b>	<b>(36.652)</b>		
Revenue Support Grant	<b>(30.646)</b>	<b>(30.646)</b>		
Collection Fund Surplus	<b>(0.300)</b>	<b>(0.300)</b>		
General Reserve	<b>(1.000)</b>	<b>4.558</b>	<b>5.558</b>	
	<b>(148.914)</b>	<b>(143.356)</b>	<b>5.558</b>	

The major factors contributing to the future budget shortfall continue to be the anticipated reductions in central government funding and cost pressures which include demographic pressures in social care, national living wage and other inflationary pressures. The future requirement to make savings remains a major issue particularly in the context of the £113m of savings and additional income delivered since 2010/11. As a consequence the continuing uncertainty regarding the Council's medium term financial position remains a major risk within the Council's strategic risk register.



## Outturn Performance

Reference is made to the Council Revenue Outturn, available on the Council's web site, which contains more detail on financial performance against budget which was an overall underspend of £5.6m, and also to the reconciliation between the revenue outturn, or management accounts, and the statutory accounts in the next section:

The budget was based on the delivery of £21.6m of budget savings and this was successfully exceeded with actual savings of £21.8m being delivered.

Major variances included :-

- Increases in Children's client care package costs £1.288m;
- Reduction in running costs across all Directorates of £0.612m;
- Vacancy management across all Directorates, £3.487m;
- New and increased income generated £0.788m of additional funding;
- Manchester Airport Group Dividend above budget, £0.648m (after transferring £1.245m to an Earmarked Reserve for use in supporting the 2016/17 budget);
- Business Rates - additional growth of £0.374m has been released in 2015/16 and included in the Council Wide outturn;
- Housing and Council Tax Benefits overpayment recovery net variance of £0.454m;
- Release of the unallocated general savings contingency budget, £0.487m;

The actual spending in the year was £143.356m, representing an underspend on overall planned activity of £5.558m:

### General Reserve

The General Reserve represents the aggregate of net under spends from past financial years of monies that have not been specifically allocated to reserves for specific future purposes. It is used as a working balance and to allow for a cushion against unforeseen or emergency expenditure.

The balance at the start of the year was £7.871m and following a number of authorised transfers to support projects and initiatives and including the 2015/16 net

underspend, the balance at the end of the year is £7.894m.

On 17 February 2016 the Council agreed to maintain a minimum reserve of £6m for the year 2016/17, and £1.899m is planned to support the 2016/17 budget, leaving an uncommitted balance at 31 March 2016 of £6m.

### Capital Investment

The Capital Programme for 2015/18 was approved at the Council meeting of 18 February 2015 and provided the framework within which the Council's capital investments plans were to be delivered. The value of the three year Capital Programme, covering 2015/16 to 2017/18, was set at £79.7m, with £41.8m originally programmed for 2015/16.

Financing of the investment proposals was predominantly made up of grants and contributions of £56.8m relating to specific areas of investment e.g. schools and highways; capital receipts of £13.6m generated from the disposal of assets and prudential borrowing of £9.3m which is only undertaken where the investment is linked to revenue savings and it is affordable and sustainable to do so. In setting the 3 year programme all potential resources were fully utilised.

Investment across the 3 years included:

- The continued provision of in excess of 2,200 additional school places to meet demand along with a programme to ensure schools met suitability and sustainability standards.
- Town centre regeneration with a major project starting in Altrincham and plans for Stretford being finalised.
- Continued improvement of the highways and footways infrastructure and integrated transport initiatives including the extension of the metrolink and cycling facilities.
- Continuing development of the Council's ICT systems to ensure an improved customer experience and seamless service delivery across internal and external partners.

As 2015/16 progressed, the initial plans were revised to incorporate expenditure re-profiled from the previous year, new assumptions, approvals and scheme updates, as information became available giving rise to an adjusted budget of £44.6m.

The Council spent £31.9m on its Capital Programme in 2015/16 compared to the budgeted spend of £44.6m. Details of which can be found on pages 100 to 101. The capital expenditure incurred during the year and financing of this expenditure is shown in the tables below.

	Budget £m	Exp £m	Variance £m
Schools investment	17.5	16.9	(0.6)
Supporting infrastructure	4.3	1.3	(3.0)
Regeneration Projects	3.8	2.4	(1.4)
Highways improvements	11.3	6.5	(4.8)
Social Services	4.1	2.6	(1.5)
ICT Investment	2.6	1.4	(1.2)
Recreation & Culture	1.0	0.8	(0.2)
	<b>44.6</b>	<b>31.9</b>	<b>(12.7)</b>
<b>Financed by :</b>			
Grants and Contributions	(33.3)	(28.1)	5.2
Capital Receipts	(8.2)	(3.2)	5.0
Earmarked Reserves	(1.0)	(0.4)	0.6
Borrowing	(2.1)	(0.2)	1.9
	<b>(44.6)</b>	<b>(31.9)</b>	<b>12.7</b>

The variance between the budgeted capital expenditure and the final outturn for the year was £12.7m and this will require re-profiling into 2016/17 and later years along with the associated financing. Therefore this does not present any financial issues for the Council. The major reasons for the variance included some planned re-profiling and an extension of the time taken to reach agreement on a number of grant funded projects. More details of the variance can be found at : <https://democratic.trafford.gov.uk/documents/s13656/Capital%20Programme%20-%20Outturn%20Report%202015-16.pdf>

### Treasury Management

The Council proactively manages long term loans and long and short term investments to minimise the interest payable on external borrowing, and to generate as high an income level as possible on cash deposits commensurate with the risk to the principal invested.

Throughout 2015/16 the Council complied with its legislative and regulatory requirements, including compliance with all treasury management prudential indicators.

**Debt** - at 31 March 2016 the Council's total level of debt was £104.2m compared to £95.0m at 1 April 2015. The increase of £9.2m is a result of planned debt repayments of £1.8m and new debt taken of £10.0m with the Public Works Loans Board (PWL) together with receipt of £1.0m of debt from Salix Finance for use on the

Council's Street Lighting programme. The Council continues to remain in a deliberate position of being under borrowed in order to counteract the continuing uncertain economic climate and as a result of this action debt interest has been saved.

The average external rate of interest payable during the year was 6.02%, which compares favourably with 6.07% in 2014/15. The following table provides further details, including the interest loan rate at the beginning and end of the financial year.

	as at 01.04.15	as at 31.03.16
Average weighted maturity of long term loans (in years)	25.6	27.3
Number of loans	32	32
Value of loans	£95.0m	£104.2m
Loan rate	6.05%	5.79%

### Investments

The Council operates its own trading function for the investment of temporary surplus cash deposits. The Council's money market investments, excluding cash at bank, totalled £81.8m as at 31 March 2016 and this compares to £77.6m as at 31 March 2015. In 2015/16 an average investment rate of 0.84%, 0.51% above the market benchmark (London Inter-bank BID 7day rate), was achieved. This compares with an average return of 0.70%, in 2014/15 which was 0.36% above the LIBID 7day rate. During the year £5m was placed into the Church Commissioners Local Authority Property fund for an expected minimum period of 5 years. Further details regarding this investment can be found in note 16 page 58.

### Schools

At the end of 2015/16 the Council maintained 60 primary schools, 6 secondary schools and 4 special schools (70 in total) for which the year-end balances were included within the Council's balance sheet. Four of the Council's schools carried over a deficit budget at the end of the year. Schools may carry forward any surplus/deficit in expenditure for the year from one financial year to the next. School balances for 2015/16 decreased by £0.396m when compared to 2014/15, to £7.370m.

Schools with balances that exceed the recommended maximum (8% primary and

special schools, 5% secondary schools) are requested to submit information detailing how they have accrued balances and how they intend to utilise them.

During 2015/16, two special schools converted to academy status bringing the total to 21.

At the end of 2015-16 a central DSG reserve of £0.787m was carried forward, however, £0.456m of this is required to balance the 2016/17 budget. It is expected that this reserve will be used by the end of the next financial year, due to continuing pressures on the high needs block.

### Key Features in the Accounts

The following key matters are listed to quickly identify and summarise the salient features of the Accounts.

#### **Comprehensive Income & Expenditure Statement (CIES):**

- the deficit on the provision of services on the CIES is £7.7m (2014/15 at £21.7m). However, the management accounts declare an outturn underspend of £5.6m (2014/15 £5.5m). The differences between these two statements of financial performance relate to the differences in accounting practices applied, which are adjusted for in the MiRS, and a summary reconciliation between the two outturns is provided later in the Narrative Report;
- the total balance on the CIES has moved from a £71.9m deficit to a £68.1m surplus. The movement in the CIES of £140.5m primarily relates to:
- changes in the valuation of net pension liability of £137.0m.
- a revaluation of Manchester Airport Shares resulted in a devaluation of £1.2m compared to a £4.3m positive movement in 2014/15.
- revaluation of property, plant and equipment (PPE) assets and investment property £17.6m compared to £16.3m in 2014/15). This was in part due to the change in 2015/2016 requiring investment property and other non-operational property to be based on fair value.
- A reduction in other operating expenditure from £33.0m in 2014/15 to

£31.8m in 2015/16 due to a reduction in waste levy costs;

- Additional business rate and council tax related income £3.6m,
- plus other net movements of £2.4m.

#### **Balance Sheet:**

There has been a net £68.0m or 46% increase in the value of the balance sheet, with the key movements being:

- Decrease in pension liability £58.2m (see below)
- Increase in net current assets £3.8m, in part due to a reclassification of investments due for repayment in 2016/17 and an increase in general debtors due to late receipt of a school related grant, offset by an increase in creditors mainly in respect of the Government's share in business rates.
- An increase in the value of assets of £6.3m relating to new capital expenditure, depreciation, revaluation adjustments and disposals, offset by an increase in long term liabilities related to new borrowing.
- £0.3m other net movements.

#### **Net Pensions Asset / Liability**

The Council participates in three pension schemes: the Local Government Pension Scheme, administered by Tameside Metropolitan Borough Council; the Teachers' Pension Scheme, administered by the Department for Education (DfE) and; the NHS Pension Scheme (since 1 April 2013), administered by NHS Pensions. At 31 March 2016 the Council had a net liability for pensions of £226m, which compares with £284.2m at 31 March 2015. This reduction in net liability of £58.2m is mainly due to more favourable financial assumptions, particularly relating to a higher net discount rate, 3.5% compared to 3.2% in 2014/15.

Further details on the Council's overall net pensions asset/liability are included in notes 47 and 48 on pages 104 to 105 .

### **Collection Fund – Council Tax:**

The Council collects Council Tax on behalf of itself, the Police and Crime Commissioner for GM, the GM Fire and Rescue Authority, and Partington Town Council. It also collects business rates and shares this revenue in a prescribed manner with the Government and GMFRA.

A total of £95.9m of Council Tax was collected in respect of 2015/16, a performance of 97.9% (97.8% in 2014/15). Details of the Collection Fund can be found on page 126, which shows an overall surplus of £1.842m. This surplus is apportioned to the Council, the Police and Crime Commissioner for GM and the GM Fire and Rescue Authority on a proportionate basis. Trafford's share of the surplus is £1.545m which is planned to support future budgets and is included along with Trafford's share of business rates £0.767m in note 25 (vi) (page 76).

- Council Tax collection rates were strong and for the seventh year running the Council has the highest collection rate in Greater Manchester. In year collection rates were marginally better than expected at 98.01% compared to a target of 98.0%. Furthermore, the collection of older debt was better than anticipated by £0.147m.
- The introduction of the Council Tax Support Scheme, now in its third year continues to progress well, with a further drop in the number of claimants resulting in costs being lower than budget by £0.850m.
- Continued growth in our council tax base has been partially offset by on-going successful council tax property valuation appeals, resulting in a further net increase in council tax of £0.428m.
- After taking into account the brought forward collection fund surplus of £0.773m and the planned budget support of £0.356m, the net impact of the above has resulted in a year end surplus of £1.360m. Of this £0.357m is committed to support the 2016/17 budgets of all precepting authorities.

### **Collection Fund - Business Rates**

- The level of business rate income for the year after discounts, reliefs, cost of collection and provisions was £162.769m; which is £5.228m in excess of the baseline target of £157.541m. An element of the Council's share of this was used to support the Council's budget in 2015/16, with the remainder carried forward within the collection fund for redistribution in future years.
- The accumulated surplus on the NDR element of the collection fund carried forward as at 31<sup>st</sup> March 2015 was £1.565m and this will be shared between the relevant precepting bodies (Central Government 50%, GM Fire and Rescue Authority 1%) in 2016/17 and 2017/18 ( the Council's share (49%) is £0.767m See page 130.

### **Reconciliation between Statutory Accounts and Management Accounts**

The Council's management accounts outturn position is an underspend of £5.6m (analysed above), whereas the Surplus/Deficit on the Provision of Services in the CIES on pages 11 to 12 shows an overspend of £7.686m.

The differences between the CIES and the Council's management accounts are adjusted for in the Movement in Reserves Statement (pages 15-16). This statement reconciles the surplus on provision of services in the CIES to the movement in the General Fund Balance (first column of the MiRS, with detail in note 7). The General Fund Balance reflects the overall financial activity of the Council on the same basis on which the budget was set and taxation planned to be raised.

The increase in the General Fund Balance is £0.023m, as detailed below, and also contained in the Revenue Budget Outturn report available on the Council's website.

<b>CIES account reconciled to £m outturn</b>	
<b>CIES Account Deficit on 7.7 Service Provision</b>	
Accounting adjustments in MiRS:	
- Capital charges	(18.0)
- Capital Grants	12.5
- Pensions	(6.5)
- Collection Fund	7.5
- Net transfers to/(from) earmarked reserves to revenue	(3.4)
- Net transfer from schools reserves	(0.6)
- Other	0.8
<b>Total adjustments</b>	<b>(7.7)</b>
<b>(Increase)/Decrease in GF Balance **</b>	<b>0.0</b>
Add back:	
Budgeted support for GF	(1.0)
Transfers (to)/from earmarked reserves	(1.1)
Transfer from service reserves*	(3.5)
<b>Outturn Variance</b>	<b>(5.6)</b>

\* The transfer to service reserves is the net service area underspend £3.458m in 2015/16 (Table 1 of the Revenue Budget Outturn report) and will be carried forward into 2016/17.

\*\* exact figure is £0.023m

### Future Developments

The main issue facing the Council into the medium term will be to find ways of delivering essential public services whilst meeting the continuing austerity demand. In addition:

- The Greater Manchester area is successfully developing programmes of work around reforming the delivery of services through a wide ranging Public Sector Reform Programme. This, coupled with the GM devolution programme will have far reaching implications on the way public services are delivered and financed in future years.
- Under the Greater Manchester Devolution agreement, a memorandum of understanding for Health and Social Care devolution has been signed by CCGs and Councils in Greater Manchester, which will take control of combined health and social care resources of £6bn on an integrated basis across the area from April 2016.

- In response to these many changes to services, funding, and overarching environment, and the requirements of the Localism Act 2011, the Council will continue to review how it will organise itself and how it will work with partners and all relevant agencies to commission and deliver public services into the future.
- During the year the Council established two Community Interest Companies for the provision of leisure and youth services and these will shape new service delivery in the coming years. As the Companies were only created part way through 2015 Group Account considerations will only become effective from 2016/17.

### Future Budgets

Information on the planned future expenditure and the financial environment of the Council can be found in the Council's 2016/17 Revenue Budget and 2016/19 Capital Programme Report, which can be found on the Council's website. The Council has also a web site dedicated to the Reshaping Trafford project agenda which endeavours to creatively review the Council's business operations to identify future savings in an ever more challenging environment.

### Receipt of Further Information

If you would like to receive further information about these accounts then please do not hesitate to contact me at Financial Management, Transformation and Resources Directorate, Trafford Council, Town Hall, Talbot Road, Stretford M32 0TH.

**Nicola Bishop**  
**Chief Finance Officer**  
**30<sup>th</sup> June 2016**

## **Explanation of the Financial Statements**

Please note that a glossary of terms can be found on page 131.

A description of the responsibilities of the Council regarding the Accounts 2016 is provided at page 10, and the Audit certificate can be found on page 12.

The Accounts are drawn from systems which in themselves must operate satisfactorily in order for the figures to be true and dependable. More information on the effective operation of the Council's systems, governance arrangements and control environment can be found in the Annual Governance Statement (AGS). The AGS does not form part of the Accounts, but it is published alongside so that it can be read in conjunction.

There can be choices in accounting conventions and/or treatment that would be more practical for a given organisation in order for it to show a truer reflection of economic activity or value. The Council's choices are outlined in detail in the Accounting Policies (note 1) on pages 18 to 31.

The main financial statements that make up the Accounts (pages 11-17) are: the Comprehensive Income and Expenditure Statement (CIES); Balance Sheet; Movement in Reserves Statement (MiRS) and, Cash Flow Statement. These are explained in summary below, with a full explanation included with each statement in the main accounts.

**The Comprehensive Income and Expenditure Statement** (page 11-12) shows the Council's financial performance for the year, measured in terms of the resources consumed and generated, as defined in the Code, over the period 1 April 2015 to 31 March 2016. However, the Council is required to set its budget and raise Council Tax on a different accounting basis than the Code, the main differences being:

- Capital investment is accounted for as it is financed, rather than when the assets are consumed (e.g. cash is paid out when an asset is purchased, however it is charged to CIES as it depreciates);
- Regulation and the Council's management accounts make distinction between capital and revenue income. Under the Code all income is treated the same and is accounted for in the CIES where required;
- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned and become committed.

The variations in accounting treatment between the Council's management accounts and (financial) Accounts 2016 are adjusted for within the Movement in Reserves Statement on pages 15 to 16, with more detail in note 7 on pages 36 to 44. A summary reconciliation between the CIES net gain and the management accounts net declared underspend position is provided later in this foreword.

**The MiRS** (pages 15-16) also shows the movements in reserves of the Council for the year split between usable and unusable reserves. Unusable reserves relate to accounting adjustments for the differences between management and financial accounting treatment and are not 'cash backed' and cannot be used to support service activity.

The total net worth of the Council, total assets less total liabilities, as a statement of value is listed on the Balance Sheet on pages 13 to 14.

**The Cash Flow statement** (page 17) provides summary figures on the total movements in cash for the year and how it has been applied on three types of financial activity: inflows and outflows caused by core business operations, changes in equipment, assets or investments related to investing activities and changes in debt, loans or dividends from financing activities.

Explanatory notes to the primary statements are provided on pages 18 to 126. These notes expand on the figures, providing greater detail and information as prescribed or as necessary. Included within these notes is a statement on 2015/16 capital expenditure and how this was financed on pages 100 to 101.

The Council has the responsibility for collecting all Council Tax due in the Borough on behalf of itself, the Police and Crime Commissioner for Greater Manchester, the GM Fire and Rescue Authority and Partington Town Council. It also has the responsibility for collecting all Non-Domestic Rates (Business Rates) on behalf of itself, the GMFRA and the Government. The financial activity relating to local taxation is contained in the Collection Fund statement, pages 126 to 130.

## **Main Changes to the Core Statements and Significant Transactions in 2015/16**

### **Pensions Comments**

The actuarial valuation of the Council's pension scheme liabilities and pension reserve shown on the Balance Sheet have reduced by £58.2m during the year, mainly as a result of changes to the financial assumptions used by the pension fund Actuary (Hymans-Robertson). The main change relates to the increase in the discount rate used by the Actuary to discount the future cash flows of the fund. These assumptions are determined by the Actuary and represent the market conditions at the reporting date. The Council relies and places assurance on the professional judgement of the Actuary and the assumptions used to calculate this actuarial valuation. Further details are given in Note 28.

Within the 2015/16 accounts, infrastructure assets (highways, footways, bridges etc.) are included within the Property, Plant and Equipment on the Balance Sheet. In 2016/17 the Council will need to recognise a new asset category on the Balance Sheet, the Highways Network Asset. This will be disclosed as a separate line on the Council's Balance Sheet and separately in the notes to the accounts. This is as a result of changes to the 2016/17 Code of Practice which will require all Local Authorities to value their Highways Network Asset using a Depreciated Replacement Cost basis rather than the current valuation basis of Depreciated Historical Cost. It is expected that this change in accounting policy will result in a significant increase in the value of these assets and would normally require retrospective restatement of the Council's Balance Sheet from 1 April 2015. However, CIPFA/LASAAC has introduced transitional arrangements so that this will be applied from 1 April 2016 with no requirement to restate the information in the prior year. The Council is reviewing its transport infrastructure systems and data to ensure that it can meet the reporting requirements from 1 April 2016.

## **statement of responsibilities for the statement of accounts**

### **The Council's Responsibilities**

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Chief Finance Officer;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- approve the Statement of Accounts.

### **Responsibilities of the Chief Finance Officer**

The Chief Finance Officer is responsible for the preparation of the Council'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 Chief Finance Officer has:

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

The Chief Finance Officer has also:

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

### **Certification**

#### **By the Chief Finance Officer**

I certify that the Statement of Accounts set out on the following pages gives a true and fair view of the financial position of Trafford Borough Council at 31 March 2016, and its expenditure and income for the year ended 31 March 2016.

**Nicola Bishop**  
**Chief Finance Officer**  
**30<sup>th</sup> June 2016**

## **audit opinion**

These accounts are subject to audit and the External Auditor's Certificate and Opinion will be shown on this page once completed.



## comprehensive income and expenditure statement

### About this Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement. A restated position is shown in 2014/15 due to 3 items as detailed in Note 53, page 122.

Restated 2014/15			Year ended 31 March		2015/16		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Service	Note	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
6,963	(2,390)	4,573	Central Services to the Public		7,915	(2,873)	5,042
9,256	(1,156)	8,100	Cultural & Related Services		8,082	(453)	7,629
14,362	(3,851)	10,511	Environmental & Regulatory Services		14,263	(4,420)	9,843
4,247	(2,122)	2,125	Planning Services		3,124	(2,090)	1,034
193,581	(146,957)	46,624	Children's and Education Services		191,778	(149,851)	41,927
13,649	(3,651)	9,998	Highways and Transport Services		14,055	(2,995)	11,060
72,966	(68,931)	4,035	Housing Services		68,260	(66,327)	1,933
77,029	(20,418)	56,611	Adult Social Care	53	75,669	(24,142)	51,527
9,913	(10,555)	(642)	Public Health		12,160	(11,802)	358
5,231	(2,605)	2,626	Corporate and Democratic Core		3,250	(371)	2,879
7,803	(71)	7,732	Non Distributed Costs		(431)	(111)	(542)
<b>415,000</b>	<b>(262,707)</b>	<b>152,293</b>	<b>Cost of Services</b>	<b>53</b>	<b>398,125</b>	<b>(265,435)</b>	<b>132,690</b>
32,971	0	32,971	Other Operating Expenditure	9	31,798	0	31,798
45,061	(29,448)	15,613	Financing and Investment Income and Expenditure	10	38,442	(25,885)	12,557
	(179,177)	(179,177)	Surplus or Deficit on Discontinued Operations				
			Taxation and Non-Specific Grant Income and Expenditure	11/39/53		(169,359)	(169,359)
		<b>21,700</b>	<b>(Surplus) or Deficit on Provision of Services</b>	<b>53</b>			<b>7,686</b>

## comprehensive income and expenditure statement (continued)

Restated 2014/15			Year ended 31 March		2015/16		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Service	Note	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
		21,700	<b>(Surplus) or Deficit on Provision of Services</b>				7,686
		(13,051)	(Surplus) or Deficit on Revaluation of Property, Plant and Equipment Assets	12			(12,472)
		(4,300)	(Surplus) or Deficit on Revaluation of Available for Sale Financial Assets	25(ii)			1,385
		67,584	Re-measurement of Net Defined Benefit / Liability	25(v)			(64,656)
		<u>50,233</u>	<b>Other Comprehensive (Income) and Expenditure</b>				<u>(75,743)</u>
		<u>71,933</u>	<b>Total Comprehensive (Income) and Expenditure</b>	53			<u>(68,057)</u>

## balance sheet

### About this Statement

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council 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'. A restated position is shown for 2014/15 due to £0.500m of monies relating to a Greater Manchester Combined Authority (GMCA) scheme which were shown in last year's statements under earmarked reserves which should have been shown under short term creditors as the cash was being held by Trafford Council as an agent on behalf of GMCA.

<b>Restated 31 March 2015 £000</b>		<b>Notes</b>	<b>31 March 2016 £000</b>
428,933	Property, Plant & Equipment	12	438,041
1,019	Heritage Assets	13	1,014
30,497	Investment Property	14	34,879
2,159	Intangible Assets	15	2,846
46,000	Long Term Investments	16	44,615
14,637	Long Term Debtors	19	14,447
<b>523,245</b>	<b>Long Term Assets</b>		<b>535,842</b>
34,954	Short Term Investments	16	39,464
5,198	Assets Held for Sale	21	7,097
338	Inventories	17	78
21,614	Short Term Debtors	19	27,167
46,593	Cash and Cash Equivalents	20	46,726
<b>108,697</b>	<b>Current Assets</b>		<b>120,531</b>
(2,689)	Short Term Borrowing	16	(4,683)
(55,223)	Short Term Creditors	22/53	(63,198)
(12,582)	Short Term Provisions	23	(12,277)
(1,941)	Grants Receipts in Advance (Revenue)	39	(733)
(2,926)	Grants Receipts in Advance (Capital)	39	(2,463)
<b>(75,361)</b>	<b>Current Liabilities</b>		<b>(83,354)</b>

## balance sheet (continued)

Restated 31 March 2015 £000		Notes	31 March 2016 £000
(36)	Long Term Creditors	22	(36)
(6,286)	Provisions	23	(6,493)
(95,647)	Long Term Borrowing	16	(102,874)
(2,725)	Revenue Grants & Contributions – Long-Term Receipts in Advance (REFCUS)	39	(2,724)
(9,335)	Grant Receipts in Advance (Capital)	39	(8,661)
(284,188)	Other Long Term Liabilities – Pensions	25/48	(226,011)
(9,990)	Other long-term liabilities – Deferred	22	(9,789)
<b>(408,207)</b>	<b>Long Term Liabilities</b>		<b>(356,588)</b>
<b>148,374</b>	<b>Net assets</b>		<b>216,431</b>
(7,871)	General Fund Balance	7/8	(7,894)
(35,280)	Earmarked General Fund Reserves	7/8/24/53	(31,211)
(11,540)	Capital Receipts Reserve	7/24	(9,250)
(36)	Revenue Grants Unapplied (REFCUS)	7	(19)
(17,389)	Capital Grants Unapplied	7	(7,285)
<b>(72,116)</b>	<b>Usable Reserves</b>	<b>24</b>	<b>(55,659)</b>
(29,050)	Revaluation Reserve	25	(37,869)
(30,786)	Available For Sale Financial Instruments Reserve	25	(29,401)
(315,874)	Capital Adjustment Account	25	(326,487)
5,670	Financial Instruments Adjustment Account	25	5,402
284,188	Pensions Reserve	25/48	226,011
5,296	Collection Fund Adjustment Account	25	(2,312)
4,298	Accumulated Absences Account	25	3,884
<b>(76,258)</b>	<b>Unusable Reserves</b>		<b>(160,772)</b>
<b>(148,374)</b>	<b>Total Reserves</b>		<b>(216,431)</b>

Nicola Bishop  
Chief Finance Officer  
30<sup>th</sup> June 2016

## movement in reserves statement

### About this Statement

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

### Movement in Reserves during 2015/16

	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Revenue Grants Unapplied £000	Capital Grants unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
<b>Balance as at 31 March 2015 (Restated)</b>	(7,871)	(35,278)	(11,540)	(36)	(17,390)	(72,115)	(76,260)	(148,375)
<b>Movement in reserves during 2015/16</b>								
Surplus or (deficit) on the provision of services	7,686	0	0	0	0	7,686	0	7,686
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	(75,743)	(75,743)
<b>Total Comprehensive Income and Expenditure</b>	<b>7,686</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>7,686</b>	<b>(75,743)</b>	<b>(68,057)</b>
Adjustments between accounting basis & funding basis under regulations (note 7) *	(3,641)	0	2,289	17	10,106	8,771	(8,771)	0
<b>Net Increase/(Decrease) before transfers to Earmarked Reserves</b>	<b>4,045</b>	<b>0</b>	<b>2,289</b>	<b>17</b>	<b>10,106</b>	<b>16,457</b>	<b>(84,514)</b>	<b>(68,057)</b>
Transfers to/(from) Earmarked Reserves (note 8) **	(4,068)	4,068	0	0	0	0	0	0
<b>(Increase)/Decrease in 2015/16</b>	<b>(23)</b>	<b>4,068</b>	<b>2,289</b>	<b>17</b>	<b>10,106</b>	<b>16,457</b>	<b>(84,514)</b>	<b>(68,057)</b>
<b>Balance as at 31 March 2016</b>	<b>(7,894)</b>	<b>(31,210)</b>	<b>(9,251)</b>	<b>(19)</b>	<b>(7,284)</b>	<b>(55,658)</b>	<b>(160,774)</b>	<b>(216,432)</b>

## movement in reserves statement (continued)

### Movement in Reserves during 2014/15 - Comparative Statement (Restated)

	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Revenue Grants Unapplied £000	Capital Grants unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
<b>Balance as at 31 March 2014</b>	(10,980)	(45,781)	(7,527)	(8)	(17,000)	(81,296)	(139,011)	(220,307)
<b>Movement in reserves during 2014/15</b>								
Surplus or (deficit) on the provision of services	21,700	0	0	0	0	21,700	0	21,700
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	50,233	50,233
<b>Total Comprehensive Income and Expenditure</b>	<b>21,700</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>21,700</b>	<b>50,233</b>	<b>71,934</b>
Adjustments between accounting basis & funding basis under regulations (note 7) *	(8,089)	0	(4,013)	(28)	(390)	(12,520)	12,518	(2)
<b>Net Increase/(Decrease) before transfers to Earmarked Reserves</b>	<b>13,612</b>	<b>0</b>	<b>(4,013)</b>	<b>(28)</b>	<b>(390)</b>	<b>9,181</b>	<b>62,751</b>	<b>71,932</b>
Transfers to/(from) Earmarked Reserves (note 8) **	(10,503)	10,503	0	0	0	0	0	0
<b>(Increase)/Decrease in 2014/15</b>	<b>3,109</b>	<b>10,503</b>	<b>(4,013)</b>	<b>(28)</b>	<b>(390)</b>	<b>9,181</b>	<b>62,751</b>	<b>71,932</b>
<b>Balance as at 31 March 2015</b>	<b>(7,871)</b>	<b>(35,278)</b>	<b>(11,540)</b>	<b>(36)</b>	<b>(17,390)</b>	<b>(72,115)</b>	<b>(76,260)</b>	<b>(148,375)</b>

\* lines in notes 7 & 8 do not sum in total due to accumulated roundings.

## cash flow statement

### About this Statement

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

<b>Restated 2014/15 £000</b>	<b>Year Ended 31 March</b>	<b>2015/16 £000</b>
21,700	Net (surplus) or deficit on the provision of services	7,686
(58,045)	Adjustments to net surplus or deficit on the provision of services for non-cash movements ( <b>note 26a</b> )	(22,688)
25,613	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities ( <b>note 26b</b> )	12,905
<b>(10,731)</b>	<b>Net cash flows from Operating Activities (note 26c)</b>	<b>(2,097)</b>
4,030	Investing Activities (note 27)	14,861
(5,875)	Financing Activities (note 28)	(12,897)
<b>(12,576)</b>	<b>Net increase or decrease in cash and cash equivalents</b>	<b>(133)</b>
(34,017)	Cash and cash equivalents at the beginning of the reporting period	(46,593)
<b>(46,593)</b>	<b>Cash &amp; cash equivalents at the end of reporting period (note 20)</b>	<b>(46,726)</b>

## notes to the accounts

### 1. Accounting Policies

#### (a) General Principles

The Statement of Accounts summarises the Council's transactions for the 2015/16 financial year and its position at the year-end of 31 March 2016. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015, and those regulations require them 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 in 2015/16 (the Code) and the Service Reporting Code of Practice (SeRCOP) for Local Authorities 2015/16, supported by International Financial Reporting Standards (IFRS).

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

#### (b) Accruals of Income and Expenditure

Economic activity is accounted for in the year that it relates, not simply when cash payments are made or received. In particular:

- revenue from the sale of goods is recognised when the Council 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 Council;
- revenue from the provision of services is recognised when the Council can measure reliably the percentage of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council;
- supplies are recorded as expenditure when they are consumed – where there is a gap 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.

#### (c) Accounting for Non Domestic Rates (NDR) and Council Tax

##### Non Domestic Rates (NDR)

- Retained Business Rate income included in the Comprehensive Income & Expenditure Statement for the year will be treated as accrued income.
- Tariff Payments included in the Comprehensive Income & Expenditure Statement for the year will be treated as accrued expenditure.

### **Council Tax**

- Council Tax income included in the Comprehensive Income & Expenditure Statement for the year will be treated as accrued income. Both NDR and Council Tax income will be recognised in the Comprehensive Income & Expenditure Statement in the line Taxation & Non-Specific Grant Income. As a billing authority the difference between the NDR and Council Tax included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund shall be taken to the Collection Fund Adjustment Account and reported in the Movement in Reserve Statement. Each major preceptor's share of the accrued NDR and Council Tax income will be available from the information that is required to be produced in order to prepare the Collection Fund Statement. The income for Council Tax and NDR is recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the authority, and the amount of the revenue can be measured reliably.
- Revenue relating to such things as Council Tax and NDR shall be measured at the full amount receivable (net of any impairment losses) as they are non-contractual, non-exchange transactions and there can be no difference between the delivery and payment dates.

#### **(d) Acquisitions and Discontinued Operations**

There are no acquisitions or discontinued operations to report.

#### **(e) Cash and Cash Equivalents**

Cash is represented by cash in hand and demand deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Demand deposits will include accounts where additional funds may be deposited and withdrawn at any time without prior notice e.g. a bank current account.

Cash equivalents are investments instantly repayable to the Council on demand which are readily convertible to known amounts of cash with insignificant risk of change in value. These will be balances held in Call Accounts and Money Market Funds with associated accrued interest.

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 Council's cash management.

#### **(f) Exceptional Items**

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

#### **(g) 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, i.e. 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 Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

#### **(h) 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;
- amortisation of intangible non-current assets attributable to the service.

Charges are based on the opening balance sheet value of the asset. Where assets are revalued during the year charges are based on the revaluation amount.

The Council is not required to raise Council Tax 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 Council in accordance with statutory guidance. Depreciation, revaluation and impairment losses, and amortisation are replaced by Minimum Revenue Provision (MRP). This adjusting transaction is done through the Movement in Reserves Statement with the Capital Adjustment Account charged with the difference between the two amounts.

#### **(i) 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 benefits such as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave e.g. time off in lieu) earned by employees but not taken before the year end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to the Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

##### **Termination Benefits**

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. Termination Benefits are charged on an accrual's basis to the appropriate service line within Cost of Services in the Comprehensive Income and Expenditure Statement when the Council 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 Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end.

## Post Employment Benefits

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

- the Teachers' Pension Scheme, administered nationally by Capita Teachers' Pensions on behalf of the Department for Education (DfE);
- the NHS Pension Scheme, administered by NHS Pensions;
- the Greater Manchester Pensions Fund (part of the Local Government Pension Scheme), administered by Tameside Metropolitan Borough Council.

These schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees working for the Council.

However, the arrangements for the Teachers' and NHS schemes mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. These schemes are therefore accounted for as if they are a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Children's and Education Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year. The Public Health Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to NHS Pensions in the year.

### The Local Government Pension Scheme

The Greater Manchester Local Government Pension Scheme is accounted for as a defined benefits scheme.

The liabilities of the Greater Manchester Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projections of future earnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate of 3.5% (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 Council are included in the Balance Sheet at their fair value:

- quoted securities – current bid price
- unquoted securities – professional estimate
- unitised securities – current bid price
- property – market value.

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

#### Service cost comprising:

- current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
- past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years - debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs

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

#### **Remeasurement comprising:**

- the return on plan assets – excluding amounts included in net interest on the net defined benefit liability – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

#### **Contributions paid to the Greater Manchester Pension 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 Council 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, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and 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 being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

#### **Discretionary Benefits**

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

#### **(j) 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 event 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;
- Non-adjusting Events - those that are indicative of conditions that arose after the reporting period – the Statement of Accounts are 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.

## **(k) Financial Instruments**

### **Financial Liabilities (Debt and Interest Charges)**

Financial Liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. For many of the borrowings that the Council has this means that the annual charges to the 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 Interest Rate.

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

Gains or losses arising on the repurchase or early settlement of borrowing are required to be recognised in the Comprehensive Income and Expenditure Statement in accordance with the Code in the period during which the repurchase or early settlement is made. Statutory guidance, effective from 1 April 2007 allows for the spreading of premium/discount to be taken over the unexpired life of the original loan or the life of the replacement loan.

However, where the repurchase of borrowing was coupled with a refinancing or restructuring of borrowing with substantially the same overall economic effect when viewed as a whole, gains or losses have been reflected in the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement over the life of the loan using the Effective Interest Rate.

Premiums incurred in various debt restructuring exercises undertaken before 1 April 2007 are charged to the revenue account over the life of the replacement loan, in accordance with DCLG regulations (SI2007/573).

### **Financial Assets**

Financial Assets are classified into three types:

- Loans and Receivables – these are assets that have fixed or determinable payments but are not quoted in an active market, examples being direct investments and trade debtors.

Accounting treatment: these assets are initially measured at fair value and carried at their amortised cost, where any interest receivable is spread evenly over the life of the investment. Credits to the CIES for interest receivable up to and including 31 March are based on the balance sheet amount multiplied by the effective interest rate. For most of the investments that the Council has made, the amount shown in the Balance Sheet is the outstanding principal plus the accrued interest up to and including 31 March.

Available for Sale Assets – are those which have a quoted market price and/or do not have fixed or determinable payments, the primary example being the Council's shares in Manchester Airport Group and Church Commissioners Local Authority Property Fund.

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.

- Accounting treatment: assets that have a quoted market price are shown at that price, and those assets that do not have a fixed or determinable payment are initially measured and carried at fair value. Where dividends are received rather than a fixed amount of interest, income is credited to the CIES when it becomes receivable by the Council, i.e. the dividend is declared.

Changes in fair value are balanced by an entry in the Available for Sale Reserve and the gain or loss is recognised in the Surplus or Deficit on Revaluation of Available for Sale Financial Assets. The exception is where impairment losses are incurred, in which case these are debited to the CIES 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 derecognition of the asset are credited or debited to the CIES, along with any accumulated gains or losses previously recognised in the Available for Sale Reserve.

- Unquoted Equity Instruments – are those assets not quoted at a market price, the Council currently has no such assets.

Accounting treatment: such assets would generally be carried at cost less impairment.

#### **(l) Foreign Currency Translation**

Where the Council has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year-end, they are re-converted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

#### **(m) Government Grants and Contributions**

Government grants and other contributions are accounted for on an accruals basis and are recognised when there is reasonable assurance that;

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

The grants are recognised in the Comprehensive Income and Expenditure Statement once any conditions, which stipulate how the grant is to be used to avoid repayment, are satisfied. Where they have not been satisfied they are carried on the Balance Sheet as creditors. Where grants are recognised in the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where a grant has yet to be used to finance capital expenditure it is posted to the Capital Grants Unapplied Reserve, or Revenue Grants Reserve where they support revenue expenditure funded from capital under statute. Where it has been applied it is posted to the Capital Adjustment Account.

Where capital expenditure is classified as Revenue Expenditure Funded from Capital under Statute then any related grants or contributions are transferred to the service account in the Comprehensive Income and Expenditure Statement.

New Homes Bonus and Education Services Grant are general grants allocated by central government directly to local authorities as additional revenue funding. They are all non-ring-fenced and are credited to Taxation and Non-specific Grant Income in the Comprehensive Income and Expenditure Statement.

#### **(n) Heritage Assets**

In accordance with FRS 30, the Council is required to recognise and measure Heritage Assets at fair valuation in the accounts. Heritage assets are assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical value. They are therefore held by the Council in relation to the maintenance of heritage. The Council's separate policy on Heritage Assets includes details of the records maintained by the Authority of its collection of assets.

Heritage Assets are recognised and measured in accordance with the Council's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets as detailed below. The de-minimis threshold for a heritage asset is set at £10,000 in order to remain consistent with the Council's capitalisation policy. Where valuations or historic cost figures are available, the assets will be recognised on the Balance Sheet.

As there are no council-owned museums or galleries, the majority of the Council's heritage assets are retained for historical and cultural importance but not for public display. The heritage assets held by the Council include silver, paintings, furniture, statues, civic regalia, artefacts, sculptures and historic buildings. Where it is disproportionately expensive to obtain valuations, the Code allows authorities to exclude such items from the Balance Sheet. Many of the assets are therefore not recognised on the Balance Sheet as valuations are not cost effective.

#### **Trafford Town Hall Collection**

The collection of silver, statues, paintings, furniture and other miscellaneous items are held at Trafford Town Hall due to their historical and cultural importance. These items are reported in the Balance Sheet at insurance valuations provided by Vivienne Milburn FRICS (Independent Antiques Valuer and Auctioneer) in July 2011. These assets are deemed to have indeterminate lives and a high residual value; hence the Council does not consider it appropriate to charge depreciation.

#### **Historic Buildings**

The historic buildings were valued by the Council's Asset Manager – Estates and Valuations who is a member of the Royal Institute of Chartered Surveyors as part of the five year rolling programme. These buildings are non-operational and held for their cultural and historical value.

Depreciation on historic buildings will be charged in accordance with the Council's policy on property, plant and equipment.

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment. Proceeds from the disposal of such items are accounted for in accordance with the Council's general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts.

#### **Heritage Assets not reported on the balance sheet**

Trafford owns 25 listed assets that have heritage status per the National Planning Framework, e.g. Trafford Town Hall, Stretford Public Hall and numerous war memorials.

Listed buildings like the Town Hall are used in the delivery of services and as such are included in the balance sheet as Property Plant and Equipment. In respect of other listed assets e.g. war memorials no valuation is available and cannot be obtained at a cost which is commensurate with the benefits to users of the financial statements; those assets have not been included on the balance sheet.

**(o) Intangible Assets**

Intangible assets do not have physical substance but are controlled by the Council, for example software licences. Intangible assets are capitalised when it is expected that the future economic benefits or service potential will flow to the Council.

**(p) Interests in Companies and Other Entities**

The Council owns minority interests in a small number of companies, mainly arising from the dissolution of the former Greater Manchester County Council. In the Council's accounts, the interest in companies and other entities are recorded as financial assets at cost, less any provisions for losses. In addition, two community interest companies were established during the year for the provision of leisure and youth services and whilst no material in 2015/16 will be included in group accounts in 2016/17.

**(q) Inventories and Long-Term Contracts**

Inventories are included in the Balance Sheet at the lower of cost or net realisable value. The cost of inventories is assigned using the weighted average costing formula.

Work in progress on capital projects is included in the Balance Sheet within Assets Under Construction at historic cost.

**(r) Investment Property**

Investment property assets are held solely for revenue gain or capital appreciation and are not held to facilitate the delivery of Council services.

They are measured initially at cost and subsequently at fair value, based on the highest and best use value of the asset from a market participant's perspective. These properties are not depreciated but assessed annually for changes in fair value with any change being recognised in the Financing and Investment section of the Comprehensive Income and Expenditure Statement. Statutory arrangements do not allow any gains or losses to have an impact on the General Fund Balance and are therefore reversed out through the Movement in Reserves Statement to the Capital Adjustment Account.

**(s) Jointly Controlled Operations and Jointly Controlled Assets**

The Council does not have any joint venture arrangements with third parties.

**(t) Leases**

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

Leases and lease-type arrangements have been reviewed. No reclassification has been required under the Code. The Council has no finance leases.

### **The Council as Lessee**

#### **Operating Leases**

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

### **The Council as Lessor**

#### **Operating Leases**

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained on the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

#### **(u) Overheads and Support Services**

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2015/16 (SeRCOP). The main basis of apportionment is by estimation of time spent on the various services. The cost of administrative buildings has been recharged on the basis of floor area occupied. The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

Corporate and Democratic Core – costs relating to the Council's status as a multi-functional, democratic organisation;

Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

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

#### **(v) Property, Plant and Equipment (PPE)**

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 are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

#### **Recognition**

All expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis. Expenditure on assets is capitalised, provided that the item yields benefits to the Council for a period of more than one year and can be measured reliably. Routine repairs and maintenance of PPE are charged direct to service revenue accounts.

## 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.

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

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

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

Depreciated replacement cost is used as an estimate of fair value when there is no market based evidence of fair value because of the specialist nature of the asset.

Assets are revalued with sufficient regularity by a qualified valuer to ensure that the carrying amount is not materially different from their fair value at year end and as a minimum at least every five years. Increases in asset value are matched by a credit to the Revaluation Reserve to represent the unrealised gain. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement for a particular asset where the Comprehensive Income and Expenditure Statement have previously been charged with an impairment loss for that asset. Losses on revaluation are written off to the Revaluation Reserve, or if no Revaluation Reserve exists for that asset, charged to the Comprehensive Income and Expenditure Account.

## Depreciation

Depreciation is provided for on all Property, Plant and Equipment with a finite useful life, which can be determined at the time of acquisition or revaluation, according to the following policies :-

- Freehold land, Investment Properties and Assets Held For Sale are not depreciated;
- newly acquired assets are not depreciated in the year of acquisition, and assets in the course of construction are not depreciated until they are brought into use.

For all other assets depreciation is calculated using the straight line method over the estimated useful life of the asset and are as follows:

- vehicles, plant and equipment between 3 and 8 years;
- all other property, including infrastructure and community assets between 10 and 55 years;
- intangible assets 20 years.

Where an asset value exceeds £1m a review is undertaken to determine whether any major components comprising plant, equipment and services exist and these components are depreciated separately.

The capitalised costs of organisational pay restructuring are written down over 20 years.

## Revaluation and Impairment Losses

Assets are reviewed annually at each year end for any impairment or revaluation loss. Where a loss has occurred on an asset used by the service these are written off to the Revaluation

Reserve, where a balance exists, or charged to the service revenue account where there is no remaining balance on the Revaluation Reserve.

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

Any charges for the use of Property, Plant and Equipment with the exception of external interest payments have a neutral impact on the amount to be raised from local taxation and are reversed from service revenue accounts through the Movement in Reserves Statement to the Capital Adjustment Account.

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

When it becomes probable that an asset will be sold then it is reclassified as an Asset Held For Sale. These assets are then carried at a value of the lower of its carrying amount and fair value less costs to sell.

When assets are disposed of or decommissioned the carrying amount of the asset in the Balance Sheet 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 and matched against any capital receipt from the disposal. Any revaluation gains on the asset held in the Revaluation Reserve are transferred to the Capital Adjustment Account. Resultant gains or losses following the transfer of schools to academy status are included under financing and investment income and expenditure.

Individual asset disposal proceeds in excess of £10,000 are categorised as capital receipts.

### **Capital Receipts**

Capital receipts from the disposal of assets are treated in accordance with provisions of the Local Government Act 2003. They can be used to fund capital expenditure in the year, to meet debts or other liabilities, or used to cover payments to the Secretary of State under receipts pooling arrangements. Changes to the capital finance regulations were made during 2012/13 and regulations were introduced allowing the use of capital receipts raised from 2012/13 to fund outstanding equal pay claims.

#### **(w) Schools**

In accordance with the Code of Practice the Council includes all maintained schools under its control in the single entity accounts and where control exists includes all income, expenditure, assets, liabilities, reserves and cash-flows is recognised in the Council's single entity accounts. Other assets and funds under the control of the school such as school funds are also included in the Council's accounts where material.

Community and Foundation schools are owned by the Council and are recognised on the balance sheet.

Voluntary aided and controlled schools are owned by the respective diocese with no formal rights to use the assets passed onto the school or governing body, therefore these are not included on the balance sheet.

#### **(x) Private Finance Initiative (PFI) and Similar Contracts**

PFI contracts are agreements to receive services where the responsibility for making available the assets needed to provide the services passes to the PFI contractor. As the Council is deemed to control the services that are provided under its PFI schemes, and as the Council controls the residual interest in the asset at the end of the contract, the Council carries the assets used under the contract on the Balance Sheet.

The Council has entered into a Private Finance Initiative (PFI) contract for the provision of new office and community facilities in Sale Town Centre. The contract commenced in October 2003 with the initial period ending in 2028/29.

The original recognition of these assets was balanced by the recognition of a liability for the amounts due to the scheme operator to pay for the assets.

Assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Council.

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

- fair value of the services received during the year - debited to the relevant service in the Comprehensive Income and Expenditure Statement;
- finance cost - an interest charge on the outstanding Balance Sheet Liability, debited to Interest Payable and Similar Charges in the Comprehensive Income and Expenditure Statement;
- contingent rent - increases in the amount to be paid for the property arising during the contract, debited to Interest Payable and Similar Charges in the Comprehensive Income and Expenditure Statement;
- payment towards liability - applied to write down the Balance Sheet liability towards the PFI operator;
- lifecycle replacement costs - recognised as Property, Plant and Equipment on the Balance Sheet.

#### **(y) Provisions, Contingent Liabilities and Contingent Assets**

##### **Provisions**

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain. Provisions are charged to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up on the balance sheet. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

##### **Provision for Back Pay Arising from Unequal Pay Claims**

The Council has made a provision for the costs of settling claims for back pay arising from discriminatory payments incurred before the Council implemented its equal pay strategy. However, statutory arrangements allow settlements to be financed from the General Fund in the year that payments actually take place, not when the provision is established.

##### **Contingent Liabilities**

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed in the future by events not wholly within the control of the Council. Contingent liabilities can also arise where it is either not probable economic benefits will flow out from the Council or the obligation cannot be measured reliably.

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

## **Contingent Assets**

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

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

### **(z) Reserves**

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. In line with the Code, expenditure is charged to revenue and not directly to any reserve.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

## **Insurance**

The Council essentially self-insures on its major risk areas and operates with significant excess levels, for example liability insurance policies carry an excess of £0.275m and property insurance £0.250m. A provision is maintained to cover costs for which it is responsible for liability claims and a reserve is maintained for property related costs. Further details can be found in note 8 and 23.

### **(aa) Revenue Expenditure Funded from Capital Under Statute (REFCUS)**

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account is made. This reverses out the amounts charged so there is no impact on the level of Council Tax.

### **(ab) VAT**

VAT payable is included as an expense only to the extent that it is irrecoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

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

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change as a result of a new standard that has been issued but not yet adopted. The 2016/17 Code includes:-

- **IAS1 Presentation of Financial Statements.** This standard provides guidance on the form of the financial statements. 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 will result in changes to the format of the accounts in 2016/17. The format of the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement will change and introduce a new Expenditure and Funding Analysis.

- **Annual Improvements to IFRS Cycles and Amendments to IAS 19 Employee Benefits, IFRS 11 Joint Arrangements, IAS 16 Property, Plant & Equipment and IAS 38 Intangible Assets.** These improvements and amendments are minor, principally providing clarification and will not have a material impact on the Statement of Accounts. The Code requires implementation from 1 April 2016 and there is therefore no impact on the 2015/16 Statement of Accounts.

### 3. Critical Judgements in Applying Accounting Policies

In applying the accounting policies the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of future changes in levels of service provision.
- Leases - lease agreements have been reviewed and a determination made on whether these are finance or operating leases. This judgement has been based upon the degree to which the lease transfers the risks and rewards of ownership to the Council in accordance with IAS 17. It has been determined that all current lease arrangements are operating leases, with the exception of the PFI for Sale Waterside.
- Group accounts - arrangements with partners and third party bodies have been reviewed to assess the extent to which the Council is able to influence decisions or exert control over their operations. It has been determined that no group relationships exist with such bodies.
- Liabilities – liabilities have been reviewed and the appropriate accounting treatment applied based on a determination on the ability to estimate the amount, and also the level of certainty. Liabilities have been included accordingly in the accounting statements as either accruals, provisions or contingent liabilities.
- Transfer of Schools to Academy Schools - When a school that is held on the Council's balance sheet transfers to Academy status the Council accounts for this as a disposal for nil consideration, on the date that the school converts to Academy status, rather than as an impairment on the date approval was granted. Where the Council has entered into construction contracts for replacement schools on behalf of an Academy, the Council charges the cost of construction against Revenue Financed from Capital Under Statute (REFCUS) in the year in which costs are incurred.
- Component assets - where an asset value exceeds £1m a review is undertaken to determine whether any major components comprising plant, equipment and services exist and these components are depreciated separately.
- Accounting for Schools – Balance Sheet Recognition of Schools - The Council recognises schools in line with the provisions of 'the Code'. It states that property used by local authority maintained schools should be recognised in accordance with the asset recognition tests relevant to the arrangements that prevail for the property. The Council recognises the schools land and buildings on its Balance Sheet where it directly owns the assets, the school or school Governing Body own the assets or rights to use the assets have been transferred from another entity.

Where the land and building assets used by the school are owned by an entity other than the Council, school or school Governing Body then it is not included on the Council's Balance Sheet.

The Council has completed a school by school assessment across the different types of schools it controls within the Borough. Judgements have been made to determine the arrangements in place and the accounting treatment of the land and building assets. The types of schools that have been assessed are shown below:

Type	Number
Community schools	43
Voluntary Controlled (VC) schools	1
Voluntary Aided (VA) schools	23
Foundation schools	3
<b>Sub-Total Maintained Schools</b>	<b>70</b>
Academies	21
<b>Total Number of Schools</b>	<b>91</b>

All Community schools are owned by the Council and the land and buildings used by the schools are included on the Council's Balance Sheet.

Foundation schools were created to give greater freedom to the Governing Body responsible for school staff appointments and who also set the admission criteria. For a Foundation school, the school Governing Body has legal ownership of the land and buildings and thus are included on the Council's Balance Sheet

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

- Accounting for Schools Consolidation – Recognition of Income and Expenditure, Current Assets, Current Liabilities and Reserves – all maintained schools (Community schools, Voluntary Controlled, Voluntary Aided and Foundation schools) are all funded by the DSG and fall under the umbrella of Trafford's Scheme for Financing Schools in the same way. The financial relationship between the Council and these schools is the same across all types. Transactions for all of these schools are recorded in the Income and Expenditure Account in line with the Council's Accounting Policies applied to other service areas. Year end balances for current assets, liabilities and revenue reserves are also recorded on the Council's Balance Sheet.

#### 4. Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. Treasury management risk is considered in note 51.

There are no items in the Council's Balance Sheet at 31 March 2016 for which there is considered a significant risk of material adjustment in the forthcoming financial year. The following items are considered in further detail as potential risk:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Business Rates	Following the introduction of the Business Rate Retention Scheme in April 2013, the Council is now responsible for a share of the cost of successful appeals by businesses against their rateable value. A provision has therefore been included for the cost of appeals as at 31 March 2016 based on VOA office data on appeals.	If the cost of appeals settled exceeds the provision then this will be charged against future business rate income and the cost of which will be financed, in part, 49% by the Council.

<b>Item</b>	<b>Uncertainties</b>	<b>Effect if Actual Results Differ from Assumptions</b>
Provisions	<b>Insurance Claims:</b> Annually the Council reassesses the amount to be set aside to cover the cost of outstanding liability claims. As at 31 March 2016 the provision stands at £3.968m.	In the event that the cost of insurance claims exceeds this amount then the excess will be met from the insurance reserve.
Pensions liability	The pensions liability is based on assumptions relating to discount rates used, future changes in salaries, changes in retirement ages, mortality rates and expected returns on pension fund assets. These assumptions are reviewed regularly. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	Changes in liability are actuarially measured every three years, and increases in contributions spread over the following three years. The pension contribution is a key financial assumption in the medium term financial plan.
Long Term Assets – Manchester Airport Group	The Councils shareholding in Manchester Airport Group is 3.22% as at 31 March 2016. The asset is valued using the earnings based method resulting in the asset being valued at fair value rather than historic cost, therefore requiring an annual valuation. A firm of financial experts and valuers have been engaged by the Council to provide an independent valuation which includes reviewing the financial performance, stability and business assumptions of the Manchester Airport Group.	The valuation provided is based on estimations and assumptions and therefore should the Council sell its shareholding the value held in these statements may not be realised. As at 31 March 2016 the Council's valuers advised of a reduction of £1.2m in the fair value Council share from £41m to £39.8m which has been reflected in the financial statements.
PFI and Similar Arrangements	PFI and similar arrangements have been considered to have an implied finance lease within the agreement. In reassessing the leases the Council has estimated the implied interest rate within the leases to calculate interest and principal payments. In addition the future RPI increase within the contracts has been estimated as remaining constant throughout the remaining period of the contract.	
Property, Plant & Equipment – Funding implications	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance bringing into doubt the useful lives assigned to assets. If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase in these circumstances.	If funding streams were reduced, in so far that it results in the reduction of service delivery or closure of facilities, this could result in the impairment of assets due to obsolescence. However, the Council has determined that the level of uncertainty at this time is not sufficient to indicate this course of action.

<b>Item</b>	<b>Uncertainties</b>	<b>Effect if Actual Results Differ from Assumptions</b>
Arrears	At 31 March 2016, the Council had a balance on trade debtors of £10.1m. Impairment of doubtful debts was reviewed and an appropriate provision determined.	If collection rates were to deteriorate by 5%, this would require an estimated additional provision of £0.5m

## **5. Material Items of Income and Expense (Comprehensive Income & Expenditure Statement page 11)**

During 2012/13, Manchester Airport Group acquired Stansted Airport, resulting in a change of structure. The Council's shareholding in Manchester Airport Group (MAG) reduced from a 5% holding to 3.22% capital as a result of the restructure. This change in structure has enabled the shareholding to be subject to a valuation using the earnings based and discounted cash flow methods and the figure as at 31 March 2016 is shown at fair value. The Council at this point in time is to retain these shares. The value of the shareholding as at 31 March 2016 is £39.80m representing a decrease of £1.2m and this decrease is reflected in the Available for Sale Financial Instruments Reserve. The valuation provided is based on estimations and assumptions and therefore should the Council sell its shareholding, the value held in these statements may not be realised. In addition a share dividend of £3.245m was received (£2.484m in 2014/15).

The Comprehensive Income and Expenditure Statement includes a net loss of £9.654m on the sale of assets. This comprises gains on the sale of a number of assets of £0.597m and losses of £10.251m. Included in this figure is a loss of £8.211m relating to the disposal of two schools that transferred to academy status during the year. In addition gains of £5.124m have been realised as a result of changes in the valuation methodology for investment property which are now measured at fair value.

There are some significant items in the Comprehensive Income and Expenditure Statement related to revenue expenditure funded from capital under statute (REFCUS); these items are detailed within Note 41 Capital Expenditure and Capital Financing.

There are no material items of income and expense not otherwise disclosed in the financial statements or accompanying notes.

## **6. Events After the reporting Period**

The financial statements and notes have not been adjusted for the following events which took place after 31 March 2015 as they provide information that is relevant to an understanding of the Authority's financial position but do not relate to conditions at that date

On 1 April 2016 the Council was the first in Greater Manchester to sign a Strategic Partnership Agreement with Pennine Care NHS Foundation Trust for Integrated All Age Community Health and Social Care Services. This approach will not only enable continued improvement and development of local services, but ensure Trafford has efficient, effective, value for money health and social care services in future.

## **7. 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 Council in the year (see following tables). This is in accordance with proper accounting practice to the resources that are specified by statutory provision as being available to the Council to meet future capital and revenue expenditure.

## 7. Adjustments between Accounting Basis and Funding Basis under Regulations

2015/16	Usable Reserves 2015/16						2015/16
	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Revenue Grants Unapplied £000	Capital Grants Unapplied £000	Movements in Unusable Reserves £000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>							
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>							
Charges for depreciation, impairment and downward revaluations of non-current assets.	(13,536)	0	0	0	0	0	13,536
Revaluation losses on Property, Plant & Equipment.	(1,710)	0	0	0	0	0	1,710
Movements in the fair value of Investment Properties.	5,124	0	0	0	0	0	(5,124)
Amortisation of intangible assets.	(413)	0	0	0	0	0	413
Capital grants and contributions applied.	0	0	0	0	0	0	0
Movement in the Donated Assets Account.	0	0	0	0	0	0	0
Revenue expenditure funded from capital under statute.	(1,545)	0	0	0	0	0	1,545
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement.	(9,654)	0	(879)	0	0	0	10,533
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>							
Statutory provision for the financing of capital investment.	3,483	0	0	0	0	0	(3,483)
Voluntary provision above MRP	0	0	0	0	0	0	0
Capital expenditure charged against the General Fund balance.	337	0	0	0	0	0	(337)

7. Adjustments between Accounting Basis and Funding Basis under Regulations (continued)

2015/16	Usable Reserves 2015/16 (continued)						2015/16 Movements in Unusable Reserves £000
	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Revenue Grants Unapplied £000	Capital Grants Unapplied £000	
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>							
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement.	12,462	0	0	0	0	(12,462)	0
Application of grants to capital financing transferred to the Capital Adjustment Account.	0	0	0	0	17	22,567	(22,584)
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>							
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement.	0	0	0	0	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure.	0	0	3,167	0	0	0	(3,167)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals.	0	0	0	0	0	0	0
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	(1)	0	1	0	0	0	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash.	0	0	0	0	0	0	0
<b>Adjustments primarily involving the Deferred Capital Receipts Reserve:</b>							
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement.	0	0	0	0	0	0	0

7. Adjustments between Accounting Basis and Funding Basis under Regulations (continued)

2015/16	Usable Reserves 2015/16 (continued)						2015/16 Movements in Unusable Reserves £000
	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Revenue Grants Unapplied £000	Capital Grants Unapplied £000	
<b>Adjustment primarily involving the Major Repairs Reserve:</b>							
Reversal of Notional Major Repairs Allowance credited to the HRA.	0	0	0	0	0	0	0
Use of the Major Repairs Reserve to finance new capital expenditure.	0	0	0	0	0	0	0
<b>Adjustment primarily involving the Financial Instruments Adjustment Account:</b>							
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements.	268	0	0	0	0	0	(268)
<b>Adjustments primarily involving the Pension Reserve:</b>							
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see note 48).	(22,287)	0	0	0	0	0	22,287
Employer's pension contributions and direct payments to pensioners payable in the year.	15,808	0	0	0	0	0	(15,808)
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>							
Amount by which council tax and non-domestic rating income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rating income calculated for the year in accordance with statutory requirements:							
Council Tax	896	0	0	0	0	0	(896)
NDR	6,712	0	0	0	0	0	(6,712)

7. Adjustments between Accounting Basis and Funding Basis under Regulations (continued)

2015/16	Usable Reserves 2015/16 (continued)						2015/16 Movements in Unusable Reserves £000
	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Revenue Grants Unapplied £000	Capital Grants Unapplied £000	
<b>Adjustments primarily involving the Equal Pay Adjustment Account:</b> Amount by which amounts charged for Equal Pay claims to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements.	0	0	0	0	0	0	0
<b>Adjustments primarily involving the Accumulated Absences Account:</b> Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements.	414	0	0	0	0	0	(414)
<b>Total Adjustments</b>	<b>(3,641)</b>	<b>0</b>	<b>2,289</b>	<b>0</b>	<b>17</b>	<b>10,106</b>	<b>(8,771)</b>

## 7. Adjustments between Accounting Basis and Funding Basis under Regulations

2014/15	Usable Reserves 2014/15						2014/15
	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Revenue Grants Unapplied £000	Capital Grants Unapplied £000	Movements in Unusable Reserves £000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>							
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>							
Charges for depreciation, impairment and downward revaluations of non-current assets.	(13,145)	0	0	0	0	0	13,145
Revaluation losses on Property, Plant & Equipment.	(4,675)	0	0	0	0	0	4,675
Movements in the fair value of Investment Properties.	2,114	0	0	0	0	0	(2,114)
Amortisation of intangible assets.	(330)	0	0	0	0	0	330
Capital grants and contributions applied.	0	0	0	0	0	0	0
Movement in the Donated Assets Account.	0	0	0	0	0	0	0
Revenue expenditure funded from capital under statute.	(1,452)	0	0	0	0	0	1,452
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement.	(9,917)	0	(10,048)	0	0	0	19,965
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>							
Statutory provision for the financing of capital investment.	4,776	0	0	0	0	0	(4,776)
Voluntary provision above MRP	0	0	0	0	0	0	0
Capital expenditure charged against the General Fund balance.	249	0	0	0	0	0	(249)

7. Adjustments between Accounting Basis and Funding Basis under Regulations (continued)

2014/15	Usable Reserves 2014/15 (continued)						2014/15 Movements in Unusable Reserves £000
	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Revenue Grants Unapplied £000	Capital Grants Unapplied £000	
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>	0	0	0	0	0	0	0
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement.	15,262	0	0	0	0	(15,262)	0
Application of grants to capital financing transferred to the Capital Adjustment Account.	0	0	0	0	(28)	14,872	(14,844)
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>							
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement.	0	0	0	0	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure.	0	0	6,031	0	0	0	(6,031)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals.	0	0	0	0	0	0	0
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	(4)	0	4	0	0	0	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash.	0	0	0	0	0	0	0
<b>Adjustments primarily involving the Deferred Capital Receipts Reserve:</b>							
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement.	0	0	0	0	0	0	0

7. Adjustments between Accounting Basis and Funding Basis under Regulations (continued)

2014/15	Usable Reserves 2014/15 (continued)						2014/15 Movements in Unusable Reserves £000
	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Revenue Grants Unapplied £000	Capital Grants Unapplied £000	
<b>Adjustment primarily involving the Major Repairs Reserve:</b>							
Reversal of Notional Major Repairs Allowance credited to the HRA.	0	0	0	0	0	0	0
Use of the Major Repairs Reserve to finance new capital expenditure.	0	0	0	0	0	0	0
<b>Adjustment primarily involving the Financial Instruments Adjustment Account:</b>							
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements.	264	0	0	0	0	0	(264)
<b>Adjustments primarily involving the Pension Reserve:</b>							
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see note 48).	(27,043)	0	0	0	0	0	27,043
Employer's pension contributions and direct payments to pensioners payable in the year.	16,845	0	0	0	0	0	(16,845)
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>							
Amount by which council tax and non-domestic rating income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rating income calculated for the year in accordance with statutory requirements:							
Council Tax	265	0	0	0	0	0	(265)
NDR	9,443	0	0	0	0	0	(9,443)

7. Adjustments between Accounting Basis and Funding Basis under Regulations (continued)

2014/15	Usable Reserves 2014/15 (continued)						2014/15 Movements in Unusable Reserves £000
	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Revenue Grants Unapplied £000	Capital Grants Unapplied £000	
<b>Adjustments primarily involving the Equal Pay Adjustment Account:</b> Amount by which amounts charged for Equal Pay claims to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements.	0	0	0	0	0	0	0
<b>Adjustments primarily involving the Accumulated Absences Account:</b> Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements.	(740)	0	0	0	0	0	740
<b>Total Adjustments</b>	<b>(8,088)</b>	<b>0</b>	<b>(4,013)</b>	<b>0</b>	<b>(28)</b>	<b>(390)</b>	<b>12,519</b>

**8. Transfers to/from Earmarked Reserves (Balance Sheet page 13)**

This note sets out the amounts set aside from the General Fund balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2015/16.

	<b>Balance as at 1 April 2014 £000</b>	<b>Movements Out 2014/15 £000</b>	<b>Movements In 2014/15 £000</b>	<b>Balance at 31 March 2015 £000</b>	<b>Movements Out 2015/16 £000</b>	<b>Movements In 2015/16 £000</b>	<b>Balance at 31 March 2016 £000</b>
<b>General Fund</b>	<b>(10,980)</b>	7,691	(4,582)	<b>(7,871)</b>	2,077	(2,100)	<b>(7,894)</b>
<b>Earmarked Reserves:</b>							
<b>Balances held by schools under a scheme of delegation</b>	<b>(10,474)</b>	9,169	(7,960)	<b>(9,265)</b>	7,012	(6,363)	<b>(8,616)</b>
<b>Other Earmarked Reserves:</b>							
<b>Synthetic Pitch Replacement Reserve</b> This will be used towards replacing one synthetic pitch within the Borough.	<b>(120)</b>	0	(15)	<b>(135)</b>	132	(15)	<b>(18)</b>
<b>Training Reserve</b> To undertake corporate training across the Council.	<b>(481)</b>	0	(106)	<b>(587)</b>	0	(8)	<b>(595)</b>
<b>Insurance Reserve</b> Funds earmarked for future claims and to carry out various risk management initiatives.	<b>(3,420)</b>	736	(385)	<b>(3,069)</b>	655	0	<b>(2,414)</b>
<b>Delegated Service Budgets</b> Revenue budget under/overspends to be carried forward as part of the Council's Medium Term Financial Plans.	<b>(984)</b>	2,079	(4,739)	<b>(3,644)</b>	1,459	(3,766)	<b>(5,951)</b>
<b>ICT Development</b> Investment in new ICT to improve efficiency Council-wide.	<b>(777)</b>	35	0	<b>(742)</b>	6	0	<b>(736)</b>
<b>Dedicated Schools Grant (DSG)</b> Government grant specifically for the funding of schools and schools' related services.	<b>(2,777)</b>	2,777	(1,326)	<b>(1,326)</b>	1,326	(787)	<b>(787)</b>

## 8. Transfers to/from Earmarked Reserves (continued)

	Balance as at 1 April 2014 £000	Movements Out 2014/15 £000	Movements In 2014/15 £000	Balance at 31 March 2015 £000	Movements Out 2015/16 £000	Movements In 2015/16 £000	Balance at 31 March 2016 £000
<b>Economy Contingency Reserve</b> To cover potential adverse effects of economic conditions on the Council's finances, such as reduced income streams.	(20)	0	0	(20)	0	0	(20)
<b>Elections Reserve</b> To smooth the elections budget across the 4 year Municipal cycle.	(187)	0	(37)	(224)	0	0	(224)
<b>Transformation Reserve</b> Money set aside to pump prime the achievement of the next stage of efficiencies through the Transformation Programme.	(1,473)	613	0	(860)	963	(762)	(659)
<b>Communities Families and Wellbeing</b> Money set aside to pump prime to manage the delivery of savings programme within CFW	0	39	(500)	(461)	461	0	0
<b>Interest Rate Reserve</b> To smooth the effect on the Council's budget of volatile movements in interest rates.	(155)	32	(27)	(150)	0	(322)	(472)
<b>Waste Levy Reserve</b> To smooth the effects on the Council's budget of movements in the waste levy over the medium term	(2,279)	1,276	0	(1,003)	0	(585)	(1,588)
<b>Long Term Accommodation Decant Reserve</b> To cover the cost of accommodation changes arising from the Long Term Accommodation Project	(331)	116	(139)	(354)	0	(116)	(470)
<b>Employment Rationalisation Reserve</b> To cover the cost of rationalising the employment of staff by the Council	(2,415)	873	(1,564)	(3,106)	1,252	(442)	(2,296)

8. Transfers to/from Earmarked Reserves (continued)

	Balance as at 1 April 2014 £000	Movements Out 2014/15 £000	Movements In 2014/15 £000	Balance at 31 March 2015 £000	Movements Out 2015/16 £000	Movements In 2015/16 £000	Balance at 31 March 2016 £000
<b>Capital Reserve</b> Investment in disabled facility schemes	(1,671)	1,486	0	(185)	175	0	(10)
<b>LAA Performance Reward Grant Reserve</b> Revenue element of grant to be allocated to schemes via the Trafford Partnership	(665)	255	0	(410)	161	0	(249)
<b>Manchester Airport Debt Restructure Reserve</b> Smoothing of airport debt restructure costs over the medium term	(921)	921	0	0	0	0	0
<b>Prepaid Revenue Grants Reserve</b> To hold revenue grants included in the Comprehensive Income and Expenditure Statement which are paid in advance and which no conditions for	(400)	146	0	(254)	67	0	(187)
<b>Winter Maintenance Reserve</b> To provide emergency funds to cover the costs of highway & footway maintenance during periods of adverse weather conditions.	(120)	0	0	(120)	0	0	(120)
<b>NDR Deficit Reserve</b> Reserve established towards meeting Trafford's share of the NDR Deficit	(15,461)	7,860	(71)	(7,672)	7,672	0	0
<b>NDR Levy Reserve</b> Reserve established to manage the timing differences between accounting for and payment of NDR Levy on business rates growth (Levy is payable immediately, however growth is only released based on prior year estimate)	0	863	0	863	376	(855)	384
<b>Local Welfare Assistance Reserve</b> Smoothing reserve established from prior year under commitments of Local Welfare Assistance grant ring fenced to meet future costs.	(238)	0	(165)	(403)	403	0	0

## 8. Transfers to/from Earmarked Reserves (continued)

	Balance as at 1 April 2014 £000	Movements Out 2014/15 £000	Movements In 2014/15 £000	Balance at 31 March 2015 £000	Movements Out 2015/16 £000	Movements In 2015/16 £000	Balance at 31 March 2016 £000
<b>Economic Development Reserve</b> Reserve set aside to earmarked specifically for economic development related projects (previously held within Service Earmarked Reserve)	0	0	(444)	(444)	24	(71)	(491)
<b>Troubled Families Reserve</b> Reserve set aside to strengthen the team and provide an opportunity for Partner agencies to develop integrated services.	0	0	(468)	(468)	468	(200)	(200)
<b>Better Care Fund</b> Reserve established to accommodate potential financial risks within the Better Care Fund	0	0	(400)	(400)	400	0	0
<b>Manchester Airport Dividend Smoothing Reserve</b> 2015/16 Dividend received above budget to be used to support the 2016/17 Revenue Budget.	0	0	0	0	0	(1,245)	(1,245)
<b>Budget Support Reserve</b> To smooth out potential volatility in Revenue Budget funding and the significant level of savings required over the medium term.	0	0	0	0	0	(2,800)	(2,800)
<b>Local Search Litigation Costs Reserve</b> Established as a contingency against potential back claims.	0	0	0	0	0	(233)	(233)
<b>Other Reserves</b> Other amounts earmarked for specific purposes.	(409)	28	(460)	(841)	(337)	(36)	(1,214)
<b>Total Earmarked Reserves (incl. Schools)</b>	<b>(45,780)</b>	<b>29,304</b>	<b>(18,806)</b>	<b>(35,280)</b>	<b>22,675</b>	<b>(18,606)</b>	<b>(31,211)</b>
<b>Total Reserves</b>	<b>(56,760)</b>	<b>36,995</b>	<b>(23,386)</b>	<b>(43,151)</b>	<b>24,752</b>	<b>(20,706)</b>	<b>(39,105)</b>

**9. Other Operating Expenditure (Comprehensive Income & Expenditure Statement page 11)**

<b>2014/15 £000</b>	<b>2015/16 £000</b>
58 Parish council precepts (i)	60
31,393 Levies (ii)	30,295
4 Payments to the Government Housing Capital Receipts Pool	1
11,564 Amount written off on disposal of non-current assets (iii)	2,320
(10,048) Sale proceeds from disposal of non-current assets (iv)	(878)
<b>32,971 Total</b>	<b>31,798</b>

(i) Partington Town Council at its meeting on 8 December 2014 elected to keep the level of Band D Council Tax at £42.50, the same as in 2014/15. With a 2015/16 Parish Tax Base of 1,422 (1,354 in 2014/15) the precept was £60,435 (£57,545 in 2014/15). The Council also agreed to provide grant of £10,000 to support the 2015/16 precept, the same as in 2014/15, in addition to the Council grant of £25,537, both of which are contained within the Cost of Services.

(ii) Included are levies as follows:

<b>2014/15 Expenditure £000</b>	<b>2015/16 Expenditure £000</b>
134 Flood Defence	135
14,511 Waste Disposal Authority	13,617
16,748 GM Combined Authority	16,543
<b>31,393 Total</b>	<b>30,295</b>

**10. Financing and Investment Income and Expenditure (Comprehensive Income & Expenditure Statement page 11)**

<b>2014/15 £000</b>	<b>2015/16 £000</b>
6,183 Interest payable and similar charges	6,093
(22,566) Interest income on plan assets (pensions)	(18,061)
31,491 Interest cost on defined benefit obligation (pensions)	27,077
(1,757) Interest receivable and similar income (i)	(2,044)
(3,255) Income and expenditure in relation to investment properties and changes in their fair value (ii)	(5,160)
(400) Residual (Surplus)/deficit on trading undertakings (iii)	(314)
(2,484) Other investment income (iv)	(3,245)
8,401 (Profit)/Loss on Disposal of Academy non-current assets (v)	8,211
<b>15,613 Total</b>	<b>12,557</b>

(i) During 2015/16 the average amount invested in the money market was £106.6m, at an average interest rate of 0.84%. Investment interest generated for the year was £2.044m, including £1.043m of interest receivable from Manchester International Airport following the renegotiation of loan debt held by each of the Greater Manchester Authorities in February 2010. For 2014/15 the average amount invested was £79.3m at an average rate of 0.70%, producing £1.757m of investment interest, including £1.043m from the Airport.

(ii) Includes increase/(decrease) in the fair value of investment properties £(5.124)m (£(2.114)m in 2014/15). Net expenditure/(income) on investment properties is £(0.036)m, (£(1.141)m in 2014/15), also included in note 14.

(iii) Details on the financial activity of trading operations are included in note 31.

(iv) During 2015/16 a share dividend of £3.245m was received from Manchester International Airport (£2.484m in 2014/15).

(v) During 2015/16 a net loss on the disposal of assets was realised of £8.211m (£8.401m loss in 2014/15). This arises where the value of proceeds received, which is zero in the case of school academy transfers, is less than the value of those assets held on the balance sheet.

**11. Taxation and Non-Specific Grant Income (Comprehensive Income & Expenditure Statement page 11)**

<b>2014/15 £000</b>	<b>2015/16 £000</b>
(80,133) Council Tax income	(81,572)
(34,505) Non domestic rates*	(36,676)
(49,277) Non ring-fenced government grants*	(38,649)
(15,262) Capital grants and contributions*	(12,462)
<b>(179,177) Total</b>	<b>(169,359)</b>

\* Further detail on grants is shown in note 39.

12. **Property, Plant and Equipment (Balance Sheet page 13)**  
**Movements on Balances 2015/16:**

	Other land & buildings £000	Vehicles, plant & equipment assets £000	Infrastructure assets £000	Community assets £000	Surplus assets £000	Assets under construction £000	Total £000
<b>Cost or Valuation:</b>							
<b>As at 1 April 2015</b>	<b>298,564</b>	<b>20,647</b>	<b>197,155</b>	<b>20,827</b>	<b>10,827</b>	<b>4,746</b>	<b>552,766</b>
Additions	4,613	94	3,959	873	706	13,811	24,056
Disposals (incl. adj. for academy school transfers)	(12,096)				(853)		(12,949)
Reclassification to Assets Held for Sale	(102)				(747)		(849)
Other Reclassifications	252	40	524	36	(112)	(2,082)	(1,342)
Accumulated depreciation and impairment written out on revaluation adjustment	(6,854)	(34)					(6,888)
Revaluation increases/(decreases) recognised in the revaluation reserve	11,249	74			1,149		12,472
Revaluation increases/(decreases) recognised in the surplus/deficit on the provision of services							
<b>As at 31 March 2016</b>	<b>295,626</b>	<b>20,821</b>	<b>201,638</b>	<b>21,736</b>	<b>10,970</b>	<b>16,475</b>	<b>567,266</b>
<b>Depreciation and Impairments:</b>							
<b>As at 1 April 2015</b>	<b>(49,890)</b>	<b>(17,212)</b>	<b>(51,136)</b>	<b>(4,160)</b>	<b>(1,435)</b>		<b>(123,833)</b>
Depreciation charged to CIES (ii)	(7,775)	(1,149)	(4,152)	(429)			(13,505)
Revaluation downwards charged to CIES	(715)				(995)		(1,710)
Impairment written off to Revaluation Reserve							
Revaluation Reserve							
Disposals	2,936						2,936
Reclassifications							
Accumulated depreciation and impairment written out on revaluation adj.	6,854	34					6,888
Revaluations							
<b>As at 31 March 2016</b>	<b>(48,590)</b>	<b>(18,327)</b>	<b>(55,288)</b>	<b>(4,589)</b>	<b>(2,430)</b>		<b>(129,224)</b>
<b>Net Book Value:</b>							
<b>Balance Sheet amount as at 31 March 2016*</b>	<b>247,036</b>	<b>2,494</b>	<b>146,350</b>	<b>17,147</b>	<b>8,540</b>	<b>16,475</b>	<b>438,042</b>
<b>Nature of Asset Holding</b>							
Owned	234,904	2,494	146,350	17,147	8,540	16,475	425,910
Finance Lease							
PFI (i)	12,132						12,132
<b>Total</b>	<b>247,036</b>	<b>2,494</b>	<b>146,350</b>	<b>17,147</b>	<b>8,242</b>	<b>16,772</b>	<b>438,042</b>

(i) Analysis of movement in the value of the PFI asset is as follows:

<b>Movement in PFI Asset Value</b>	<b>£000</b>
<b>Opening Value 1 April 2015</b>	<b>12,266</b>
Additions	50
Less Depreciation	(184)
Less Impairment	
<b>Closing Value 31 March 2016</b>	<b>12,132</b>

(ii) Depreciation is provided for on all non-current assets, with the exception of freehold land, investment property and assets held for sale. New assets are not depreciated in the year of acquisition and assets under construction are not depreciated until they become operational.

All other assets, including components, are written down using the straight line method over the estimated useful life of the asset, or in the case of intangible assets (software licences), the length of the licence.

The estimated useful lives of the assets are shown below:-

<b>Asset Category</b>	<b>Useful Life</b>
Vehicles, plant and equipment	Between 3 and 8 years
Intangibles	20 years
Infrastructure and Community assets	Between 10 and 40 years
Buildings	Between 15 and 60 years

There are no changes to depreciation methods used between 2014/15 and 2015/16.

**Comparative Movements in 2014/15:**

	<b>Other land &amp; buildings £000</b>	<b>Vehicles, plant &amp; equipment assets £000</b>	<b>Infrastructure assets £000</b>	<b>Community assets £000</b>	<b>Surplus assets £000</b>	<b>Assets under construction £000</b>	<b>Total £000</b>
<b>Cost or Valuation:</b>							
<b>As at 1 April 2014</b>	<b>304,806</b>	<b>21,747</b>	<b>191,668</b>	<b>19,902</b>	<b>15,971</b>	<b>6,018</b>	<b>560,112</b>
Additions	8,813	487	4,885	872	432	3,356	18,845
Disposals (incl. adj. for academy school transfers)	(15,536)	(1,617)			(4,724)		(21,877)
Reclassification to Assets Held for Sale					(3,500)		(3,500)
Other Reclassifications	3,927	30	602	53	(31)	(4,628)	(47)
Accumulated depreciation and impairment written out on revaluation adjustment	(12,021)				(1,797)		(13,818)
Revaluation increases/(decreases) recognised in the revaluation reserve	8,575				4,476		13,051
Revaluation increases/(decreases) recognised in the surplus/deficit on the provision of services							
<b>As at 31 March 2015</b>	<b>298,564</b>	<b>20,647</b>	<b>197,155</b>	<b>20,827</b>	<b>10,827</b>	<b>4,746</b>	<b>552,766</b>
<b>Depreciation and Impairments:</b>							
<b>As at 1 April 2014</b>	<b>(52,336)</b>	<b>(17,351)</b>	<b>(47,175)</b>	<b>(3,755)</b>	<b>(2,982)</b>		<b>(123,599)</b>
Depreciation charged to CIES (ii)	(7,488)	(1,279)	(3,961)	(405)			(13,133)
Revaluation downwards charged to CIES	(4,425)				(250)		(4,675)
Impairment written off to Revaluation Reserve							
Revaluation Reserve							
Disposals	2,338	1,418					3,756
Reclassifications							
Accumulated depreciation and impairment written out on revaluation adj.	12,021				1,797		13,818
Revaluations							
<b>As at 31 March 2015</b>	<b>(49,890)</b>	<b>(17,212)</b>	<b>(51,136)</b>	<b>(4,160)</b>	<b>(1,435)</b>		<b>(123,833)</b>
<b>Net Book Value:</b>							
<b>Balance Sheet amount as at 31 March 2015*</b>	<b>248,674</b>	<b>3,435</b>	<b>146,019</b>	<b>16,667</b>	<b>9,392</b>	<b>4,746</b>	<b>428,933</b>
<b>Nature of Asset Holding</b>							
Owned	236,408	3,435	146,019	16,667	9,392	4,746	416,667
Finance Lease							
PFI (i)	12,266						12,266
<b>Total</b>	<b>248,674</b>	<b>3,435</b>	<b>146,019</b>	<b>16,667</b>	<b>9,392</b>	<b>4,746</b>	<b>428,933</b>

## Valuation of Non-Current Assets held at fair value

This statement shows the progress of the Council's rolling programme for the revaluation of non-current assets. The valuations are carried out by the Council's own internal valuer - qualified staff working for the Corporate Director of Economic Growth, Environment and Infrastructure. The basis for valuation is set out in the statement of accounting policies.

	Other land & buildings £000	Vehicles, plant & equipment £000	Surplus assets £000	Investment Assets £000	Total £000
Held at historic cost		2,494			2,494
Valued at current value in:					
Current Year (1 April 2015)	24,662		754	5,117	30,533
Previous year (1 April 2014)	92,579	0	1,939	3,952	98,469
Two years ago (1 April 2013)	70,521	0	2,103	7,727	80,351
Three years ago (1 April 2012)	50,365	0	3,544	15,961	69,870
Four years ago (1 April 2011)	8,909	0	202	2,122	11,233
<b>Total</b>	<b>247,036</b>	<b>2,494</b>	<b>8,542</b>	<b>34,879</b>	<b>292,950</b>

Assets have been revalued within a five year period by the Council's internal valuation service, except for the valuation of land at Manchester Airport which has been provided by the valuation service of Manchester City Council. All assets are reviewed during the year to ensure that the carrying amount of the asset on the balance sheet does not differ materially from that which would be determined using the fair value at the end of the reporting period.

## Significant commitments under capital contracts as at 31 March 2016

As at 31 March 2016 the Council was contractually committed to capital expenditure which amounted to approximately £15.1m. Major contracts included the following schemes:

	£000
Oldfield Brow Primary School, Timperley – Additional Places	1,299
Brentwood School, Timperley – Replacement School	2,631
LED Replacement Programme	9,940
Altrincham Town Centre – Public realm works	1,237
<b>Total at 31 March 2016</b>	<b>15,107</b>

### 13. Heritage Assets (Balance Sheet page 13)

In accordance with FRS 30, the Council is required to recognise and measure Heritage Assets at fair valuation in the 2014/15 accounts. Heritage assets are assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical value.

The heritage assets held by the Council include silver, paintings, furniture, statues, civic regalia, artefacts, sculptures and historic buildings. The movement in asset values is shown below:-

<b>Movement in Heritage Asset Value</b>	<b>2014/15 £000</b>	<b>2015/16 £000</b>
Opening Value 1 April	1,025	1,019
Additions		
Reclassifications		1
Disposals		
Less Depreciation	(6)	(6)
Less Impairment		
<b>Closing Value 31 March</b>	<b>1,019</b>	<b>1,014</b>

### 14. Investment Properties (Balance Sheet page 13)

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

	<b>2014/15 £000</b>	<b>2015/16 £000</b>
<b>Balance at start of year</b>	<b>28,341</b>	<b>30,497</b>
Additions:		
Purchases		
Construction		
Subsequent expenditure		
Disposals		
Net gains/losses from fair value adjustments	2,114	5,124
Transfers:		
to/from Inventories		(1,571)
to/from Property, Plant & Equipment	48	853
Other changes	(6)	(24)
<b>Balance at end of year</b>	<b>30,497</b>	<b>34,879</b>

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure statement:

	<b>2014/15 £000</b>	<b>2015/16 £000</b>
Rental income from investment property	(2,241)	(2,120)
Direct operating expenses arising from investment	1,100	2,084
<b>Net (gain)/loss</b>	<b>(1,141)</b>	<b>(36)</b>

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

## 15. Intangible Assets (Balance Sheet page 13)

The Council accounts for its software as intangible assets, to the extent that software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets include both purchased licenses and internally generated software.

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 Council. The useful lives assigned to the major software suites used by the Council are:

<b>Useful Life</b>	<b>Other Assets</b>
5 years	Telephony Software System – Voice over IP
7 years	Payroll System
10 years	Easy Software Upgrade
10 years	Liquid Logic – Social Care System
20 years	SAP - Finance System Council Tax System

None of the software are internally generated.

The carrying amounts of intangible assets is amortised on a straight-line basis. The amortisation of £0.413m charged to revenue in 2015/16 was charged to the IT Administration cost centre and then absorbed as an overhead across all the service headings in the Net Expenditure of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

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

	2014/15			2015/16		
	Internally Generated Assets £000	Other Assets £000	Total £000	Internally Generated Assets £000	Other Assets £000	Total £000
<b>Balance at start of year:</b>						
Gross carrying amounts	-	3,300	<b>3,300</b>	3,456		3,456
Accumulated amortisation	-	(1,233)	<b>(1,233)</b>	(1,297)		(1,297)
<b>Net carrying amount at start of year</b>	<b>0</b>	<b>2,067</b>	<b>2,067</b>	<b>2,159</b>		<b>2,159</b>
Additions:						
Internal development	-	-	<b>0</b>			
Purchases	-	722	<b>722</b>	1,099		1,099
Acquired through business combinations	-	-	<b>0</b>			
Assets reclassified as held for sale	-	-	<b>0</b>			
Other disposals	-	(299)	<b>(299)</b>			
Revaluations increases or decreases	-	-	<b>0</b>			
Impairment losses recognised or reversed directly in the Revaluation Reserve	-	-	<b>0</b>			
Impairment losses recognised in the Surplus/Deficit on the Provision of Services	-	-	<b>0</b>			
Amortisation for the period	-	(331)	<b>(331)</b>	(413)		(413)
Other changes	-	-	<b>0</b>	1		1
<b>Net carrying amount at end of year</b>	<b>0</b>	<b>2,159</b>	<b>2,159</b>	<b>2,846</b>		<b>2,846</b>
Comprising:						
Gross carrying amounts	-	3,456	<b>3,456</b>	4,556		4,556
Accumulated amortisation	-	(1,297)	<b>(1,297)</b>	(1,710)		(1,710)
	<b>0</b>	<b>2,159</b>	<b>2,159</b>	<b>2,846</b>		<b>2,846</b>

Intangible assets relate to software licences acquired as part of the development of the Council's Integrated Business Information System (IBIS) and HR/Payroll System and social care system.

There are no items of capitalised software that are individually material to the financial statements.

## 16. Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet:

	<b>Long Term 31 March 2015 £000</b>	<b>Short Term 31 March 2015 £000</b>	<b>Long Term 31 March 2016 £000</b>	<b>Short Term 31 March 2016 £000</b>
<b>FINANCIAL ASSETS</b>				
<b>Available For Sale Financial Assets</b>				
Manchester Airport Group (MAG) Shareholding (See note on "Interest in Companies" on page 63)	41,000	0	39,800	0
Church Commissioner Local Authority Fund:				
Principal	0	0	4,815	0
Accrued Interest	0	0	0	68
<b>Sub-total – Available For Sale Financial Assets</b>	<b>41,000</b>	<b>0</b>	<b>44,615</b>	<b>68</b>
<b>Loans &amp; Receivables – Other Investments</b>				
Principal	5,000	34,900	0	39,300
Accrued Interest	0	54	0	96
<b>Sub-total – Other Investments</b>	<b>5,000</b>	<b>34,954</b>	<b>0</b>	<b>39,396</b>
<b>Sub-Total Investments</b>	<b>46,000</b>	<b>34,954</b>	<b>44,615</b>	<b>39,464</b>
<b>Loans &amp; Receivables - Cash and cash equivalent:</b>				
Cash at Bank	0	8,886	0	9,007
Principal	0	37,690	0	37,700
Accrued interest	0	17	0	19
<b>Sub-total Cash and Cash equivalent</b>	<b>0</b>	<b>46,593</b>	<b>0</b>	<b>46,726</b>
<b>Loans &amp; Receivables – Other Financial Instruments</b>				
MAG Loans (included within Long term debtors)	8,693	0	8,693	0
Homestep Loans (included within Long term debtors)	1,226	0	1,131	0
Local Authority Mortgage Scheme (included within Long term debtors)	3,073	39	3,000	0
Section 106 debtors (included within Short term debtors)	0	1,015	0	697
Trade Debtors (included within Short term debtors)	0	3,609	0	5,210
<b>Sub-total</b>	<b>12,992</b>	<b>4,663</b>	<b>12,824</b>	<b>5,907</b>
<b>TOTAL FINANCIAL ASSETS</b>	<b>58,992</b>	<b>86,210</b>	<b>57,439</b>	<b>92,097</b>

	<b>Long Term 31 March 2015 £000</b>	<b>Short Term 31 March 2015 £000</b>	<b>Long Term 31 March 2016 £000</b>	<b>Short Term 31 March 2016 £000</b>
<b>FINANCIAL LIABILITIES</b>				
<b>Financial Liabilities at Amortised Cost - Borrowings</b>				
Principal	(93,222)	(1,769)	(100,472)	(3,749)
Accrued Interest	0	(920)	0	(934)
Market loans EIR adjustments	(2,425)	0	(2,402)	0
<b>Sub-total</b>	<b>(95,647)</b>	<b>(2,689)</b>	<b>(102,874)</b>	<b>(4,683)</b>
<b>Financial Liabilities at Amortised Cost - Other Financial Instruments</b>				
Trade Creditors (included within short term creditors)	0	(3,576)	0	(3,643)
<b>Sub-total</b>	<b>0</b>	<b>(3,576)</b>	<b>0</b>	<b>(3,643)</b>
Other Long Term Liabilities				
PFI and finance lease liabilities	(5,987)	(196)	(5,777)	(209)
<b>Sub-total</b>	<b>(5,987)</b>	<b>(196)</b>	<b>(5,777)</b>	<b>(209)</b>
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>(101,634)</b>	<b>(6,461)</b>	<b>(108,651)</b>	<b>(8,535)</b>

On 29 September 2015, the Council placed £5m in the Church Commissioners Local Authority Property Fund which is a fund only available to Local Authorities. It is envisaged that the investment will be for a period in excess of five years. The objective of this fund is to generate long-term growth by investing in commercial property throughout the UK whilst also generating returns in the form of annual rental dividends. The figure stated in the above table represents the value of the amount invested as at 31 March 2016 net of entry costs.

Under accounting requirements the carrying value of the financial instruments is shown in the balance sheet which includes the principal amount borrowed or lent and further adjustments for breakage costs or stepped interest loans (measured by an effective interest rate calculation) including accrued interest. Accrued interest is shown separately in current assets and/or liabilities where the payments and/or receipts are due within one year. The effective interest rate is effectively accrued interest receivable under the instrument, adjusted for the amortisation of any premiums or discounts reflected in the purchase price.

During 2015/16, the Council advanced £105k of soft loans in accordance with its Town Centre Regeneration scheme at an interest rate of 0% repayable over a maximum period of 3 years and received £1m of loans from Salix Finance at an rate of interest of 0% in respect to its Street Lighting Replacement Programme which is repayable over four years. These types of loans, which have been undertaken at rates of interest below market levels, are deemed to be soft loans and an accounting adjustment in the Comprehensive Income and Expenditure Statement for the present value of the interest should be carried out. Calculations have been undertaken to determine this position and for the loan received of £1m, this would reduce the balance sheet value marginally by £49k to £951k. Due to the low value of this transaction and in accordance with the CIPFA Code of Practice regarding materiality, no adjustment to the Council's accounts has been undertaken to reflect either the Salix or Town Centre Regeneration financial instruments.this

### Fair values

IFRS 13, paragraphs 76–90 stipulates that the Council must ensure consistency and comparability in the way it reports its Financial Assets and Liabilities and in order to be able to do so the following 3 techniques have been used:

Level 1 Inputs – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date.

Level 2 Inputs – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 Inputs – unobservable inputs for the asset or liability.

#### Fair Value of Financial Assets

Some of the authority's financial assets are measured in the balance sheet at fair value on a recurring basis and are described in the following table, including the valuation techniques used to measure them.

<b>Financial assets measured at fair value</b>				
<b>Recurring fair value measurements</b>	<b>Input level in fair value hierarchy</b>	<b>Valuation technique used to measure fair value</b>	<b>As at 31/3/16 £000</b>	<b>As at 31/3/15 £000</b>
Available for Sale				
Church Commissioners Local Authority Property Fund	Level 1	Unadjusted quoted prices in active markets for identical shares	4,815	0
Manchester Airport Group	Level 3	Fair value is measured by Independent leading accountancy and business advisory as approved by the Financial Conduct Authority.	39,800	41,000
<b>Total</b>			<b>44,615</b>	<b>41,000</b>

#### Equity shareholding

**Church Commissioners Local Authority Property fund;**- on 29 September 2015 the Council placed £5m into this fund for an expected minimum period of 5 years and after entry costs enabled 1,643,872 of units to be purchased worth £4.73m. Updated market unit prices are produced on a monthly basis and as at 31 March 2016 the value of the Council's shareholding had risen to £4,815k.

**Manchester Airport Group;**- the shares in this company are not traded in an active market and fair value of £39.8m has been based on valuation techniques that are not based on observable current market transactions or available market data. The valuation has been made based on an analysis of the assets and liabilities in the company's latest audited accounts and the groups interim report and accounts for the six months ending 30 September 2015.

#### Transfers between Levels of the Fair Value Hierarchy

There were no transfers between input levels 1 and 2 during the year

#### Changes in the Valuation Technique

There has been no change in the valuation technique used during the year for the financial instruments

#### Fair value of Assets and Liabilities carried at Amortised Cost

Financial liabilities and financial assets represented by loans and receivables are carried on the balance sheet at amortised cost (in long term assets / liabilities with accrued interest in current asset / liabilities). Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

- For loans from the PWLB and other loans payable, premature repayment rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures. As the Debt Management Office provides a transparent approach allowing the exit cost to be calculated without undertaking a repayment or transfer it is appropriate to disclose the exit price;
- For investments the prevailing benchmark market rates have been used to provide the fair value;

- No early repayment or impairment is recognised;
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the principal outstanding or the billed amount;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount;
- Valuation for Financial Instruments - As at 31<sup>st</sup> March the Council held £77.0m financial assets and £104.2m financial liabilities for which Level 3 valuations will apply. All the financial assets are classed as Loans and Receivables and held with Term Deposits, Money Market Funds and Notice Accounts. The financial liabilities are held with PWLB and Market lenders. All of these investments and borrowings were not quoted on an active market and a Level 1 valuation is not available. To provide a fair value which provides a comparison to the carrying amount, the financial model valuation provided by Capita Asset Services has been used. This valuation applies the Net Present Value approach, which provides an estimate of the value of payments in the future in today's terms as at the balance sheet date. This is a widely accepted valuation technique commonly used by the private sector. The Council's accounting policy uses early repayment rates to discount the future cash flows.

The fair values calculated are as follows:

#### Liabilities

	31 March 2015		31 March 2016				
	Carrying Amount	Fair Value	Principal	Add EIR adjustment	Add accrued interest	Carrying Amount	Fair Value
	£000	£000	£000	£000	£000	£000	£000
<b>Financial Liabilities (Long and Short Term) – Measured at amortised cost</b>							
PWLB	39,541	54,424	47,221	0	556	47,777	64,417
Market	58,795	84,370	57,000	2,402	378	59,780	107,487
Trade creditors (included within short term creditors)	3,576	3,576	3,643	0	0	3,643	3,643
<b>Sub total</b>	<b>101,912</b>	<b>142,370</b>	<b>107,864</b>	<b>2,402</b>	<b>934</b>	<b>111,200</b>	<b>175,547</b>
PFI & finance lease	6,182	8,662	5,986	0	0	5,986	8,392
<b>Sub total</b>	<b>6,182</b>	<b>8,662</b>	<b>5,986</b>	<b>0</b>	<b>0</b>	<b>5,986</b>	<b>8,392</b>
<b>Total</b>	<b>108,094</b>	<b>151,032</b>	<b>113,850</b>	<b>2,402</b>	<b>934</b>	<b>117,186</b>	<b>183,939</b>

## Assets

	31 March 2015		31 March 2016			
	Carrying Amount	Fair Value	Principal	Add accrued Interest	Carrying Amount	Fair Value
	£000	£000	£000	£000	£000	£000
<b>Loans &amp; Receivables</b>						
Cash & Cash equivalents						
- Cash at bank	8,886	8,886	9,007	0	9,007	9,007
- Deposits	37,707	37,707	37,700	19	37,719	37,719
<b>Sub total</b>	<b>46,593</b>	<b>46,593</b>	<b>46,707</b>	<b>19</b>	<b>46,726</b>	<b>46,726</b>
Deposits over 1 year	5,000	5,172	0	0	0	0
Deposits under 1 year	34,954	34,991	39,300	96	39,396	39,497
CCLA Property Fund	0	0	4,815	68	4,883	4,883
MAG Loans (included within Long term debtors)	8,693	8,693	8,693	0	8,693	8,693
Homestep Loans (included within Long term debtors)	1,226	1,226	1,131	0	1,131	1,131
Local Authority Mortgage Scheme (included within Long term debtors)	3,073	3,073	3,000	0	3,000	3,000
Section 106 debtors (included within Short term debtors)	1,015	1,015	697	0	697	697
Trade Debtors (included within Short term debtors)	3,609	3,609	5,210	0	5,210	5,210
<b>Sub total</b>	<b>57,570</b>	<b>57,779</b>	<b>62,846</b>	<b>164</b>	<b>62,728</b>	<b>63,111</b>
<b>Available For Sale Financial Assets</b>						
MAG Shareholding	41,000	41,000	39,800	0	39,800	39,800
<b>Sub total</b>	<b>41,000</b>	<b>41,000</b>	<b>39,800</b>	<b>0</b>	<b>39,800</b>	<b>39,800</b>
<b>Total</b>	<b>145,163</b>	<b>145,372</b>	<b>149,353</b>	<b>183</b>	<b>149,254</b>	<b>149,637</b>

The fair value is greater than the carrying amount because the Council's portfolio of liabilities and assets includes a number of fixed rate instruments where the interest rate payable and receivable are higher than the rates available for similar transactions in the market at the balance sheet date. This shows a notional future loss (based on economic conditions at 31 March 2016) arising from a commitment to pay interest to lenders above current market rates

The fair values for both financial liabilities and assets have been determined by reference to the Public Works Loan Board (PWLB) redemption rules which provide a good approximation for the fair value of a financial instrument and includes accrued interest. This measures the economic effect of the terms agreed with the lender compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The difference between the carrying amount and the fair value measures the additional interest that the authority will pay over the remaining terms of the loans under the agreements with the lender, against what would be paid if the loans were at prevailing market rates.

However, the authority has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets. A supplementary measure of the additional interest that the authority will pay as a result of its PWLB commitments for fixed rate loans is to compare the terms of these loans with the new borrowing rates available from the PWLB. If a value is calculated on this basis, the carrying amount of £47.2m would be valued at £57.7m. But, if the authority were to seek to avoid the projected loss by repaying the loans to the PWLB, the PWLB would raise a penalty charge for early redemption in addition to charging a premium for the additional interest that will not now be paid. The exit price for the PWLB loans including the penalty charge would be £16.6m.

For financial assets the comparator market rates have been taken from indicative investment rates however in practice rates will be determined by the size of the transaction and counterparty, but it is impractical to use these figures, and the differences are immaterial.

The Council's shareholding in the Churches Commission Local Authority Property fund of £4.8m are tradeable in an active market and the fair value of £4.9m has been based on the funds valuation as at 31 March 2016.

The Council's shareholding in Manchester Airport Group are not traded in an active market and fair value of £39.8m has been made on an analysis of the assets and liabilities in the Company's latest audited accounts by an independent accountancy firm BDO.

### Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments and referred to in note 10 are made up as follows;

	2014/15				2015/16			
	Financial Liabilities measured at amortised cost £000	Financial Assets: Loans & Receivables £000	Financial Assets: Available for Sale £000	Total £000	Financial Liabilities measured at amortised cost £000	Financial Assets: Loans & Receivables £000	Financial Assets: Available for Sale £000	Total £000
Interest Expense	6,183			6,183	6,093			6,093
Interest & Dividend income		(4,241)		(4,241)		(5,289)		(5,289)
Gains/(Loss) on Revaluation			4,300	4,300			(1,385)	(1,385)
<b>Net gain/(loss) for the year</b>	<b>6,183</b>	<b>(4,241)</b>	<b>4,300</b>	<b>6,242</b>	<b>6,093</b>	<b>(5,289)</b>	<b>(1,385)</b>	<b>(581)</b>

Included in the above Gains and Losses, in 2015/16, the Council;

- revalued its shareholding in Manchester Airport which resulted in a decrease in value from £41.0m to £39.8m (£36.7m to £41.0m in 2014/15),
- invested £5.0m in the Church Commissioners Local Authority Property Fund on 29 September 2015 purchasing 1,643,872 units which were valued at 31 March 2016 at £4.8m,
- both decreases, £1.8m Manchester Airport & £0.2m Church Commissioners Local Authority Property Fund have been included in the CIES within Other Comprehensive (Income) and Expenditure.

**The Council has the following financial instruments that are classed as Available for Sale**

<b>31.3.14 £000</b>	<b>31.03.15 £000</b>		<b>31.03.16 £000</b>
36,700	41,000	Shareholdings in MAG	39,800
0	0	Church Commissioners Local Authority Property fund	4,815
<b>36,700</b>	<b>41,000</b>	<b>Total</b>	<b>44,615</b>

**17. Inventories (Balance Sheet page 13)**

The Council held the following inventories at 31 March 2015 and 2016. All are related to consumable stores.

<b>Consumable Stores</b>		
	<b>31.3.15 £000</b>	<b>31.3.16 £000</b>
<b>Balance outstanding at start of year</b>	<b>398</b>	<b>338</b>
Purchases	2,573	2,491
Recognised as an expense in the year	(2,631)	(2,450)
Written off balances	(2)	(301)
<b>Balance outstanding at year-end</b>	<b>338</b>	<b>78</b>

**18. Work in Progress (Construction Contracts)**

This refers to work in progress, but not yet complete, that the Council is undertaking on behalf of other organisations on a fee basis. There are no such contracts to report.

**19. Debtors (Balance Sheet page 13)**

Long Term Debtors & Prepayments

<b>Restated 31.3.15 £000</b>		<b>31.3.16 £000</b>	(i) The
20	Council Houses (Mortgages)	21	
916	Probation Service (i)	850	
8,693	Manchester Airport Plc. (ii)	8,693	
649	Sale PFI – lifecycle replacement (iii)	733	
60	MUFC Deferred Debtor (iv)	0	
1,226	Homestep Loans (v)	1,131	
3,073	Local Authority Mortgage Scheme (vi)	3,000	
-	Town Centre Loans (vii)	19	
<b>14,637</b>	<b>Total</b>	<b>14,447</b>	

Council acts as 'lead' authority in providing loans to the Greater Manchester Probation Service (GMPS) to assist in the financing of their capital programme. These advances are repaid with interest over varying periods finishing in 2031/32.

- (ii) The Council together with the other nine Greater Manchester authorities is a shareholder in Manchester Airport plc. During 2009/10, in exchange for a greater level of coupon rate receivable, all ten councils agreed to restructure the long term loans that had previously been made to the Airport to finance capital expenditure. As a result of this, these loans which were previously classed as secure loans have become unsecured loans. The revised loan agreement is due to expire in 2055.

- (iii) Private Finance Initiative (PFI) – The Council has a PFI scheme for the provision of new office and community facilities in Sale Town Centre. Amounts payable under the arrangement to the PFI operator in respect of lifecycle costs are included as prepayments. These amounts will be written down to the asset when lifecycle works are undertaken.
- (iv) MUFC Deferred Debtor – A Section 106 agreement was entered into with Manchester United Football Club in March 2005 relating to stadium improvements completed in 2006. The agreement provides for the funding of works on transport infrastructure improvements, match day improvements measures and improvements to sporting facilities in the borough. In addition to £0.400m received in 2006/07, an amount of £0.600m is due over the next ten years in annual instalments of £0.060m per year. The final £0.060m instalment due in 2016/17 is included within short-term debtors in the Balance Sheet.
- (v) Homestep Loans – these are loans provided to first time buyers to assist key workers to purchase a home. The amount advanced has been included as a long term debtor and is repayable when the property is sold.
- (vi) Local Authority Mortgage Scheme – as part of the scheme launched in May 2012, the Council provides an indemnity to Lloyds TSB to allow suitable first time buyers to access the housing market with a 5% deposit instead of a usual 25% deposit. In effect, the Council provides a ‘cash backed’ indemnity to Lloyds TSB to cover the 20% of the mortgage price in the event of a default within the first 5 years of the mortgage period. Following the success of the original £2m advanced in 2012/13, a further £1m was provided to Lloyds TSB in 2013/14. The fair value of the debtor remains at £3m due to no defaults occurring in 2015/16.
- (vii) Town Centre Loans – The Council offers an interest-free loan scheme for businesses that want to occupy ground floor, vacant premises in Altrincham, Sale, Urmston or Stretford town centres to part-fund works, overheads and marketing costs that are needed to bring a vacant unit back into use. The loans are advanced in two instalments and the first instalment is made within Long Term Debtors and Prepayments. Once the second instalment is made, the debt is transferred into our debtor collection system and appears in Short Term Debtors.

### Short Term Debtors and Payments in Advance

<b>Restated 31 March 2015 £000</b>	<b>Amounts falling due within one year</b>	<b>31 March 2016 £000</b>
8,363	Council Tax	7,970
4,545	Business Rates	5,591
5,729	Other Government Departments *	9,650
2,120	Payments in advance	1,817
20,205	Other	21,855
40,962	Sub Total	46,883
(19,348)	Less Provision for Bad and Doubtful Debts	(19,716)
<b>21,614</b>	<b>Total</b>	<b>27,167</b>

\* Includes £6.8m DfE re late payment of final 2015/16 DSG instalment.

Short-term debtors are also analysed by the party to which they relate, in accordance with the Code:

<b>Restated 31 March 2015 £000</b>		<b>31 March 2016 £000</b>
1,408	Central Government Bodies *	8,971
741	Other Local Authorities	1,242
5,077	National Health Service Bodies	679
0	Public Corporations and Trading Funds	0
14,388	Bodies External to General Government	16,275
<b>21,614</b>	<b>Total</b>	<b>27,167</b>

\* Includes £6.8m DfE re late payment of final 2015/16 DSG instalment.

### 20. Cash and Cash Equivalents (Balance Sheet page 13)

The balance of Cash and Cash Equivalents is made up of the following elements:

<b>31 March 2015 £000</b>		<b>31 March 2016 £000</b>
8,886	Cash held by the Council/Bank current accounts	9,007
37,707	Short-term deposits	37,719
<b>46,593</b>	<b>Total Cash and Cash Equivalents</b>	<b>46,726</b>

## 21 Assets Held for Sale (Balance Sheet page 13)

All assets held for sale are classified as current as they are expected to be sold within the next financial year; there are no long term assets held for sale.

	Current assets	
	2014/15 £000	2015/16 £000
<b>Balance at start of year</b>	<b>3,242</b>	<b>5,198</b>
Assets newly classified as held for sale:		
Property, Plant and Equipment	3,500	2,419
Intangible Assets		
Other assets/liabilities in disposal group		
Revaluation losses		
Revaluation gains		
Impairment losses		
Assets held as declassified for sale:		
Property, Plant and Equipment		
Intangible Assets		
Other assets/liabilities in disposal group		
Assets sold	(1,544)	(520)
Transfers from non-current to current (Other movements)		
<b>Balance at year-end</b>	<b>5,198</b>	<b>7,097</b>

Strict criteria restricts what assets can be classed as held for sale and the Council's surplus property included within Property, Plant and Equipment (note 12) has been reviewed by the Council's valuers and reclassified where necessary to this category.

## 22 Creditors and Receipts in Advance (Balance Sheet page 13)

### Long Term Creditors

This includes £(0.036)m (£(0.036)m in 2014/15) for the maintenance of graves at cemeteries.

### Long-Term Liabilities – Deferred

31 March 2015 £000	31 March 2016 £000
(5,986) Sale PFI – Finance Lease liability (i)	(5,777)
(1,423) Sale PFI liability (ii)	(1,469)
(183) Environmental Surcharge Crematoria (iii)	(380)
(807) Greater Manchester Debt Administration Fund – MIA (iv)	(688)
(10) Council house mortgages (v)	(9)
(100) Trafford Park Development Corporation (vi)	(93)
(1,481) Commuted sums/S106 agreements (vii)	(1,373)
<b>(9,990) Total</b>	<b>(9,789)</b>

- (i) This relates to the lease liability on the Sale Waterside PFI scheme (note 43).
- (ii) Sale PFI liability – amount set aside to cover the final bullet payments due at the end of the PFI contract (note 43).

- (iii) Since 2007 the Council has included an Environmental Surcharge within its Crematoria fees associated with works required to comply with statutory mercury abatement guidance issued by DEFRA at that time. The sum is either spent on essential environmental works in-year or carried forward as a liability to fund works in future years as required.
- (iv) This is the deferred long term liability relating to Manchester Airport debt (see note 49b).
- (v) £0.009m is due from the sale of council houses and other dwellings where buyers have entered into a mortgage agreement with the Council. Therefore the repayments will be received in instalments over a number of years.
- (vi) Prior to its wind up on 31 March 1998 the Trafford Park Urban Development Corporation paid the sum of £1.3m in recognition of the Council agreeing to pay some of the corporation's outstanding liabilities and carrying out certain works. There is a remaining balance of £0.093m as at 31 March 2016.
- (vii) The Council has also received commuted sums from developers, in particular for the development and maintenance of open spaces. This will be released to the revenue account when the cost of providing these services falls due.

#### Short Term Creditors

<b>31 March 2015 £000</b>		<b>31 March 2016 £000</b>
(3,406)	HM Revenue and Customs	(2,872)
(15,810)	Other Government Departments	(18,218)
(23,696)	Sundry Creditors	(26,591)
(4,298)	Employees – accumulated absences	(3,884)
(3,463)	Receipts in Advance – Council Tax	(3,572)
(2,517)	Receipts in Advance – NDR	(2,746)
(2,033)	Other Receipts in Advance	(5,315)
<b>(55,223)</b>	<b>Total</b>	<b>(63,198)</b>

Short-term creditors and receipts in advance are also analysed by the party to which they relate, in accordance with the Code:

<b>31 March 2015 £000</b>		<b>31 March 2016 £000</b>
(19,216)	Central Government Bodies	(21,014)
(1,838)	Other Local Authorities	(9,320)
(205)	National Health Service Bodies	(158)
(183)	Public Corporations and Trading Funds	(204)
(33,781)	Bodies External to General Government	(32,502)
<b>(55,223)</b>	<b>Total</b>	<b>(63,198)</b>

## 23 Provisions (Balance Sheet page 13)

The Council has the following total provisions at 31 March 2016:

	<b>Balance 1 April 2014 £000</b>	<b>Net Movement in Year £000</b>	<b>Balance 1 April 2015 £000</b>	<b>Net Movement in Year £000</b>	<b>Balance 31 March 2016 £000</b>
<b>Total Provision</b>					
Insurance (i)	(3,759)	135	(3,624)	(344)	(3,968)
Equal Pay (ii)	(2,856)	2,364	(492)	242	(250)
VAT on Parking income (iii)	(172)	0	(172)	172	0
VAT on DFG Admin fees (iv)	0	0	0	(14)	(14)
Employment Rationalisation (v)	(346)	(233)	(579)	374	(205)
MMI Clawback (vi)	0	0	0	(281)	(281)
NDR Appeals (vii)	(18,043)	4,042	(14,001)	29	(13,972)
Land charges litigation costs (viii)	0	0	0	(81)	(81)
<b>Total</b>	<b>(25,176)</b>	<b>6,308</b>	<b>(18,868)</b>	<b>97</b>	<b>(18,771)</b>

- (i) Insurance £3.968m – The Council is effectively self-insured with high excesses on most insurance policies. The Council mitigates its insurance risk with the use of reserves, provisions and catastrophe cover from an insurance company, which for 2015/16 was primarily Zurich Municipal. The Council is therefore obliged to make a provision each year in respect of potential claims, most of which are received in future years. The level of provision is assessed annually. In 2015/16, from a starting balance of £3.624m contributions of £1.294m were made to the provision, £0.950m of claims were paid, leaving a balance on the provision of £3.968m which is deemed an appropriate balance to cover any outstanding liabilities. This balance includes the outstanding claims estimate under Municipal Mutual Insurance Scheme of Arrangement, as shown in note 49(a)
- (ii) Liabilities arising from claims under Equal Pay legislation from employees who may have been disadvantaged under the Council's previous pay scheme operating up to 31 December 2008 have been estimated at £0.250m. The movements in year have been £0.242m in respect of 35 settled claims. The Council is actively engaged in trying to settle the final claims in the next period.
- (iii) VAT on car parking of £0.172m (£0.172m in 2013/14). These monies were held pending the outcome of outstanding litigation affecting all local authorities in respect of the VAT liability for off-street car parking. As a result of the case now being time barred against which any claim can be made, the provision has been released to the income and expenditure account in 2015/16.
- (iv) VAT on DFG Admin fees of £0.014m. These monies are held pending the outcome of a Tax Tribunal case.
- (v) Employment Rationalisation – the Council has severance agreements with a number of staff which may or may not be taken up pending the rationalisation of employment within the Council. The estimated cost of these agreements is £0.205m (£0.579m in 2014/15).
- (vi) MMI Clawback - In January 1994 the Council's former insurer, Municipal Mutual Insurance, made a scheme of agreement with its creditors. Under this scheme, claims are initially paid out in full, but if the eventual winding up of the company results in insufficient assets to meet all liabilities a clawback clause will be triggered which could affect claims already paid. The scheme of arrangement was triggered during 2012/13 and a second notice has recently been received, equating to an additional £0.281m.

- (vii) In 2013/14, the administration of NDR changed following the introduction of a business rates retention scheme which aims to give Councils a greater incentive to grow businesses but also increases the financial risk due to volatility, caused by for example new appeals and changes in reliefs, and non-collection of rates. Authorities are expected to finance an element of appeals made in respect of rateable values as defined by VOA as at 31 March 2016. As such, authorities are required to make a provision for these amounts. Appeals are charged and provided for in proportion of the precepting shares. The total provision charged to the collection fund for 2015/16 has been calculated at £28.514m, of which Trafford's share at 49% is £13.972m.
- (viii) Land charges litigation costs - Local Land Charges – a group of property search companies sought to claim refunds of fees paid to the Council for land charges data. This provision covers the anticipated costs set aside to settle these claims.

Movement in provisions at 31 March 2016 is summarised as follows:

	Outstanding Legal Cases £000	Injury and Damage Compensation Claims £000	Other Provisions £000	Total £000
<b>Balance at 1 April 2015</b>	<b>(664)</b>	<b>(3,624)</b>	<b>(14,580)</b>	<b>(18,868)</b>
Additional provisions made	(14)	(1,656)	(2,450)	(4,120)
Amounts used	268	950	2,853	4,071
Unused amounts reversed	146			146
Unwinding of discounting				
<b>Balance as at 31 March 2016</b>	<b>(264)</b>	<b>(4,330)</b>	<b>(14,177)</b>	<b>(18,771)</b>

An element of the above provisions have been classified as short-term on the balance sheet based on the assumption that there is a high likelihood that they will be used within 12 months of the balance sheet date:

Balance 31 March 2015 £000	Provisions	Balance 31 March 2016 £000
(1,010)	Insurance	(982)
(492)	Equal Pay	(250)
(579)	Employee Rationalisation	(205)
0	MMI Clawback	(281)
(10,501)	NDR Appeals	(10,479)
0	Land charges litigation costs	(81)
<b>(12,582)</b>	<b>Total Short Term</b>	<b>(12,278)</b>
(2,614)	Insurance	(2,986)
(172)	VAT on Parking income	
(3,500)	NDR Appeals	(3,493)
0	VAT on DFG Admin fees	(14)
<b>(6,286)</b>	<b>Total Long Term</b>	<b>(6,493)</b>
<b>(18,868)</b>	<b>Total</b>	<b>(18,771)</b>

## 24. Usable Reserves (Balance Sheet page 13)

Movement in the Council's usable reserves are detailed in the Movement in Reserves Statement and in note 7. The following additional information is provided relating to reserves held by schools.

### (i) Reserves & Balances held by Schools under Delegated Schemes

In accordance with the Council's approved scheme for delegating budgets to schools, the amount of any budget not spent in the year is carried forward. These reserves are not available to the Council for general use, it is for each school to determine how they are spent. The surplus balances at 31 March 2016 were £(8.668)m (£(9.105)m at 31 March 2015), which includes £(8.735)m of revenue balances and £0.067m of capital balances.

The capital balance overdrawn of £0.067m relates to one school and is a one off arrangement. Templemoor Infants School have borrowed money from the Council in order to finance a capital scheme which is expected to cost £0.150m in total. This is being repaid by the school over a 3 year period and will simultaneously enable this deficit to be written down.

At 31 March 2016 there were 7 schools with a deficit balance on their revenue reserves, amounting to £0.301m, whilst 65 schools had surplus balances amounting to £(9.036)m.

In addition, there are unspent devolved formula capital balances of £(0.483)m, which are included within Capital Grants and Contributions on the balance sheet (note 39).

### (ii) Capital Receipts Reserve

The Local Government Act 2003 requires that a percentage of housing capital receipts be paid over to the Government under the pooling regulations. The balance is held in the Capital Receipts Reserve to meet new capital expenditure, debts or other liabilities.

<b>2015</b>	<b>2016</b>
<b>£000</b>	<b>£000</b>
<b>(7,526) Balance carried forward at 1 April</b>	<b>(11,540)</b>
(10,049) Capital receipts in the year from sale of assets(net of disposal costs)	(878)
<b>(17,575) Sub-total</b>	<b>(12,418)</b>
4 Less amount payable to Government re pooling liability	1
6,031 Amount used to finance capital expenditure in year	3,167
Amount used to repay debt	
Amounts used to cover the increase in the Equal Pay provision	
<b>(11,540) Balance carried forward at 31 March</b>	<b>(9,250)</b>

## 25. Unusable Reserves (Balance Sheet page 13)

Total unusable reserves balances and movements are shown in the Movement in Reserves Statement and in note 7. The following notes give an explanation by individual reserve.

<b>Restated 31 March 2015 £000</b>	<b>Unusable Reserves</b>	<b>31 March 2016 £000</b>
(29,050)	Revaluation Reserve (i)	(37,869)
(30,786)	Available for Sale Financial Instruments Reserve (ii)	(29,401)
(315,874)	Capital Adjustment Account (iii)	(326,487)
5,670	Financial Instruments Adjustment Account (iv)	5,402
284,188	Pensions Reserve (v)	226,011
5,296	Collection Fund Adjustment Account (vi)	(2,312)
4,298	Accumulated Absences Account (vii)	3,884
<b>(76,258)</b>	<b>Total Unusable Reserves</b>	<b>(160,772)</b>

### (i) Revaluation Reserve

- The Revaluation Reserve contains the gains made by the Council arising from the increases in the value of its Property, Plant and Equipment (and Intangible Assets). The balance is reduced when assets with accumulated gains are:
  - revalued downwards or impaired;
  - used in the provision of services and the gains are consumed through depreciation, or;
  - disposed of and the gains are realised.

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

<b>2014/15 £000</b>		<b>2015/16 £000</b>
<b>(18,170)</b>	<b>Balance as at 1 April</b>	<b>(29,050)</b>
(13,050)	Upward revaluation of assets	(12,472)
(13,050)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(41,522)
734	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	1,309
1,436	Difference between fair value depreciation and historical cost depreciation	2,344
2,170	Accumulated gains on assets sold or scrapped	3,653
2,170	Amount written off to the Capital Adjustment Account	3,653
<b>(29,050)</b>	<b>Balance as at 31 March</b>	<b>(37,869)</b>

**(ii) Available for Sale Financial Instruments Reserve**

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

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

In 2015/16 the Council revalued its shareholding in Manchester Airport which resulted in an decrease in value from £41.0m to £39.8m, the decrease of £1.2m is reflected in the Available for Sale Financial Instruments reserve and the original investment of £36.7m forms part of the Capital Adjustment Account balance.

On 29 September 2015 the Council placed £5m into the Church Commissioners Local Authority Property fund for an expected minimum period of 5 years and after entry costs enabled 1,643,872 units to be purchased at a cost of £5.0m. Updated market unit prices are produced on a monthly basis and as at 31 March 2016 the value of the Council's shareholding had risen to £4.82m. The decrease in value from £5.0m to £4.8m of £0.2m is reflected in the Available for Sale Financial Instruments reserve.

<b>2014/15</b>		<b>2015/16</b>
<b>£000</b>		<b>£000</b>
<b>(26,486)</b>	<b>Balance as at 1 April</b>	<b>(30,786)</b>
(4,300)	Upward revaluation of investment	
	Downward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	1,385
(4,300)		1,385
-	- Accumulated gains on assets sold and maturing assets written out to the Comprehensive Income and Expenditure Statement as part of Other Investment Income	-
<b>(30,786)</b>	<b>Balance as at 31 March</b>	<b>(29,401)</b>

### (iii) Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Capital Adjustment Account contains amounts required by statute to be set aside from capital receipts and Government grants together with the amount set aside from revenue accounts for the repayment of debt. It also contains the amounts used from revenue, capital receipts and grants to finance the capital programme. The reserve is not available to supplement spending programmes of the Council. A credit balance on this account reflects that capital finance has been set aside at a faster rate than non-current assets have been consumed.

2014/15 £000		2015/16 £000
(325,255)	<b>Balance as at 1 April</b>	(315,874)
	<b>Restatement for Foundation Schools included on Balance Sheet</b>	
	<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</b>	
13,145	- Charges for depreciation and impairment of non-current assets	13,536
4,675	- Revaluation losses on Property, Plant and Equipment	1,710
330	- Amortisation of intangible assets	413
1,452	- Revenue expenditure funded from capital under statute	1,544
19,965	- Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	10,533
39,567		27,736
(2,170)	Adjusting amounts written out of the Revaluation Reserve	(3,653)
	Net written out amount of the cost of non-current assets consumed in the year	
	Capital financing applied in the year:	
(6,031)	- Use of the Capital Receipts Reserve to finance new capital expenditure	(3,168)
(14,845)	- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(22,584)
-	- Voluntary provision for debt repayment	
(4,774)	- Statutory provision for the financing of capital investment charged against the General Fund Balance	(3,483)
(249)	- Capital expenditure charged against the General Fund Balance	(337)
(25,899)		(29,572)
(2,114)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(5,124)
	Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement	
(3)	Other Adjustments	
(315,874)	<b>Balance as at 31 March</b>	(326,487)

(iv) **Financial Instruments Adjustment Account**

<b>2014/15</b>		<b>2015/16</b>
<b>£000</b>		<b>£000</b>
<b>5,934</b>	<b>Balance as at 1 April</b>	<b>5,670</b>
0	Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	0
0	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with Statutory requirements	0
(264)	Less annual charge for premiums incurred in previous financial years and stepped loan EIR adjustment Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(268)
<b>5,670</b>	<b>Balance at 31 March</b>	<b>5,402</b>

The above table details the transactions generated in accordance with the Code and includes outstanding premium incurred from past debt restructuring exercises on which the replacement loan does not meet one of following criteria;

- Replaced on same day;
- Replaced with same lender;
- Net Present Value of future cash flows of the repaid loan compared to the replacement loan does not produce a saving of less than 10%.

In addition to this, the equalisation of interest on the two stepped interest rate market loans calculated over their full life was transferred into this account with the annual recharge to the Comprehensive Income & Expenditure Statement changing from that actually incurred to one calculated on an Effective Interest Rate basis. The balance on the account at 31 March 2016 will be charged to the General Fund in accordance with statutory arrangements over the next 27 years.

(v) **Pensions Reserve**

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council 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 Council 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 Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

<b>2014/15</b>		<b>2015/16</b>
<b>£000</b>		<b>£000</b>
(206,406)	Balance as at 1 April	(284,188)
(67,584)	Re-measurements of the net defined benefit liability/(asset)	64,656
(27,043)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(22,287)
16,845	Employer's pension contributions and direct payments to pensioners payable in the year	15,808
<b>(284,188)</b>	<b>Balance as at 31 March</b>	<b>(226,011)</b>

**(vi) Collection Fund Adjustment Account**

Fund Adjustment Account manages the differences arising from the recognition of council tax and non domestic rates income in the Comprehensive Income and Expenditure Statement as it falls due from tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund. As a result of the introduction of the business rates retention scheme, the Collection Fund Adjustment Account includes adjustments for non domestic rates from 2013/14.

<b>2014/15</b>		<b>2015/16</b>
<b>£000</b>		<b>£000</b>
<b>15,003</b>	<b>Balance as at 1 April</b>	<b>5,296</b>
(265)	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(896)
(9,442)	Amount by which non domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from non-domestic rates income calculated for the year in accordance with statutory requirements	(6,712)
<b>5,296</b>	<b>Balance as at 31 March</b>	<b>(2,312)</b>

**(vii) Accumulated Absences Account**

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

<b>2014/15</b>		<b>2015/16</b>
<b>£000</b>		<b>£000</b>
<b>3,557</b>	<b>Balance as at 1 April</b>	<b>4,298</b>
(3,557)	Settlement or cancellation of accrual made at the end of the preceding year	(4,298)
4,298	Amounts accrued at the end of the current year	3,884
741	Amount by which amounts officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(414)
<b>4,298</b>	<b>Balance as at 31 March</b>	<b>3,884</b>

## 26. Cash Flow Statement – Operating Activities (page 17)

The cash flow from Operating Activities includes the following:

### 26a - Adjustments to net surplus or deficit on the provision of services for non-cash movements

2014/15 £000		2015/16 £000
(13,145)	Depreciation/Impairment charged to I and E	(13,536)
(330)	Amortisation of Intangible Assets	(413)
(5,451)	(Increase)/Decrease in Creditors	(758)
(12,666)	Increase/(Decrease) in Debtors	5,756
(60)	Increase/(Decrease) in Inventories	(260)
(10,198)	Pensions Liability	(6,479)
6,309	Contributions to/(from) Provisions	97
(4,675)	Revaluation Losses	(1,710)
	Carrying value on disposal of Property, Plant and Equipment,	
(19,965)	Investment Property and Intangible Assets	(10,533)
2,114	Investment Properties Losses (Gains)	5,124
22	Other non-cash adjustments	24
<b>(58,045)</b>		<b>(22,688)</b>

### 26b - Adjustments for items included in the net surplus or deficit on the provision of services that are investing or financing activities

2014/15 £000		2015/16 £000
-	Proceeds from short-term and long-term investments	(654)
15,553	Capital Grants credited to the surplus or deficit on the provisions of services	12,680
10,060	Proceeds from the sale of non-current assets	879
<b>25,613</b>		<b>12,905</b>

### 26c - The cash flows for operating activities include the following items:

2014/15 £000		2015/16 £000
(2,657)	Interest received	(1,940)
5,688	Interest paid	5,677
(2,484)	Dividends received	(3,245)

## 27. Cash Flow Statement – Investing Activities (page 17)

The cash flows for investing activities include the following items:

<b>2014/15 £000</b>		<b>2015/16 £000</b>
18,633	Purchase of property, plant and equipment, investment property and intangible assets	22,373
13,035	Purchase / (proceeds) of short-term and long-term investments	5,000
(66)	Other payments for investing activities	(231)
(10,060)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(879)
(17,512)	Other receipts from investing activities – Capital Grants Received	(11,402)
<b>4,030</b>	<b>Net cash flows from investing activities</b>	<b>14,861</b>

## 28 Cash Flow Statement – Financing Activities (page 17)

The cash flows for financing activities include the following items:

<b>2014/15 £000</b>		<b>2015/16 £000</b>
0	Cash receipts of short and long-term borrowing	(11,000)
0	Other receipts from financing activities	0
184	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	196
2,424	Repayments of short and long-term borrowing	1,769
(8,483)	Other payments for financing activities – Net Cash inflow from NDR Agency arrangements	(3,863)
<b>(5,875)</b>	<b>Net cash flows from investing activities</b>	<b>(12,898)</b>

## 29 Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice. However, decisions about resource allocation are taken by the Council's Executive on the basis of budget reports analysed across directorates. These reports are prepared 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, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations 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 pensions contributions) rather than current service cost of benefits accrued in the year;
- expenditure on support services is reported in the directorate in which the direct costs and income relate, and not on a recharged basis.

The income and expenditure of the Council's principal directorates recorded in the budget reports for the year is as follows:

<b>Directorate Income and Expenditure 2015/16</b>	<b>Children's Services £000</b>	<b>Adult Services £000</b>	<b>Economic Growth, Environment &amp; Infrastructure £000</b>	<b>Transformation &amp; Resources £000</b>	<b>Council Wide £000</b>	<b>Total £000</b>
Fees, charges & other service income	(20,589)	(12,502)	(13,545)	(8,815)	(10,584)	(66,035)
Government grants	(134,723)	(25,083)	(1,022)	(4,899)	(74,521)	(240,248)
<b>Total income</b>	<b>(155,312)</b>	<b>(37,585)</b>	<b>(14,567)</b>	<b>(13,714)</b>	<b>(85,105)</b>	<b>(306,283)</b>
Employee expenses	110,931	12,553	6,076	18,784	3,470	151,814
Other service expenses	72,357	70,781	39,936	10,830	103,204	297,108
Support service recharges	717					717
<b>Total expenditure</b>	<b>184,005</b>	<b>83,334</b>	<b>46,012</b>	<b>29,614</b>	<b>106,674</b>	<b>449,639</b>
<b>Net expenditure</b>	<b>28,693</b>	<b>45,749</b>	<b>31,445</b>	<b>15,900</b>	<b>21,569</b>	<b>143,356</b>

<b>Directorate Income and Expenditure 2014/15</b>	<b>Children's Services £000</b>	<b>Adult Services £000</b>	<b>Economic Growth, Environment &amp; Infrastructure £000</b>	<b>Transformation &amp; Resources £000</b>	<b>Council Wide £000</b>	<b>Total £000</b>
Fees, charges & other service income	(23,106)	(12,267)	(15,307)	(8,484)	(15,176)	(74,340)
Government grants	(132,841)	(16,567)	(1,176)	(4,703)	(75,923)	(231,210)
<b>Total income</b>	<b>(155,947)</b>	<b>(28,834)</b>	<b>(16,483)</b>	<b>(13,187)</b>	<b>(91,099)</b>	<b>(305,550)</b>
Employee expenses	112,083	14,224	9,118	18,603	3,803	157,831
Other service expenses	73,726	67,818	39,657	11,474	104,980	297,655
Support service recharges	688					688
<b>Total expenditure</b>	<b>186,497</b>	<b>82,042</b>	<b>48,775</b>	<b>30,077</b>	<b>108,783</b>	<b>456,174</b>
<b>Net expenditure</b>	<b>30,550</b>	<b>53,208</b>	<b>32,292</b>	<b>16,890</b>	<b>17,684</b>	<b>150,624</b>

\* Figures relating to budget shares allocated to fully advanced cheque book schools have been re-aligned to the appropriate subjective heading, previously included under 'other service expenses'

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

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

	<b>2014/15 £000</b>	<b>2015/16 £000</b>
<b>Net expenditure in the Directorate Analysis</b>	<b>150,624</b>	<b>143,356</b>
Net expenditure of services and support services not included in the Analysis	0	
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	16,649	10,503
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	(14,979)*	(21,169)
<b>Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b>152,293</b>	<b>132,690</b>

\* Restated by £(0.125)m re Ring-fenced Care Bill grant, see Note 53

## Reconciliation to Subjective Analysis

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

2015/16	Directorate Analysis £000	Services and Support Services not in Analysis £000	Amounts not reported to management for decision making £000	Amounts not included in I&E £000	Allocation of recharges £000	Cost of services £000	Corporate Amounts £000	Total £000
Fees, charges and other service income	(61,687)			3,298	(19,671)	(78,060)	(2,433)	(80,493)
Surplus or deficit on associates and joint ventures								
Interest and investment income	(4,348)			5,289		941	(5,289)	(4,348)
Income from council tax							(81,572)	(81,572)
Government grants and contributions	(240,248)		(5,545)	11,302		(234,491)	(87,787)	(322,278)
<b>Total income</b>	<b>(306,283)</b>	<b>0</b>	<b>(5,545)</b>	<b>19,889</b>	<b>(19,671)</b>	<b>(311,610)</b>	<b>(177,081)</b>	<b>(488,691)</b>
Employee expenses	151,815		(2,950)			148,865	9,016	157,881
Other service expenses	258,471		6,821	(2,422)		262,870	(3,040)	259,830
Support Service recharges	717	19,671				20,388		20,388
Depreciation, amortisation and impairment			12,176			12,176		12,176
Interest Payments	6,092			(6,092)		0	6,092	6,092
Precepts & Levies	32,544			(32,544)		0	30,355	30,355
Payments to Housing						0	1	1
Capital Receipts Pool								
Gain or loss on Disposal of Non-Current Assets						0	9,654	9,654
<b>Total expenditure</b>	<b>449,639</b>	<b>19,671</b>	<b>16,047</b>	<b>(41,058)</b>	<b>0</b>	<b>444,299</b>	<b>52,078</b>	<b>496,377</b>
<b>Surplus or deficit on the provision of services</b>	<b>143,356</b>	<b>19,671</b>	<b>10,502</b>	<b>(21,169)</b>	<b>(19,671)</b>	<b>132,689</b>	<b>(125,003)</b>	<b>7,686</b>

2014/15	Directorate Analysis £000	Services and Support Services not in Analysis £000	Amounts not reported to management for decision making £000	Amounts not included in I&E £000	Allocation of recharges £000	Cost of services £000	Corporate Amounts £000	Total £000
Fees, charges and other service income	(71,039)			10,166	(20,552)	(81,425)	(2,641)	(84,066)
Surplus or deficit on associates and joint ventures						0		0
Interest and investment income	(3,301)			4,241		940	(4,241)	(3,301)
Income from council tax Government grants and contributions	(231,210)		(5,281)	11,291		(225,200)	(80,133) (99,170)*	(80,133) (324,370)
<b>Total income</b>	<b>(305,550)</b>	<b>0</b>	<b>(5,281)</b>	<b>25,698</b>	<b>(20,552)</b>	<b>(305,685)</b>	<b>(186,185)</b>	<b>(491,870)</b>
Employee expenses	157,832		2,014			159,846	8,925	168,771
Other service expenses	258,452		6,542	(1,349)		263,645	(1,014)	262,631
Support Service recharges	688	20,552				21,240		21,240
Depreciation, amortisation and impairment			13,374			13,374		13,374
Interest Payments	6,182			(6,182)		0	6,182	6,182
Precepts & Levies	33,021			(33,021)		0	31,450	31,450
Payments to Housing						0	4	4
Capital Receipts Pool						0		
Gain or loss on Disposal of Non-Current Assets						0	9,917	9,917
<b>Total expenditure</b>	<b>456,175</b>	<b>20,552</b>	<b>21,930</b>	<b>(40,552)</b>	<b>0</b>	<b>458,105</b>	<b>55,464</b>	<b>513,569</b>
<b>Surplus or deficit on the provision of services</b>	<b>150,625</b>	<b>20,552</b>	<b>16,649</b>	<b>(14,854)</b>	<b>(20,552)</b>	<b>152,420</b>	<b>(130,721)</b>	<b>21,700</b>

\* Restated by £0.500m re Mental Health Pilot monies, see Note 53.

### 30. Acquired and Discontinued Operations

None to report.

### 31 Trading Operations (See also note 10)

		2013/14 £000	2014/15 £000	2015/16 £000
<b>Building Cleaning</b>	Turnover	(2,154)	(2,094)	(2,004)
	Expenditure	2,074	2,072	1,985
	<b>(Surplus)/Deficit</b>	<b>(80)</b>	<b>(22)</b>	<b>(19)</b>
Cumulative Surplus over last three financial years was £(121)k				
<b>Education Catering</b>	Turnover	(5,762)	(6,720)	(6,959)
	Expenditure	5,657	6,342	6,664
	<b>(Surplus)/Deficit</b>	<b>(105)</b>	<b>(378)</b>	<b>(295)</b>
Cumulative Surplus over last three financial years was £(864)k				
<b>Net (surplus)/deficit on trading operations</b>		<b>(185)</b>	<b>(400)</b>	<b>(314)</b>

All the above figures are inclusive of depreciation.

Trading operations are incorporated into the Comprehensive Income and Expenditure Statement. Some are an integral part of one of the Council's services to the public whilst others are support services to the Council's services to the public (e.g. Schools Catering and Cleaning). The expenditure of these operations is allocated or recharged to headings in the Net Operating Expenditure of Continuing Operations. Only a residual amount of the net surplus on trading operations is charged as Financing and Investment Income and Expenditure (see note 10):

	2014/15 £000	2015/16 £000
<b>Net surplus on trading operations</b>	<b>(400)</b>	<b>(314)</b>
Services to the public included in Expenditure of Continuing Operations	0	0
Support services recharged to Expenditure of Continuing Operations	0	0
<b>Net surplus credited to Other Operating Expenditure</b>	<b>(400)</b>	<b>(314)</b>

## 32 Agency Services

### Council Tax and NDR

The Code determines that billing authorities act as agent when collecting local taxes, as follows:

- Council tax – the billing authority acts as the agent of its major preceptors when collecting council tax on their behalf. In Trafford, the two major preceptors are the Police and Crime Commissioner for Greater Manchester and the Greater Manchester Fire and Rescue Authority. No fee is chargeable for this service;
- Non-Domestic Rates (NDR) – the billing authority acts as agent for Central Government and Greater Manchester Fire and Rescue Authority in collecting NDR. The Government paid Trafford an allowance for the cost of this collection in 2015/16 of £0.462m (£0.457m in 2014/15).

### Greater Manchester Combined Authority

The Council is acting as the lead authority on behalf of the Greater Manchester Combined Authority providing the Working Well Expansion Programme. The full costs of this are met from grants received from the Mental Health Trailblazer and the Transformation Challenge Award, and performance related funding from the Department of Work and Pensions and the European Social Fund. The Council charges a management fee of £0.005m per annum, starting in the 2016/17 financial year. This income and expenditure does not form part of the Council's Income and Expenditure Account, however any funds not spent are carried forward and included within the Council's balance sheet under short term liabilities to be repaid to GMCA when the agency arrangements finish. Details of the Income and Expenditure are shown below

	2014/15 £000	2015/16 £000
Expenditure Incurred on Working Well and Talking Therapies	0	137
Total Expenditure	0	137
Income Received from grants	0	(4,000)
<b>Net (Surplus)/Deficit for the year</b>	<b>(0)</b>	<b>(3,863)</b>
Balance b/fwd	0	0
Balance c/fwd	0	<b>(3,863)</b>

The Council has not acted in an agency capacity for any other external bodies in the 2015/16 financial year.

## 33. Road Charging Schemes

The Council does not operate any such schemes.

## 34 Pooled Budgets

### Learning Disability Pooled Budget

Trafford has operated a pooled fund for Learning Disability Services in conjunction with Trafford Clinical Commissioning Group (CCG) (previously Trafford Primary Care Trust (PCT)) since 1 April 2003. Trafford MBC acts as the lead accounting officer for the pooled fund, which is managed jointly by the Council and the CCG. The pool provides a wide variety of services to Learning Disability adults in Trafford, including a joint community team, extensive

specialist residential provision, a range of supported placements, support in the home and external and in-house day care.

The gross 2015/16 budget was £23.558m, which after grant income and fees of £1.838m left net planned expenditure of £21.720m to be funded jointly by the Council and the CCG. The net budget was underspent by £0.156m in year and this underspend has been transferred to the Children, Families & Wellbeing Service Reserve,

	<b>2014/15 £000</b>	<b>2015/16 £000</b>
Funding provided to the pooled budgets: the Council	(22,707)	(19,599)
Trafford CCG	(2,121)	(2,121)
	(24,828)	(21,720)
Expenditure met from the pooled budget:	22,594	21,564
Net (surplus)/deficit arising on the pooled budget during the year	(2,234)	(156)
Contribution from General Reserve	(788)	0
Previous year's (surplus)/deficit carried forward	3,022	0
Contribution to Reserve		156
<b>Balance to be carried forward</b>	<b>0</b>	<b>0</b>

### **Better Care Pooled Fund Account**

The Better Care Pooled Fund Account is a joint pooled account with Trafford Clinical Commissioning Group (CCG) and Trafford Council's Adult Care service to jointly commission services in line with Government requirements under section 75 of the Health Act 2006. The fund is hosted by Trafford CCG and commenced on 1st April 2015.

The Better Care Fund creates a local single pooled budget to incentivise the NHS and local government to work more closely together around people, placing their well-being as the focus of health and care services. Locally, the primary aims of the fund are:

- Reducing non-elective admissions and reducing residential admissions by providing the right care and support within the community
- Facilitating earlier hospital discharge
- Supporting Carers in their caring role
- Supporting people to remain independent in the community

Financial performance in the year to 31st March 2016 was as follows:

	2014/15 £000	2015/16 £000
Total Allocation	0	(15,544)
Less Performance Adjustment		1,414
<b>Final Allocation</b>		<b>(14,130)</b>
Funding provided to the pooled budgets:		
Trafford Council	0	(1,441)
Trafford CCG	0	(12,689)
<b>Total Funding</b>	<b>0</b>	<b>(14,130)</b>
Expenditure met from the pooled budget:		
Trafford Council	0	6,587
Trafford CCG	0	7,543
<b>Total Expenditure</b>	<b>0</b>	<b>14,130</b>
Net (surplus)/deficit arising on the pooled budget during the year	0	0
	<b>0</b>	<b>0</b>

### 35 Members' Allowances

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

	2014/15 £000	2015/16 £000
Basic Allowances	401	409
Special Responsibility Allowances	288	291
Expenses	2	3
<b>Total</b>	<b>691</b>	<b>703</b>

The Council consists of 63 elected Members (Councillors) and 9 co-opted/independent Members to whom £0.703m was paid in allowances in the year (£0.691m in 2014/15).

### 36 Officers' Remuneration

The number of employees whose remuneration, excluding employer's pension contributions, was £50,000 or more in bands of £5,000 in 2014/15 and 2015/16 was:

2014/15		Remuneration Band	2015/16	
Schools Staff	Other Staff		Schools Staff	Other Staff
-	1	£160,000 - £164,999	-	1
-	-	£155,000 - £159,999	-	-
-	-	£150,000 - £154,999	-	-
-	-	£145,000 - £149,999	-	1 (1)
-	-	£140,000 - £144,999	-	-
-	-	£135,000 - £139,999	-	-
-	-	£130,000 - £134,999	-	-
-	-	£125,000 - £129,999	-	-
-	1 (1)	£120,000 - £124,999	-	-
-	-	£115,000 - £119,999	-	-
-	-	£110,000 - £114,999	-	1
-	1	£105,000 - £109,999	-	2 (1)
-	1 (1)	£100,000 - £104,999	1	-
-	2 (1)	£95,000 - £99,999	-	-
-	1	£90,000 - £94,999	-	-
2	1	£85,000 - £89,999	1	2 (1)
-	2	£80,000 - £84,999	-	6
2	4 (2)	£75,000 - £79,999	1	1
3	-	£70,000 - £74,999	3	2
6	5	£65,000 - £69,999	8	7 (4)
11 (1)	11 (1)	£60,000 - £64,999	13 (1)	9 (3)
17	8 (2)	£55,000 - £59,999	18	13
21 (1)	24 (1)	£50,000 - £54,999	16	22 (2)
<b>62 (2)</b>	<b>62 (9)</b>	<b>Total</b>	<b>61 (1)</b>	<b>67 (12)</b>

**Note :** The number of leavers included in the main figures are shown in (brackets).

Remuneration includes gross taxable pay, including expenses (chargeable to income tax), plus benefits in kind and compensation payments. It excludes employer's pension contributions.

The above table excludes employees from Academy, Foundation and Voluntary Aided Schools as these staff are not employed by the Council.

The numbers of redundancy/early retirement (R&ER) packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below:

(a) R&ER package cost band (including special payments)	(b) Number of compulsory redundancies		(c) Number of other departures agreed		(d) Total number of R&ER packages by cost band [(b) + (c)]		(e) Total cost of R&ER packages in each band £		(f) Number of pension strain costs agreed		(g) Total cost of pension strain in each band £	
	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16
£0 - £20,000	24	29	92	216	116	245	794,852	1,605,580	24	73	148,493	556,435
£20,001 - £40,000	1	1	6	17	7	18	191,236	511,686	11	14	326,576	382,802
£40,001 - £60,000	0	1	3	1	3	2	134,898	108,692	4	4	208,854	179,766
£60,001 - £80,000	0	1	0	2	0	3	0	188,253	0	2	0	131,821
£80,001 - £100,000	0	0	0	0	0	0	0	0	0	1	0	91,010
£100,001 - £150,000	0	0	0	0	0	0	0	0	0	1	0	122,605
<b>Total</b>	<b>25</b>	<b>32</b>	<b>101</b>	<b>236</b>	<b>126</b>	<b>268</b>	<b>1,120,986</b>	<b>2,414,211</b>	<b>39</b>	<b>95</b>	<b>683,923</b>	<b>1,464,439</b>

Pension Strain costs - occur where an employee is permitted by the employer to take pension benefits without actuarial reduction. This subsequently gives rise to the pension strain cost being met by the employer. The employee derives a benefit from the difference between the pension actually received and what the pension would have been had the actuarial reduction taken effect. The benefit therefore needs to be included in the R&ER packages disclosure above. However, these are **not payments to employees** but are costs written down against the Council's annual allowance for the early payment of pension benefits and are therefore shown separately in the above table. The numbers of pension strain costs agreed above relate to employees already included in the total number of R&ER packages shown in column (d) and are not in addition to them.

## Senior Officers Remuneration

The following tables set out the remuneration disclosures for Senior Officers (**excluding** teachers), identified by job title, whose **salary** is:

- (i) £150,000 per year or more; or
- (ii) less than £150,000 but equal to or more than £50,000 per year and who meet at least one of the following criteria:
  - statutory chief officers (per section 2(6) of the Local Government and Housing Act 1989 as amended), e.g. head of paid service, director of children's services, section 151 officer etc.
  - a person who has responsibility for the management of the authority, to the extent that the person has power to direct or control the major activities of the authority (in particular activities involving expenditure of money), whether solely or collectively, in accordance with accounting regulations.

<b>Senior Officers Salary 2015/16</b>								
<b>Postholder</b>	<b>Note</b>	<b>Salary (incl. fees &amp; allowances)</b>	<b>Compensation for loss of office</b>	<b>Bonuses</b>	<b>Expense allowances</b>	<b>Benefits in kind (e.g. Car allowance)</b>	<b>Pension contributions</b>	<b>Total</b>
		£	£	£	£	£	£	£
Chief Executive	1	163,389	0	0	2,080	0	27,263	<b>192,732</b>
Deputy Chief Executive		111,101	0	0	175	0	21,887	<b>133,163</b>
Interim Corporate Director (Children, Families & Wellbeing)	2	104,204	0	0	0	1,884	20,528	<b>126,616</b>
Interim Corporate Director (Children, Families & Wellbeing)	3	9,473	0	0	0	0	1,866	<b>11,339</b>
Corporate Director (Transformation & Resources)	4	109,762	0	0	74	0	19,633	<b>129,469</b>
Director of Finance (Section 151 Officer)	5	95,334	53,756	0	79	0	18,976	<b>168,145</b>
Chief Finance Officer (Section 151 Officer)	6	6,175	0	0	0	0	1,216	<b>7,391</b>
Director of Legal & Democratic Services (Monitoring Officer)	7	81,780	0	0	0	0	16,109	<b>97,889</b>
Director of Public Health		80,542	0	0	0	0	11,585	<b>92,127</b>

Notes :

- (1) The Chief Executive was also paid Returning Officer fees for the May 2014 European election of £2,132 (remaining 25% based on final claim) and the May 2015 elections of £7,478 (Parliamentary) and £5,040 (Local).
- (2) The previous Interim Corporate Director Children, Families & Wellbeing, appointed on 1/4/15 left the authority on 29/2/16.
- (3) The new Interim Corporate Director Children, Families & Wellbeing was appointed on 1/3/16.
- (4) The Acting Corporate Director (Transformation & Resources) was appointed as Corporate Director (Transformation & Resources) on 4/12/15 and also received fees from the Council as Deputy Returning Officer for the May 2015 elections of £3,739 (Parliamentary) and £2,520 (Local).
- (5) The Director of Finance left the authority on 31/3/16 and received the redundancy payment shown in April 2016.
- (6) The new Chief Finance Officer was appointed as the Section 151 Officer on 1/3/16.
- (7) The Director of Legal & Democratic Services also received fees from the Council as Deputy Returning Officer for the May 2015 elections of £3,739 (Parliamentary) and £2,520 (Local).

Senior Officers Salary 2014/15								
Postholder	Note	Salary (incl. fees & allowances)	Compen-sation for loss of office	Bonuses	Expense allowances	Benefits in kind (e.g. Car allowance)	Pension contributions	Total
		£	£	£	£	£	£	£
Chief Executive	(1)	162,209	0	0	584	0	25,890	<b>188,683</b>
Corporate Director (Children, Families & Wellbeing)	(2)	120,304	0	0	0	0	22,670	<b>142,974</b>
Corporate Director (Environment, Transport & Operations)	(3)	1,633	0	0	0	(45)	309	<b>1,897</b>
Deputy Chief Executive	(4)	108,239	0	0	290	0	20,419	<b>128,948</b>
Corporate Director (Transformation & Resources)	(5)	57,416	0	0	0	0	11,106	<b>68,522</b>
Director of Finance (Chief Financial Officer)		94,232	0	0	464	1,806	17,753	<b>114,255</b>
Director of Legal & Democratic Services (Monitoring Officer)	(6)	79,534	0	0	0	0	14,982	<b>94,516</b>
Director of Public Health		80,692	0	0	0	0	11,353	<b>92,045</b>
Acting Corporate Director (Transformation & Resources)	(7)	38,088	0	0	0	0	5,991	<b>44,079</b>

## Notes :

- (1) The Chief Executive also received fees from the Council as Returning Officer for the May 2014 elections of £6,396 (European) and £5,040 (Local).
- (2) The Corporate Director (Children, Families & Wellbeing) left the authority on 29/3/15.
- (3) The Corporate Director (Environment, Transport & Operations) left the authority on 6/4/14.
- (4) The previous Corporate Director (Economic Growth & Prosperity) was appointed Corporate Director (Economic Growth, Environment & Infrastructure) on 1/8/14 and then Deputy Chief Executive on 1/3/15.
- (5) The Corporate Director (Transformation & Resources) left the authority on 10/11/14.
- (6) The Director of Legal & Democratic Services also received fees from the Council as Deputy Returning Officer for the May 2014 elections of £2,490 (European) and £2,898 (Local).
- (7) The Director of HR was appointed as Acting Corporate Director (Transformation & Resources) on 11/11/14 and also received fees from the Council as Deputy Returning Officer for the May 2014 elections of £2,490 (European) and £2,898 (Local).

Where individual Senior Officers were 'Acting' or 'Interim' during the year, the amounts shown represent the total remuneration received for the period they were acting in that capacity

### 37 External Audit Costs

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims, statutory inspections and to non-audit services provided by the Council's external auditors:

	2014/15 £000	2015/16 £000
Fees payable to Grant Thornton with regard to external audit services carried out by the appointed auditor	158	118
Fees payable to Grant Thornton for the certification of grant claims and returns	27	24
Fees payable to Grant Thornton in respect of other services provided during the year	21*	3
Fees payable to the Audit Commission in respect of other services provided during the year	4	0
<b>Total</b>	<b>210</b>	<b>145</b>

\* The fees for other services payable to Grant Thornton in 2015/16 related to specialist advice on a number of claims to HM Revenue & Customs for the refund of VAT of £3,000.

### 38 Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education (DfE), the Dedicated Schools Grant (DSG). An element of DSG is recouped by the DfE to fund academy schools in the Council's area. DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2011. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school. There are also some specific grants (e.g. Pupil Premium Grant) that support schools budgets, but these are excluded as this note is DSG only.

DSG allocations to:-

	Central Expenditure £000	ISB £000	Total £000
Final DSG 2015/16 before Academy recoupment			(175,739)
Academy figure recouped for 2015/16			56,543
Total DSG 2015/16 after Academy recoupment			(119,196)
Brought forward from 2014/15			(1,326)
Carry forward to 2016/17 agreed in advance			0
<b>Agreed initial budgeted distribution in 2015/16</b>	<b>(20,557)</b>	<b>(99,965)</b>	<b>(120,522)</b>
In year adjustments	1,628	(1,628)	0
Final budgeted distribution for 2015/16	(18,929)	(101,593)	(120,522)
Less actual central expenditure	18,143	0	18,143
Less actual ISB deployed to schools	0	101,593	101,593
Local authority contribution for 2015/16	0	0	0
<b>Carry forward to 2016/17</b>	<b>(786)</b>	<b>0</b>	<b>(786)</b>

**39. Grant Income (Comprehensive Income & Expenditure Statement page 11, Balance sheet page 13)**

**(i) Grant Income included in the Comprehensive Income and Expenditure Statement**

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement:

<b>Grants</b>	<b>2014/15 £000</b>	<b>2015/16 £000</b>
<b>Credited to Taxation and Non Specific Grant Income</b>		
<b>Revenue Grants:</b>		
Revenue Support Grant	(40,301)	(30,646)
New Homes Bonus	(1,880)	(2,456)
Council Tax Compensation Grant	(899)	(898)
Benefits Admin Grant	(1,036)	(917)
Education Services Grant	(3,408)	(2,758)
Local Reform & Community Voices Grant	(171)	(127)
NDR Costs of Collection Grant	(457)	(462)
DWP Housing Welfare Reform Grant	(135)	(59)
Deprivation of Liberty Grant	-	(101)
Other	(990)	(225)
<b>Revenue Grants Sub-total</b>	<b>(49,277)</b>	<b>(38,649)</b>
<b>Non Domestic Rates</b>		
Levy payable on 2015/16 business rate growth	1,628	2,249
Non Domestic Rates Income	(75,748)	(79,007)
NDR Tariff Payment	43,314	44,142
NDR Levy Rebate from GM Pool	-	(750)
NDR Safety Net Receipt	(70)	-
Section 31 Compensation Grants	(1,898)	(2,483)
Renewable Energy Disregard Amount	(75)	(77)
NDR Collection Fund (Surplus)/Deficit	(9,516)	(6,712)
Local Share Contribution to Accumulated Deficit	7,860	7,672
Local Share of Collection Fund Surplus	-	(1,710)
<b>Non-Domestic Rates Sub-total</b>	<b>(34,505)</b>	<b>(36,676)</b>
<b>Capital Grants :</b>		
Primary Capital Programme	(6,573)	(2,099)
Schools Devolved Formula Capital Grant	(586)	(483)
Schools Condition and Modernisation	(2,002)	(1,728)
Social Care Grants	(499)	-
Highway Structural Maintenance	(3,517)	(4,309)
Integrated Transport Grant – TfGM	-	(2,452)
Other Grants and Contributions	(2,085)	(1,391)
<b>Capital Grants Sub-total</b>	<b>(15,262)</b>	<b>(12,462)</b>
<b>Total Credited to Taxation &amp; Non Specific Grant Income</b>	<b>(99,044)</b>	<b>(87,787)</b>

**Contributions and Donations**

Large items of Income included in Other Contributions and Donations

	<b>2014/15 £000</b>	<b>2015/16 £000</b>
Contribution from CCG – Better Care Fund	-	(5,546)
Contribution from CCG – Learning Disability Pooled Fund	(2,121)	(2,121)

	2014/15 £000	2015/16 £000
<b>Grants Credited to Services</b>		
<b>Revenue Grants Credited to services:-</b>		
Dedicated School Grant (DSG) incl. EY allocation	(117,386)	(119,196)
Rent Allowances, Rent Rebates and Council Tax Benefit Subsidy	(65,527)	(62,741)
Other Education Grants	(7,039)	(6,557)
Send Pathfinder Grant	(479)	(130)
Public Health Grant	(10,456)	(11,699)
Learning Skills Council Grant	(1,800)	(1,789)
Sale PFI Grant	(658)	(658)
Tackling Troubled Families Grant	(1,142)	(341)
Section 106 Other Capital Maintenance Grants	(39)	(88)
Adult Social Care Grant	(4,334)	-
Individual Electoral Registration Grant	(113)	(102)
PE & Sport Grant	(566)	(581)
Local Council Tax support Admin Grant	(258)	(220)
Universal Infants Free School Grant	(1,569)	(2,852)
Delayed Transfers of Care Grant	(32)	(363)
Care Bill Implementation Grant	(125)	(1,227)
New Burdens Property Searches Grant	-	(233)
Independent Living Fund Grant	-	(314)
Integrated Care Demonstrator Grant	-	(101)
Local Authority Counter Fraud Grant	(59)	(219)
Other	(1,166)	(401)
<b>Revenue Grants Credited to Services Sub-total</b>	<b>(212,748)</b>	<b>(209,812)</b>
<b>Capital Grants Credited to services (REFCUS):-</b>		
BSF One School Pathfinder	-	-
Primary Capital Programme	(3,046)	(3,200)
Disabled Facilities	(776)	(914)
Devolved Formula Capital	-	(56)
TfGM – Local Sustainable Transport Funds	(1,119)	?
TfGM – City Cycle Ambition Grant	-	(1,020)
Schools Maintenance Grants (DfE)	(91)	(177)
Other	(322)	(178)
<b>Capital Grants Credited to services (REFCUS) Sub-total</b>	<b>(5,354)</b>	<b>(5,545)</b>
<b>Total Grants Credited to Services</b>	<b>(218,102)</b>	<b>(215,357)</b>

(i) **Grant Income included in the Balance Sheet**

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

<b>2014/15</b>		<b>2015/16</b>
<b>£000</b>		<b>£000</b>
<b>Short Term Liabilities:-</b>		
<b>Capital Grants &amp; Contributions Receipts in Advance:-</b>		
(623)	Devolved Formula Capital	(483)
-	Personal Social Care Grant	(421)
(24)	School Travel Plans	(24)
(218)	Demographic Growth	-
(145)	Infant Free School Meals	-
(118)	Highways – Altrincham Town Centre	(50)
(503)	Highways – Severe Weather Recovery Grant	(495)
(664)	S106 & S278 Contributions	(449)
(59)	Other Grants and Contributions	(29)
<b>(2,354)</b>	<b>Total</b>	<b>(1,951)</b>

<b>2014/15</b>		<b>2015/16</b>
<b>£000</b>		<b>£000</b>
<b>Revenue Grants &amp; Contributions Receipts in Advance (REFCUS):-</b>		
(518)	BSF One School Pathfinder	(497)
(55)	Other Grants and Contributions	(15)
<b>(573)</b>	<b>Total REFCUS</b>	<b>(512)</b>
<b>(2,926)</b>	<b>Total Capital Grants Receipts in Advance</b>	<b>(2,463)</b>

2014/15 £000		2015/16 £000
	<b>Other Revenue Grants Receipts in Advance:-</b>	
(23)	NCB Independent Support Phase 1 & 2	(11)
(40)	Pupil Premium Grant	-
(293)	Winter Pressures Funding	-
(35)	Families Coaching – Through the Gate	-
(847)	Public Health Grant	-
(32)	Magistrate Court Grant	-
(24)	Sustainable Drainage Systems (DEFRA)	-
(23)	DHP Grant	(3)
(11)	New Burdens Transparency Grant	(24)
(17)	Community Covenant Grant 14/15 c/f	-
(33)	Community Development Grant	(19)
(7)	Manchester Airport	-
(53)	AGMA various	-
(17)	AGMA Shared Services AGMA E-Recruitment	-
(130)	ICD Grant	-
(4)	Staff Awards	-
(5)	LA Rebates	-
(46)	IER Grant	(18)
(185)	Council Tax Support Scheme	(167)
(1)	Arts Council Grant	-
-	Section 31 Grant	(121)
(1)	Welcome Trust Funding	-
(113)	Big Lottery Grant	(60)
-	MST FIT Grant	(120)
-	ASF Grant	(43)
-	FERIS Maintenance Grant	(35)
-	I Care Grant	(33)
-	Open Government Intelligence Grant	(32)
-	Heat Network Grant	(15)
-	New Burdens Funding IT	(15)
-	Benefits Admin Grant	(8)
-	ACE Funding – Independent Theatre	(7)
-	Community & Business Recovery Storm Grant	(2)
<b>(1,941)</b>	<b>Total Short Term Grants Receipts in Advance (Revenue)</b>	<b>(733)</b>

2014/15 £000		2015/16 £000
	<b>Long Term Liabilities</b>	
	<b>Capital Grants &amp; Contributions Receipts in Advance:-</b>	
(9,335)	Section 106 and S278 Contributions	(8,661)
	Other Grants and Contributions	
<b>(9,335)</b>	<b>Total Capital Grants</b>	<b>(8,661)</b>
	<b>Revenue Grants &amp; Contributions Receipts in Advance (REFCUS):-</b>	
(2,725)	S106 & S111 Contributions	(2,724)
<b>(2,725)</b>	<b>Total REFCUS</b>	<b>(2,724)</b>
0	<b>Other Revenue Grants &amp; Contributions Receipts in Advance (Long Term) : -</b>	0
<b>0</b>	<b>Total Other</b>	<b>0</b>
<b>(12,060)</b>	<b>Total Long Term Grants Receipts in Advance</b>	<b>(11,385)</b>

The capital grants and contributions are used to assist in the financing of capital projects. They are carried forward until such time that they are required for specific schemes.

Included in the balance of Capital Grants & Contributions is £11.061m of contributions received from developers, as part of their obligation under Section 106 of the Town & Country Planning Act 1990. The amounts are received as a result of the granting of planning permission where works are required to be carried out or new facilities provided as a result of that permission. The contributions are restricted to being spent only in accordance with the agreement concluded with the developer. The major balances of Section 106 receipts held by the Council during the year were as follows:

	Balance at 1 April 2015 £000	Receivable in year £000	Contributions applied £000	Balance at 31 March 2016 £000
Open Space schemes	1,882	297	(267)	1,912
Education Schemes	268	136	(134)	270
Affordable Housing schemes	979	284	(0)	1,263
Highways/Transport schemes	8,672	320	(1,376)	7,616
<b>Total</b>	<b>11,801</b>	<b>1,037</b>	<b>(1,777)</b>	<b>11,061</b>

## 40 Related Parties

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

Central Government has effective control over the general operations of the Council. Details of transactions with Government departments are set out in note 39, with outstanding government debtors and creditors included in notes 19 and 22.

Members of the Council have direct control over the Council's financial and operating policies. All Members' pecuniary interests and non-financial interests which could conflict with those of the Council are available for public inspection and on the Council's website. There were no material transactions with any bodies where a Member has a controlling interest in the organisation. Similarly there were no material transactions to disclose with respect to senior officers of the Council.

During the year a number of transactions were made to other local authorities. Payments to Tameside MBC in respect of pension contributions are disclosed in the notes to the accounts (notes 47 & 48) and precept payments are shown in the collection fund accounts.

The Council also has pooled budget arrangements with Trafford CCG in relation to Learning Disability Services. Transactions are detailed in Note 34.

A transport levy of £16.543m (£16.748m in 2014/15) was paid to the Greater Manchester Combined Authority (GMCA) and a waste levy of £13.617m (£13.624m gross levy less rebate of £0.007m) (£14.511m in 2014/15, £14.623m gross levy less rebates of £0.112m) to Greater Manchester Waste Disposal Authority.

There were no other material related party transactions with the Council. However, the following notes are provided for information purposes only.

The Council no longer provides services directly through its leisure centres. These leisure centres were leased to Trafford Community Leisure Trust (TCLT) who provided relevant leisure services direct to the public until September 2015. The Council made payments to the Trust to help ensure the provision of some services at a discounted rate to particular population demographics of the community. For the year 2015/16 the Council paid £0.452m (£0.903m in 2014/15) to TCLT under a Partnership Delivery Plan agreement. From October 2015 the services provided by TCLT were transferred into a Community Interest Company (CIC) whole owned by the Council. A similar CIC was also established for the provision of Youth Services.

The CIPFA Code of Practice requires that where a Council has material financial interests and a significant level of control over one or more entities, it should prepare Group Accounts.

As the Companies were only created part way through 2015 Group Account considerations will only become effective from 2016/17.

The Council has paid grants to voluntary organisations for 2015/16 as follows:

2014/15 £	Organisation	2015/16 £
1,957	Carrington Parish Council	2,017
5,453	Dunham Massey Parish Council	5,618
24,792	Partington Town Council	25,537
1,957	Warburton Parish Council	2,017
<b>34,159</b>	<b>Total Grants</b>	<b>35,189</b>

Voluntary Sector Grants are allocated through Participatory Budget events, whereby those applications which have been shortlisted present their project to residents and residents vote for their preferred project. Adopting this approach ensures no group is reliant on funding from the Council to remain financially viable. Two micro grant programmes were also run in support of the Council's Be Bold Be the Difference Campaign. A total of £0.108m (£0.160m in 2014/15) of grants were awarded in 2015/16 to 101 projects (69 in 2014/15), of which payments totalling £0.108m (£0.160m in 2014/15) were made during the year.

The Council also made payments totalling £0.060m to Citizens Advice Trafford (April to July 2015) for advice services, managed under a Service Level Agreement within Adult Social Services. This contract was terminated in July 2015 and replaced in October 2015 with a new advocacy service from the Trafford Centre for Independent Living at a cost for the remainder of the year of £0.100m.

### **Shareholdings**

#### **Manchester Airport Group plc.**

<b>31.03.15</b>	<b><i>Manchester Airport Consolidated Profit and Loss Account and Balance Sheet (Extract)</i></b>	<b>31.03.16 *</b>
<b>£m</b>		<b>£m</b>
90.3	Profit/(Loss) before Tax	117.2
68.6	Profit/(Loss) after Tax	116.7
1,554.6	Net Assets	1,588.7

Note: The Group have chosen to account under International Financial Reporting Standards from the financial year ended 31 March 2006 onwards.

\* Draft unaudited figures.

Dividends of £3.245m were received in the year 2015/16 (£2.484m in 2014/15). Further information on these accounts can be obtained from the Head of Financial Accounting, Manchester Airport Group plc., 6th Floor Olympic House, Manchester Airport, Manchester M90 1QX (telephone no. 0161 489 2766).

#### **MaST LIFT Co Ltd**

The Council has a 2% shareholding of £200 (200 £1 equity shares) in MaST LIFT Co Ltd. This is a cross-sector partnership company, set up with the intent of improving primary health care facilities. Further information and details of the financial statements of MaST LIFT Co Ltd. can be obtained from: 1st Floor, Anchorage 2, Anchorage Quay, Salford Quays, Manchester M50 3YW.

#### 41. 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 assets acquired under finance leases and PFI contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that is financed from borrowing. The CFR is analysed in the second part of this note.

	2014/15 £000	2015/16 £000
<b>Opening Capital Financing Requirement Capital Investment</b>	<b>143,242</b>	<b>138,239</b>
Capital Investment:-		
Property, Plant and Equipment	18,846	24,057
Intangible Assets	722	612
Long Term Debtors	105	95
Revenue Expenditure Funded from Capital under Statute	6,806	7,089
<b>Sources of finance</b>		
Capital receipts	(6,031)	(3,168)
Government Grants and other Contributions	(20,199)	(28,129)
Sums set aside from revenue:		
Direct revenue contributions	(249)	(337)
MRP/loans fund principal	(4,774)	(3,287)
Other Adjustments (including Probation)	(229)	(356)
<b>Closing Capital Financing Requirement</b>	<b>138,239</b>	<b>134,815</b>
<b>Explanations of movement in the year</b>		
Increase in underlying need for borrowing (supported by government financial assistance)		
Increase in underlying need for borrowing	(5,003)	(3,424)
Assets acquired under finance leases		
Assets acquired under PFI/PPP contracts		
<b>Increase/(decrease) in Capital Financing Requirement</b>	<b>(5,003)</b>	<b>(3,424)</b>

This statement shows the amount of capital expenditure during the year and how it was financed.

<b>Year ended 31 March</b>	<b>2014/15 £000</b>	<b>2015/16 £000</b>
Service:		
Children, Families and Wellbeing	16,196	19,460
Economic Growth, Environment & Infrastructure	9,540	10,997
Transformation and Resources	743	1,396
<b>Total</b>	<b>26,479</b>	<b>31,853</b>
<b>The main items of capital expenditure during the year included:</b>		
Schools - Primary Capital Programme (* in part)		14,105
Highways Structural Maintenance (incl. bridges & street lighting & S278 schemes)		4,092
Town Centre Regeneration Initiatives		2,418
Traffic & Transport Schemes (incl. Integrated Transport)		2,403
Schools – Capital Maintenance Programme (* in part)		1,823
Housing Grants (Disabled Facility, Owner Occupier & Housing Standards Grants) (*Refcus)		1,688
ICT – CRM Upgrade		947
Parks, Playgrounds and Greenspace Improvements		937
Public Buildings – DDA Compliance, Repairs & Refurbishment		771
Schools – Devolved Formula Capital (* in part)		539
ICT – Social Care System		495
Altrincham Crematorium – Cremators Replacement		445
Schools – Other Capital Investment		437
ICT – General Initiatives		287
Telecare System		202
Other general infrastructure investment (*in part)		264
<b>Total</b>		<b>31,853</b>

(\*) REFCUS

**The type of capital expenditure in the year and how it was financed was as follows:**

	<b>£000</b>		<b>£000</b>
Fixed Assets	24,669	Borrowing	219
Revenue Expenditure Funded from Capital under Statute (i)	7,089	Grants and Contributions	28,129
Long Term Debtor	95	Revenue Contributions & Reserves	337
		Capital Receipts	3,168
<b>Total Capital Expenditure on an accruals basis</b>	<b>31,853</b>		<b>31,853</b>

**(i) Revenue Expenditure Funded from Capital under Statute (REFCUS)**

This represents expenditure which is classified as revenue under the Code, but which is permitted to be funded from capital under statute, e.g. capital spending where there is no tangible asset, such as grants awarded for economic development purposes.

This expenditure, and any offsetting capital grants, is now charged directly to the appropriate service in the Comprehensive Income and Expenditure Statement, with the effect on council tax neutralised by an equivalent compensating entry in the MIRS and Capital Adjustment Account.

The deficit on the Comprehensive Income and Expenditure Statement includes revenue costs of £7.089m under this category, offset by £5.545m of Government grants applied. This amounts to a net cost of £1.544m, offset by a corresponding credit entry in the MIRS. These amounts are still treated as capital for control purposes and are hence included in the Capital Expenditure Statement above.

## 42. Leases

### a) Council as Lessee – Finance Leases

The Council does not have any finance lease arrangements.

#### Operating Leases

Vehicles, Plant, Furniture and Equipment - the Council uses vehicles financed under the terms of an operating lease. The amount charged under these arrangements in 2015/16 was £417,654 (£776,487 in 2014/15).

Land and Buildings - the Council leases numerous buildings which have been accounted for as operating leases. The rentals payable in 2015/16 were £188,103 (£200,463 in 2014/15).

The future minimum lease payments due under non-cancellable leases in future years are:

	31 March 2015 £000	31 March 2016 £000
Not later than one year	628	518
Later than one year and not later than five years	934	588
Later than five years	842	713
	<b>2,404</b>	<b>1,819 *</b>

\* The number of vehicles on lease has continued to reduce as part of the restructure of the Council's Groundforce and Streetscene Teams, completed in early 2015/16. These teams were transferred to Amey on 4<sup>th</sup> July 2015 and all relevant vehicle leases relating to these services were extended to terminate in January 2017. The Council will continue to lease these vehicles until the new termination date, with costs recoverable from Amey. Only a small number of vehicles are now leased for use directly by the Council, and these are also scheduled to terminate in January 2017, with alternative arrangements currently under consideration.

### Council as Lessor – Finance Leases

The Council does not have any finance lease arrangements.

#### Operating Leases

The Council leases out property under operating leases for the following purposes:

- to assist organisations in the provision of services in support of the Council's policy objectives in respect of sports facilities, community centres, scout groups, and various third sector charitable and voluntary bodies.
- to generate rental income from assets held for investment.

The Council also has six lease agreements for commercial development schemes under which a "participation" rent is payable to the Council, determined annually by reference to the profitability of the investment asset. These rents are classed as contingent rents and are not included in the minimum lease payments receivable. In 2015/16 these rents were £0.502m (£0.496m in 2014/15). The Council also receives rent in respect of its joint ownership of Manchester International Airport of £0.448m (£0.431m in 2014/15).

Total rents receivable in 2015/16 were £2.418m (£2.380m in 2014/15).

The future minimum lease payments receivable under non-cancellable leases in future years are:

	31 March 2015 £000	31 March 2016 £000
--	-----------------------	-----------------------

Not later than one year	1,453	1,359
Later than one year and not later than five years	4,310	4,306
Later than five years	83,259	82,318
	<b>89,022</b>	<b>87,983</b>

#### 43. PFI and Similar Contracts

The Council occupies premises at Sale Waterside under a PFI arrangement. Annual rental payments are made to the private sector provider, ENGIE, and are partially offset by PFI grant from the Government.

The PFI grant received from DCLG is £0.658m per annum, over 25 years. This income is included within the accommodation charges in the Net Cost of Services.

Under such arrangements the responsibility for operating the facilities rests with the private sector partner. A number of surplus assets were transferred to the private sector partner at the commencement of the scheme in 2003, the value of which contributed to a reduction in the annual Unitary Service Payment to ENGIE.

ENGIE can sell its interest to another company who can then seek to negotiate a new contract, subject to agreement with the Council.

An analysis of the payments due under the contract is shown in the table below. As all the payments under PFI & similar contracts are linked in full or in part to the Retail Price Index, the figures below are estimates of the cash amounts that will be paid. Lifecycle replacement costs have been included in the Service charges element.

	<b>Payment for services £000</b>	<b>Reimbursement of Capital Expenditure £000</b>	<b>Interest £000</b>	<b>Total £000</b>
Payable in 2016/17	738	209	385	<b>1,332</b>
Payable within two to five years	3,176	979	1,398	<b>5,553</b>
Payable within six to ten years	4,520	1,622	1,349	<b>7,491</b>
Payable within eleven to fifteen years	2,537	3,176	537	<b>6,250</b>
<b>Total</b>	<b>10,971</b>	<b>5,986</b>	<b>3,669</b>	<b>20,626</b>

Note – the amounts above are based on the PFI contractor's financial model. The actual amount paid can vary as a result of availability and performance deductions.

The estimated value of the remaining PFI payments is £20.6m. At the end of the initial period, the Council will have a number of courses of action available to it:

- walk away from the contract;
- take control of the facilities and purchase the building for a payment of £0.750m;
- negotiate with Cofely GDF-Suez for an extension to the contract.

The liability outstanding to pay any final sums to the contractor for capital expenditure is as follows:

	<b>2014/15</b>	<b>2015/16</b>
	<b>£000</b>	<b>£000</b>
Balance outstanding as at start of year	6,366	6,182
Payments during the year	(184)	(196)
Capital expenditure incurred in the year		
<b>Balance outstanding at year-end</b>	<b>6,182</b>	<b>5,986</b>
Split on Balance Sheet (see also note 22):		
Short term liability (creditor)	196	209
Long term liability – deferred	5,986	5,777

The fair value of the PFI liability is shown in note 16.

#### **44. Impairment Losses**

These are disclosed in note 12.

#### **45. Capitalisation of Borrowing Costs**

The Council has not capitalised any borrowing costs in the accounting periods reported.

#### **46. Termination Benefits**

The Council has terminated the contracts of a number of employees in 2015/16. These are included in the Comprehensive Income and Expenditure Statement as paid, or accrued where appropriate. Provision has been made for outstanding payments to employees where agreed but subject to final payment.

#### **47. Pension Schemes Accounted for as Defined Contribution Schemes**

##### **Pension costs included in the Income & Expenditure Account**

##### **Teachers' Pensions Scheme**

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE). It provides teachers with defined benefits upon their retirement, and the Council contributes towards the cost by making contributions based on a percentage of members' pensionable salaries.

The scheme is a multi-employer defined benefit scheme. Although the scheme is unfunded, the Department for Education use a notional fund as the basis for calculating the employers' contribution rate applied to all scheme employees. Valuations of the notional fund are undertaken every four years.

It is not possible to identify each authority's share of the underlying liabilities in the scheme attributable to its own employees. For the purpose of the Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2015/16 the Council paid £7.187m (£6.594m in 2014/15) in respect of teachers' retirement benefits. This was based on 14.1% (1 April to 31 August 2015) and 16.48% (1 September 2015 to 31 March 2016) of the teachers' pensionable pay (14.1% in 2014/15).

In addition, the Council is responsible for added years and premature enhancement benefits which it has awarded to teachers at its discretion, together with the related annual increases. In 2015/16, these amounted to £1.354m, representing 2.92% of pensionable pay (£1.364m or 2.92% previously). These benefits are fully accrued in the pension liability described below.

## **NHS Pension Scheme**

A number of Public Health staff were transferred from the NHS to the Council on 1 April 2013 and have continued their membership of the NHS Pension Scheme, administered by NHS Pensions. The scheme provides these Public Health staff with defined benefits upon their retirement, and the Council now contributes towards the cost by making contributions based on a percentage of members' pensionable salaries.

In 2015/16 the Council paid £0.042m (£0.076m in 14/15) in respect of retirement benefits for these Public Health staff. This was based on 14.3% (14.0% in 14/15) of their pensionable pay.

The NHS Pension Scheme is a defined benefit scheme. Although the scheme is unfunded, NHS Pensions use a notional fund as the basis for calculating the employers' contribution rate paid by the local authority. However, it is not possible to identify each authority's share of the underlying liabilities in the scheme attributable to its own employees. For the purpose of the Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

## **48. Defined Benefit Pension Schemes**

### **Other Employees**

The majority of other employees of the Council participate in the Greater Manchester Pension Fund administered by Tameside Metropolitan Borough Council. The scheme provides its members with defined benefits relating to pay and service.

The actual contribution rates to maintain the solvency of the fund vary by employing authority, reflecting the differing profiles of members, and in Trafford's case are phased in over the three years the actuarial valuation relates to. The Council's employer's contribution rate was 19.7% in 2015/16 and will be 20.4% in 2016/17. In 2015/16, the Council paid an employer's contribution of £13.358m (£14.329m in 2014/15) into the Greater Manchester Pension Fund, representing 19.7% of pensionable pay (18.9% in 2014/15). The Council is also responsible for pension payments relating to the historic award of added years, together with related increases. In 2015/16 these amounted to £0.995m, which is 1.5% of pensionable pay (£1.015m or 1.3% in 2014/15).

**Further information regarding the Pension Fund and its accounts can be obtained from the Pensions Office, Concord Suite, Manchester Road, Droylsden, M43 6SF (Helpline: 0161 301 7000). [www.gmpf.org.uk](http://www.gmpf.org.uk)**

## Transactions Relating to Retirement benefits

The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of post-employment / retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year.

Restated 2014/15 £000		2015/16 £000
<b>Comprehensive Income and Expenditure Statement</b>		
	<b>Cost of Services:</b>	
	<i>Service Cost comprising:</i>	
17,354	• current service cost	18,905
764	• past service costs	894
-	• (gain)/loss from settlements	(7,773)
	<i>Financing and Investment Income and Expenditure:</i>	
8,925	• net interest cost	9,016
27,043	<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	21,042
-	<b>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	-
	Re-measurement of the net defined benefit liability comprising:	
(38,324)	• Return on plan assets (excluding the amount included in the net interest cost)	21,466
-	• Actuarial gains and losses arising on changes in demographic assumptions	-
111,208	• Actuarial gains and losses arising on changes in financial assumptions	(74,511)
(5,300)	• Other	(11,611)
<b>94,627</b>	<b>Total Post Employment Benefit Charged to the Comprehensive Income &amp; Expenditure Statement</b>	<b>(43,614)</b>
	<b>Movement in Reserve Statement</b>	
(10,198)	• reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(6,479)
	<b>Actual amount charged against the General Fund Balance for pensions in the year:</b>	
14,405	• employers' contributions payable to scheme	13,401
2,440	• retirement benefits payable to pensioners	2,407

## Pensions Assets and Liabilities Recognised in the Balance Sheet

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

2014/15 £000		2015/16 £000
(869,861)	Present value of the defined benefit obligation	(777,735)
584,849	Fair value of plan assets	551,724
<b>(285,012)</b>	<b>Net Liability arising from defined benefit obligation</b>	<b>(226,011)</b>

## Reconciliation of the Movements in the Fair Value of Scheme Assets

2014/15 £000		2015/16 £000
526,327	Opening fair value of scheme assets	584,849
-	Effect of Settlements	(24,561)
22,566	Interest income	18,061
	<b>Re-measurement gain/(loss):</b>	
38,324	• The return on plan assets, excluding the amount included in the net interest expense	(21,466)
	• Other	
16,557	Contributions from employer	15,387
4,781	Contributions from employees into the scheme	4,196
(23,706)	Benefits paid	(24,742)
<b>584,849</b>	<b>Closing fair value of scheme assets</b>	<b>551,724</b>

## Reconciliation of the Present Value of the Scheme Liabilities (Defined Benefit Obligation)

2014/15 £000		2015/16 £000
733,269	Opening present value of scheme liabilities	869,861
17,354	Current service costs	18,905
-	Effect of Settlements	(32,334)
31,491	Interest costs	27,077
4,781	Contributions from scheme participants	4,196
	<b>Re-measurement (gains) and losses:</b>	
-	• Actuarial gains/losses arising from changes in demographic assumptions	-
111,208	• Actuarial gains/losses arising from changes in financial assumptions	(74,511)
(5,300)	• Other	(11,611)
764	Past service cost	894
(23,706)	Benefits paid	(24,742)
<b>869,861</b>	<b>Closing present value of scheme liabilities</b>	<b>777,735</b>

Pension Scheme Assets comprised:

Asset category	Period ended 31 March 2016				Period ended 31 March 2015			
	Quoted prices in active markets £000	Quoted prices not in active markets £000	Total £000	Percentage of total asset %	Quoted prices in active markets £000	Quoted prices not in active markets £000	Total £000	Percentage of total asset %
<b>Equity Securities:</b>								
Consumer	48,585		48,585	9%	58,792	-	58,792	10%
Manufacturing	39,985		39,985	7%	54,715	-	54,715	9%
Energy & Utilities	29,617		29,617	5%	48,926	-	48,926	8%
Financial Institutions	53,520		53,520	10%	69,289	-	69,289	12%
Health & Care	23,071		23,071	4%	27,637	-	27,637	5%
Information						-		
Technology	12,396		12,396	2%	11,772		11,772	2%
Other	7,271		7,271	1%	7,356	-	7,356	1%
<b>Debt Securities:</b>								
Corporate Bonds (investment grade)	27,487		27,487	5%	34,463	-	34,463	6%
Corporate Bonds (non-investment grade)	-		-	0%	0.1	-	0.1	0%
UK Government	4,374		4,374	1%	5,442	-	5,442	1%
Other	17,226		17,226	3%	28,921	-	28,921	5%
<b>Private Equity:</b>								
All	-	13,785	13,785	2%	-	16,250	16,250	3%
<b>Real Estate:</b>								
UK Property	-	17,328	17,328	3%	-	16,192	16,192	3%
Overseas Property	-	-	-	0%	-	-	-	0%
<b>Investment Funds and Unit Trusts:</b>								
Equities	153,741	-	153,741	28%	107,986	-	107,986	18%
Bonds	42,864	-	42,864	8%	32,434	-	32,434	6%
Hedge Funds	-	-	-	0%	-	-	-	0%
Commodities	-	-	-	0%	-	-	-	0%
Infrastructure	-	7,394	7,394	1%	-	6,418	6,418	1%
Other	10,841	26,833	37,674	7%	7,574	28,905	36,479	6%
<b>Derivatives:</b>								
Inflation	-	-	-	0%	-	-	-	0%
Interest Rate	-	-	-	0%	-	-	-	0%
Foreign Exchange	-	-	-	0%	-	-	-	0%
Other	1,452	-	1,452	0%	6,526	-	6,526	1%
<b>Cash &amp; Cash Equivalents:</b>								
All	13,909	-	13,909	3%	15,250	-	15,250	3%
<b>Totals</b>	<b>486,339</b>	<b>65,385</b>	<b>551,724</b>	<b>100%</b>	<b>517,084</b>	<b>67,765</b>	<b>584,849</b>	<b>100%</b>

### 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.

Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been estimated by Hymans Robertson LLP, an independent firm of actuaries, estimates being based on the latest full valuation of the scheme as at 31 March 2016.

The significant assumptions used by the actuary have been:

2014/15	Mortality assumptions:	2015/16
21.4 years 24.0 years	<b>Longevity at 65 for current pensioners:</b> <ul style="list-style-type: none"><li>• men</li><li>• women</li></ul>	21.4 years 24.0 years
24.0 years 26.6 years	<b>Longevity at 65 for future pensioners:</b> <ul style="list-style-type: none"><li>• men</li><li>• women</li></ul>	24.0 years 26.6 years
2.4%	Rate of inflation	2.2%
3.6%	Rate of increase in salaries	3.5%
2.4%	Rate of increase in pensions	2.2%
3.2%	Rate for discounting scheme liabilities	3.5%

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

The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Change in assumptions at 31 March 2015:	Approximate % increase to Employer Liability	Approximate monetary amount £000
0.5% decrease in real discount rate	10%	78,598
1 year increase in member life expectancy	3%	23,332
0.5% increase in the salary increase rate	3%	20,977
0.5% increase in the pension increase rate	7%	56,702

### Pensions - Summary

The overall Pension deficit at 31 March 2016 in the Balance Sheet is £226.0m.

## **Impact on the Authority's Cash Flows**

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The Council has agreed a strategy with the scheme's actuary to achieve a funding level of 90.5% over the next 3 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed 31 March 2016.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the act, the Local Government Pension Scheme in England and Wales and other main existing public service schemes may not provide benefits in relation to service after 31 March 2014 (or service after 31 March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits.

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The total liability of £226.011m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

- the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary; and;
- finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The Council anticipates paying £13.438m contributions to the scheme in 2016/17. The weighted average duration of the defined benefit obligation for scheme members is 18.2 years.

## **49. Contingent Liabilities**

### **(a) Municipal Mutual Insurance**

In January 1994 the Council's former insurer, Municipal Mutual Insurance, made a scheme of agreement with its creditors. Under this scheme, claims are initially paid out in full, but if the eventual winding up of the company results in insufficient assets to meet all liabilities a clawback clause will be triggered which could affect claims already paid.

The scheme of arrangement was triggered during 2012/13 and a provision was made based on an initial levy of 15%, equating to £0.419m which was paid during 2013/14. By way of a second notice the levy was subsequently increased to 25% as from 1 April 2016, equating to an additional £0.281m which will be met from insurance reserves. A contingent liability still exists if the proceeds from the initial levy are not sufficient to cover the cost of future claims. In the event that an additional levy becomes payable then this will be met from the insurance reserve.

### **(b) Manchester Airport**

The Council has made loans to Manchester Airport plc. as disclosed in the long term debtors note. In 2009/10 these loans, which were previously secured, were restructured. The loans are no longer secured but to compensate the Council receives a higher rate of interest. A reserve is being built up to cover any potential losses on this agreement, up to the point at which all the loans have matured in 2055.

### **(c) Trafford Housing Trust**

A number of warranties were provided to the Trafford Housing Trust (THT) and related stakeholders as a consequence of the housing stock transfer agreement entered into on 14 March 2005.

A brief summary of the salient points of the major warranties follows – complete details are available from the Director of Legal and Democratic Services.

- i) Warranties of Truth; the Council has made a number of statements and assertions within the transfer agreement, such as land ownership, value of assets, and the right to exercise certain legal powers. The Council has indemnified THT against any liability should any of those statements prove to be untrue. This risk will also diminish, but over a much longer time frame.
- ii) Pension Fund Guarantor; The Council has underwritten any outstanding pension liability to the Pensions Authority for staff transferring under the TUPE regulations to THT, should THT be unable to meet those liabilities. To mitigate this risk THT has taken out a £3.5m bond, which can only be accessed with the permission of the Council. The liability and the level of bond will be actuarially assessed every five years.
- iii) Unadopted Drains; The Council has indemnified THT for maintenance and repair works relating to unadopted drainage systems. Should a liability arise it is likely to be of small amounts and will be paid out of the Council's revenue budget in the year of occurrence.
- iv) Outstanding works; the Council retains liability for £187.7m worth of qualifying works to bring the housing stock to standard. However, the Council has engaged THT as their agent to undertake these works and has paid THT up front in that the cost of the transfer was reduced by that amount.
- v) There are a number of Environmental warranties that the Council in aggregate has indemnified THT up to £90m and an unlimited indemnification to THT's funders, the Prudential Trustee Company Ltd. The risk of these warranties is partially off-set by VAT receipts from the works done by THT on the Council's behalf (see above) over ten years amounting to £19.3m and this concluded on 31 March 2015. The liabilities and risks of the warranties will be kept under constant review, and monies put aside from the VAT receipts as appropriate.
- vi) Asbestos; The Council has given THT a 30 year indemnification against any cost of works arising from asbestos above an excess in any one year of £308,500. This is a rolling excess in that should any excess in one year be unused, it will roll over into the next financial year.
- vii) Pollution and Contaminated Land; The Council has extended a 30 year indemnification for any pollution clear up on land transferred where the pollution occurred before the transfer date.

**(d) Timperley Sports Club**

The Council has a lease agreement with Timperley Sports Club for an artificial sports pitch which was previously the responsibility of the Council.

In the event that the Club constructs a further replacement full size sports pitch with artificial turf or other artificial playing surface at any time during the demised term after 2016 and has given not less than 6 months notice to the Landlord of the proposed timetable for construction of such new pitch, the Landlord undertakes to pay to the Club (within 28 days after the construction of such pitch and all lighting and ancillary services and access has been practically completed to the reasonable satisfaction of an independent chartered surveyor) £250,000 indexed from the date hereof until the date of payment. The obligation to make the payment under this Clause shall not arise earlier than 1 April 2018.

**(e) Section 106 Agreements**

A number of agreements in accordance with Section 106 of the Town and Country Planning Act 1990 exist between the Council and developers associated with the planning conditions attached to new developments. In respect of contributions received to date, should the conditions in the agreement not be met by the Council then amounts would become repayable to developers. Should developments proceed and conditions within agreements be met then the estimated value of contributions the Council will receive is £31.0m.

**(f) Significant Legal and Insurance Claims**

The Council is currently in negotiations with its insurers over recompense for losses in respect of a major insurance claim under its Fidelity Guarantee Policy. At this stage the final settlement figure is being negotiated.

**(g) Altrincham Interchange**

An element of the financing for this major infrastructure scheme is to come from developer contributions from developments in the vicinity of the Interchange. The Council has underwritten this funding such that if after a period of six years after commencement of the works the contributions are not available then the Council will provide the funding to Transport for Greater Manchester of up to £650,000.

**(h) Greater Manchester Loan Fund**

The Council agreed to enter into an indemnity agreement to support the Greater Manchester Loan Fund. The fund was set up to provide loans to new and growing business in Greater Manchester. This was entered into alongside other Greater Manchester Authorities and given to Manchester City Council in order to underwrite the initial £12m to £14m capital in proportion to its percentage of GM population at the date of the establishment of the fund (June 2013). For Trafford Council the maximum indemnity will be £1.187m which is 8.48% of the total indemnity. At 31 March 2016 loans totalling £4.050m have been advanced. The risk of the indemnity being called upon is considered to be low.

**(i) S117 of the Mental Health Act 1983**

A provision of £(0.118)m in respect of repayment due to clients incorrectly charged for services under s117 of the Mental Health Act 1983 was fully written back to the revenue account in 2013/14. However, there remains a possibility of claims being made which would, in future, be met from existing budgets and/or balances.

**(j) Housing Investment Fund**

The Greater Manchester Devolution Agreement provides for a Housing Investment Fund of £300m over ten years, to be invested in the form of recoverable loans and equity into property investments to deliver the growth ambitions of Greater Manchester (GM). The Fund was set-up on 1 April 2015 and is administered by Manchester City Council as accountable body. The Fund provides the opportunity to invest in locally prioritised schemes and gives the flexibility required to stimulate the market, accelerate growth and increase housing supply. In return for GM receiving this Fund it must guarantee that 80% of the funds drawn down, to a maximum of £240m, will be repaid to Her Majesty's Treasury (HMT) at the end of the Fund life (this is likely to be in 2028 when all loans advanced are repaid). The Department of Communities and Local Government (DCLG) will underwrite the first 20% of any loss to the Fund (up to a maximum of £60m). Each GM District will indemnify a proportion of the Fund based on its percentage of GM population as at 1 April 2015. For Trafford Council the maximum indemnity will be £20.415m which is 8.51% of the total indemnity. At 31 March 2016 the amount drawn down was £11.063m. It is not currently anticipated that there will be any call on this indemnity.

**k) Trafford Leisure Community Interest Company (TLCIC)**

TLCIC was established on 1 October 2015 to provide leisure services in Trafford. Their headquarters are based at Marsland House in Sale and the Council has underwritten their lease at this property such that if TLCIC default on their lease the Council will be responsible for any outstanding rent and services charges.

**l) Local Land Charges**

A group of property search companies sought to claim refunds of fees paid to the Council for land charges data. A number of payments have been made in settlement of these claims but potential exists for further claims in the future but the liability is unknown.

## **50. Contingent Assets**

### **a) Section 106 Agreements**

A number of agreements in accordance with Section 106 of the Town and Country Planning Act 1990 exist between the Council and developers associated with the planning conditions attached to new developments. In respect of contributions received to date, should the conditions in the agreement not be met by the Council then amounts would become repayable to developers. Should developments proceed and conditions within agreements be met then the estimated value of contributions the Council will receive is £31.0m.

### **b) NDR Growth Pilot**

In 2015/16 the DCLG awarded Greater Manchester Growth Pilot Status allowing it to retain 100% of business rates above an agreed threshold. Final workings of the scheme are still awaited from DCLG and the application of any growth including Trafford's share will be decided by the combined authority.

## **51. Nature and Extent of Risks Arising from Financial Instruments**

### **Key Risks**

The Council provides statutory services to the local population on a not-for-profit basis and as such the few financial instruments used are to manage the risks arising from holding substantial levels of assets and liabilities and not for trading or speculative purposes.

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

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

### **Overall Procedures for Managing Risk**

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

- by formally adopting the requirements of the CIPFA Treasury Management Code of Practice;
- by the adoption of a Treasury Policy Statement and treasury management clauses within its Financial Procedure rules;
- by approving annually in advance prudential and treasury indicators for the following three years limiting:
  - The Council's overall borrowing;
  - Its maximum and minimum exposures to fixed and variable rates;
  - Its maximum and minimum exposures to the maturity structure of its debt;
  - Its maximum annual exposures to investments maturing beyond a year.
- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance.

These are required to be reported and approved at or before the Council's annual Council Tax setting budget or before the start of the year to which they relate. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported semi-annually to Members.

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

The annual treasury management strategy which incorporates the policies to be adopted covering both debt and investments together with the prudential indicators for 2015/16 was approved by Council on 18 February 2015 and is available on the Council website. A summary of the policies and key indicators together with the actual outcomes are shown in the tables below;

<b>Approved policy</b>	<b>Activity undertaken</b>
<b>Debt</b>	
New long term debt to be taken to fund new capital spending requirements and to bring down the Internal debt to a more manageable level thereby reducing the risk in the event borrowing rates increase.	This was fully complied with in 2015/16 with £10m of new debt taken from PWLB, in-conjunction with information obtained from the Council's advisors at a low rate of interest 2.94%.
Debt restructuring exercises to be undertaken which produce revenue savings.	No opportunities arose during 2015/16 presenting significant revenue savings to be obtained.
A review of the Council's annual Minimum Revenue Provision (MRP) was undertaken generating revenue savings and a fairer and simpler approach for current and future council tax payers.	Amendments to the existing policy were approved by Council and is based on capital expenditure incurred as follows: <ul style="list-style-type: none"> <li>• pre 1 April 2008 – MRP is calculated on a straight line basis over the expected average useful life of the assets</li> <li>• post 1 April 2008 – MRP is calculated over the life of the asset:</li> </ul>
<b>Investment</b>	
All investments placed in the continuation of previous year's practice of Security, Liquidity & Yield.	This was fully complied with in 2015/16.
Inclusion of the Church Commissioners Local Authorities Property Investment fund into the Investment strategy.	Amendments to the Investment Strategy were approved by Council on 15 July 2015 and £5m was placed into the fund on 29 September 2015. This enabled 1,643,872 units to be purchased which after deducting entry costs were worth £4.8m at 31 March 2016.
In compliance with CLG Investment Guidance the maximum amount of investments which could be placed in Non-specified investments was set at £70m.	This limit was not exceeded and at 31 March 2016 Non Specific Investments totalled £44.6m, £4.8m Church Commissioners Local Authority Property Fund and £39.8m for Manchester International Airport shares.

## Prudential Indicators for 2015/16

Indicator	2015/16 Indicator set by Council	2015/16 Actual
<p style="text-align: center;"><b>Authorised Borrowing Limit</b></p> <p>Maximum level of external debt &amp; other long term liabilities (PFI &amp; leases) undertaken by the authority including any temporary borrowing – this is statutory limit under section 3(1) of the Local Government Act 2003.</p>	£146m	£110m
<p style="text-align: center;"><b>Operational Boundary</b></p> <p>Calculated on a similar basis as the Authorised limit &amp; represents the expected level of external debt &amp; other long term liabilities (PFI &amp; leases) excluding any temporary borrowing - it is not a limit.</p>	£131m	£110m
<p style="text-align: center;"><b>Upper limits on fixed interest rates</b></p> <p>Maximum limit of fixed interest rate exposure – debt less investment</p>	£2.7m	£2.4m
<p style="text-align: center;"><b>Upper limits on variable interest rates</b></p> <p>Maximum limit of fixed interest rate exposure – debt less investment</p>	£3.2m	£2.8m
<p style="text-align: center;"><b>Gross debt and Capital Financing Requirement</b></p> <p>This highlights all gross external borrowing is prudent for capital purposes and does not exceed the capital financing requirement. Figures reflect amount of capital financing requirement which exceeds gross external borrowing.</p>	£4.4m	£23.3m
<p style="text-align: center;"><b>Maturity structure of fixed rate borrowing</b></p> <p>These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing – these are required for upper as shown and lower limits which were set at 0%.</p>		
Under 1 year (this includes the next call date for Market loans)	70%	53%
1 year to 2 years	25%	3%
2 years to 5 years	25%	9%
5 years to 10 years	25%	10%
10 years to 20 years	25%	6%
20 years to 30 years	25%	0%
30 years to 40 years	25%	0%
40 years and above	25%	19%
<p style="text-align: center;"><b>Maximum principal funds invested exceeding 364 days (including Manchester Airport shares with a value of £39.8)</b></p> <p>These limits are set to reduce the need for early sale of an investment</p>	£70.0m	£44.6m

### Credit Risk

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

This risk is minimised through the Annual Investment Strategy which is incorporated within the annual treasury management strategy and this stipulates that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poors Credit Ratings Services.

The Council uses the creditworthiness service provided by Capita Treasury Services Limited which uses a sophisticated approach incorporating;

- Credit ratings from all three rating agencies,

- Credit watches and credit outlooks from credit rating agencies,
- Credit Default Swaps spreads to give an early warning of likely changes in credit ratings,
- Sovereign ratings to select counterparties from only the creditworthy countries.

The Annual Investment Strategy also imposes maximum amount and time limits with a financial institution located within each category. The credit criteria in respect of financial assets held by the Council are detailed below;

<b>Financial Asset Category</b>	<b>Minimum credit rating (Fitch or equivalent)</b>	<b>Maximum investment</b>	<b>Maximum period</b>
Banks & Building Societies	Short Term: F1 Long Term: AA-	£20m	3 Years
Banks & Building Societies	Short Term: F1 Long Term: A-	£5m	1 Year
	Financial Strength: C Support: 3		
Money Market & Enhanced Money Market Funds	AAA	£20m	3 Years
UK Government including Local Authorities & Debt Management Office	N/A	£20m	3 Years
UK Banks – part nationalised	N/A	£20m	1 Year
The Council's own bank if the bank falls below the above criteria for transactional purposes only	N/A	n/a	1 Day
Church Commissioners Local Authority Property Investment Fund	N/A	£10m	10 Years

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

<b>Deposits with banks and financial institutions</b>	<b>Amount at 31 March 2016</b>	<b>Historical experience of default*</b>	<b>Estimated maximum exposure to default</b>
	<b>£000</b>	<b>%</b>	<b>£000</b>
AAA rated counterparties	36,700	0.00	0
AA rated counterparties	17,000	0.03	5
A rated counterparties	23,300	0.08	19
Non rated counterparties	4,815	n/a	0
Trade debtors **	5,210	Local experience	200
<b>Total</b>	<b>87,025</b>		<b>224</b>

\* The historical default rate has been calculated by using the average 1 year default rates from all three main rating agencies at March 2015

\*\* The estimated maximum exposure to default for trade debtors of £0.2m is based on the gross debt raised rather than debt outstanding at one particular date. There is no adjustment to be made for market conditions from the balance sheet date of 31 March 2016

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £24k 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 non-recoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2016 that this was likely to crystallise.

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

All the Council's deposits are made through the London Money markets and the allocation of investments between institutions domiciled in foreign countries were as follows:

Country	31 March 2015	%	31 March 2016	%
	£000		£000	
Singapore	0	0	3,000	4
Sweden	3,000	4	1,000	1
UK	71,590	92	69,815	85
United Arab Emirates	3,000	4	8,000	10
<b>Total</b>	<b>77,590</b>	<b>100</b>	<b>81,815</b>	<b>100</b>

The Council does not generally allow credit for its trade debtors, such that £10.1m of the £81.5m balance is past its due date for payment. The past due amount can be analysed by age as follows:

	31 March 2015	31 March 2016
	£000s	£000s
Less than one year	3,609	5,210
<b>Total</b>	<b>3,609</b>	<b>5,210</b>

### Liquidity Risk

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well 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 it is needed.

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

### Refinancing & Maturity Risk

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

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

The Council's approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes:

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

The maturity analysis of financial assets based on original principal lent is as follows, and excludes the Manchester airport loan, Section 106 debtors and sums due from customers;

<b>Period</b>	<b>31 March 2015</b> <b>£000</b>	<b>31 March 2016</b> <b>£000</b>
Instant access	37,690	37,700
Up to 3 Months	4,000	5,500
3 to 6 Months	9,500	16,700
6 to 9 Months	0	9,500
9 to 12 Months	21,400	7,600
Over 1 Year	5,000	4,815
<b>Total</b>	<b>77,590</b>	<b>81,815</b>

The maturity analysis of financial liabilities based on the carrying amount – all trade and other payables due to be paid in less than one year are not shown in the table below:

<b>Period</b>	<b>31 March 2015</b> <b>£000</b>	<b>31 March 2016</b> <b>£000</b>
Under 1 Year	2,909	4,916
1 year to 2 years	3,982	3,180
2 years to 5 years	9,272	10,680
5 years to 10 years	15,527	12,413
10 years to 20 years	10,136	9,790
20 years to 30 years	31,837	31,823
30 years to 40 years	511	533
40 years and above	30,344	40,280
<b>Total</b>	<b>104,518</b>	<b>113,543</b>

### **Market Risk**

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

- borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise;
- borrowings at fixed rates – the fair value of the borrowing liability will fall;

- investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise; and
- investments at fixed rates – the fair value of the assets will fall.

**Maturity risk** - 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 or Other Comprehensive Income and Expenditure and affect the General Fund Balance, subject to influences from Government grants. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in the Other Comprehensive Income and Expenditure Statement.

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

If all interest rates had been 1% higher as at 31 March 2016 with all other variables held constant, the financial effect would be calculated as follows:

	<u>£000</u>
Increase in interest receivable on variable rate investments	(427)
Decrease in fair value of fixed rate borrowings liabilities (no impact on Comprehensive Income & Expenditure Statement)	25,891

The Council's loans are all held at fixed rates of interest and consequently a movement in interest rates of +/-1% would have no impact on its financial resources.

**Price risk** - The Council, excluding the pension fund, does not invest in equity shares but does have shareholdings to the value of £39.8m in Manchester Airport Group and £4.8m in Church Commissioners Property Fund. Whilst these holdings are generally illiquid, the Council is exposed to losses arising from movements in the price of shares.

All movements in the share values will impact on gains and losses recognised in the Available for Share reserve. A general shift of 5% in the price of shares (positive or negative) would have resulted in a £2.23m gain or loss being recognized in the Available for Sale Reserve.

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

## 52. Trust Funds

The Council administers a number of Trust Funds. The values of these funds, which are not included in the Balance Sheet, were £0.437m at 31 March 2016 and are listed below.

<b>Value of Fund £ 31.03.15</b>		<b>Value of Fund £ 31.03.16</b>
1,939	J Birkhead Trust Fund	1,942
391,855	Del Panno Trust	392,848
10,321	Miss Muckley Dec'd Legacy	10,321
39,549	Clifford Wilcox	32,094
<b>443,664</b>	<b>Sub-total</b>	<b>437,205</b>
0	Monies held in Criminal Injuries Compensation Scheme Trust	0
<b>443,664</b>	<b>Total monies held in Trusts</b>	<b>437,205</b>

### 53 Effect of Prior Period Adjustments

Prior period adjustments have been made to the Council's 2014/15 published financial statements relating to:-

- (i) Inclusion of CCG contribution to and expenditure related to the Learning Disability Pool now included within the income and expenditure statement; previously this was held outside the ledger. Expenditure and Income within the CIES have both increased by £2.121m
- (ii) £0.500m re Mental Health Trailblazer monies brought into Trafford's Accounts as income for IFRS purposes (held as a Grant Receipt in Advance (No conditions)) in 2015/16. Cash is part of an GMCA scheme where Trafford is only acting as an agent; Income removed from the CIES, balance sheet adjusted removing from grant reserve (within earmarked reserves) to short term creditor.
- (iii) £0.125m Ring-fenced Care Bill grant included under Taxation and Non Specific Grant Income & Expenditure in 2014/15 instead of Cost of Services under Adult Social Care.

#### Extract for restated items only comprehensive income and expenditure statement

2014/15	Gross Expenditure 31 March 2015 £000	Gross Income 31 March 2015 £000	Net Expenditure 31 March 2015 £000
<b>Adult Social Care</b>	<b>74,908</b>	<b>(18,172)</b>	<b>56,736</b>
Restatement (i)	2,121	(2,121)	0
Restatement (iii)	0	(125)	(125)
<b>Restated Adult Social Care</b>	<b>77,029</b>	<b>(20,418)</b>	<b>56,611</b>
<b>Cost of Services</b>	<b>412,879</b>	<b>(260,461)</b>	<b>152,418</b>
Restatement (i)	2,121	(2,121)	0
Restatement (iii)	0	(125)	(125)
<b>Restated Cost of Services</b>	<b>415,000</b>	<b>(262,707)</b>	<b>152,293</b>
<b>Taxation and Non-Specific Grant Income and Expenditure</b>	-	<b>(179,802)</b>	<b>(179,802)</b>
Restatement (ii)	-	500	500
Restatement (iii)	-	125	125
<b>Restated Taxation and Non-Specific Grant Income and Expenditure</b>	-	<b>(179,177)</b>	<b>(179,177)</b>
<b>(Surplus) or Deficit on Provision of Services</b>	-	-	<b>21,200</b>
Restatement (ii)	-	-	500
<b>(Surplus) or Deficit on Provision of Services</b>	-	-	<b>21,700</b>
<b>Total Comprehensive (Income) and Expenditure</b>	-	-	<b>71,433</b>
Restatement (i)	-	-	500
<b>Restated Total Comprehensive (Income) and Expenditure</b>	-	-	<b>71,933</b>

balance sheet

	31 March 2015 £000	Restate- ments £000	Restated 31 March 2015 £000
Property, Plant & Equipment	428,933		428,933
Heritage Assets	1,019		1,019
Investment Property	30,497		30,497
Intangible Assets	2,159		2,159
Assets Held for Sale	0		0
Long Term Investments	46,000		46,000
Long Term Debtors	14,637		14,637
<b>Long Term Assets</b>	<b>523,245</b>	<b>0</b>	<b>523,245</b>
Short Term Investments	34,954		34,954
Assets Held for Sale	5,198		5,198
Inventories	338		338
Short Term Debtors	21,614		21,614
Cash and Cash Equivalents	46,593		46,593
<b>Current Assets</b>	<b>108,697</b>	<b>0</b>	<b>108,697</b>
Short Term Borrowing	(2,689)		(2,689)
Short Term Creditors	(54,723)	(500) (ii)	(55,223)
Short Term Provisions	(12,582)		(12,582)
Grants Receipts in Advance (Revenue)	(1,941)		(1,941)
Grants Receipts in Advance (Capital)	(2,926)		(2,926)
<b>Current Liabilities</b>	<b>(74,861)</b>	<b>(500)</b>	<b>(75,361)</b>
Long Term Creditors	(36)		(36)
Provisions	(6,286)		(6,286)
Long Term Borrowing	(95,647)		(95,647)
Revenue Grants & Contributions – Long-Term Receipts in Advance (REFCUS)	(2,725)		(2,725)
Grants Receipts in Advance (Capital)	(9,335)		(9,335)
Other Long Term Liabilities – Pensions	(284,188)		(284,188)
Other long-term liabilities – Deferred	(9,990)		(9,990)
<b>Long Term Liabilities</b>	<b>(408,207)</b>	<b>0</b>	<b>(408,207)</b>
<b>Net Assets</b>	<b>148,874</b>	<b>(500)</b>	<b>148,374</b>

**balance sheet (continued)**

	<b>31 March 2015 £000</b>	<b>Restate- ments £000</b>	<b>Restated 31 March 2015 £000</b>
General Fund Balance	(7,871)		(7,871)
Earmarked General Fund Reserves	(35,780)	500 (ii)	(35,280)
Capital Receipts Reserve	(11,540)		(11,540)
Revenue Grants Unapplied (REFCUS)	(36)		(36)
Capital Grants Unapplied	(17,389)		(17,389)
<b>Usable Reserves</b>	<b>(72,616)</b>	<b>500</b>	<b>(72,116)</b>
Revaluation Reserve	(29,050)		(29,050)
Available For Sale Financial Instruments Reserve	(30,786)		(30,786)
Capital Adjustment Account	(315,874)		(315,874)
Financial Instruments Adjustment Account	5,670		5,670
Pensions Reserve	284,188		284,188
Collection Fund Adjustment Account	5,296		5,296
Accumulated Absences Account	4,298		4,298
<b>Unusable Reserves</b>	<b>(76,258)</b>	<b>0</b>	<b>(76,258)</b>
<b>Total Reserves</b>	<b>(148,874)</b>	<b>500</b>	<b>(148,374)</b>

Extract for restated items only  
movement in reserves statement

	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Revenue Grants Unapplied £000	Capital Grants unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
<b>Movement in reserves during 2014/15:</b>								
<b>Surplus or (deficit) on the provision of services</b>	21,201	0	0	0	0	21,201	0	21,201
Restatement (ii)	500	0	0	0	0	500	0	500
<b>Restated Surplus or (deficit) on the provision of services</b>	21,701	0	0	0	0	21,701	0	21,701
<b>Total Comprehensive Income and Expenditure</b>	21,201	0	0	0	0	21,201	50,233	71,434
Restatement (ii)	500	0	0	0	0	500	0	500
<b>Restated Total Comprehensive Income and Expenditure</b>	21,701	0	0	0	0	21,701	50,233	71,934
<b>Net Increase/(Decrease) before transfers to Earmarked Reserves</b>	13,112	0	(4,013)	(28)	(390)	8,681	62,751	71,432
Restatement (ii)	500	0	0	0	0	500	0	500
<b>Restated Net Increase/(Decrease) before transfers to Earmarked Reserves</b>	13,612	0	(4,013)	(28)	(390)	9,181	62,751	71,932
<b>Transfers to/(from) Earmarked Reserves</b>	(10,003)	10,003	0	0	0	0	0	0
Restatement (ii)	(500)	500	0	0	0	0	0	0
<b>Restated Transfers to/(from) Earmarked Reserves</b>	(10,503)	10,503	0	0	0	0	0	0
<b>Increase/(Decrease) in 14/15</b>	3,109	10,003	(4,013)	(28)	(390)	8,681	62,751	71,432
Restatement (ii)	0	500	0	0	0	500	0	500
<b>Restated Increase/(Decrease) in 14/15</b>	3,109	10,503	(4,013)	(28)	(390)	9,181	62,751	71,932
<b>Balance as at 31 March 2015</b>	(7,871)	(35,778)	(11,540)	(36)	(17,390)	(72,615)	(76,260)	(148,875)
Restatement (ii)	0	500	0	0	0	500	0	500
<b>Restated Balance as at 31 March 2015</b>	(7,871)	(35,278)	(11,540)	(36)	(17,390)	(72,115)	(76,260)	(148,375)

**Extract for restated items only**

**Cash flow statement**

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<b>Year Ended 31 March</b>	<b>2014/15 £000</b>	<b>Restate- ments £000</b>	<b>Restated 2014/15 £000</b>
Net (surplus) or deficit on the provision of services	21,201	500	21,701
Adjustments to net surplus or deficit on the provision of services for non-cash movements ( <b>note 26a</b> )	(57,545)	(500)	(58,045)

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## collection fund

### About this account

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers of Council Tax and Non-Domestic Rates (NDR) and its distribution to local authorities and the Government.

2014/15			2015/16				
Business Rates £000	Council Tax £000	Total £000	Year ended 31 March	Notes	Business Rates £000	Council Tax £000	Total £000
<b>INCOME</b>							
-	(96,260)	(96,260)	Income from Council Tax Payers	2		(97,954)	(97,954)
(159,161)		(159,161)	Income from Non-Domestic Rate Payers	3	(164,748)		(164,748)
-	-	-	Transitional Protection Payments Receivable				
(16,041)	-	(16,041)	Contributions towards previous years' estimated Collection Fund Deficit		(15,656)		(15,656)
<b>(175,202)</b>	<b>(96,260)</b>	<b>(271,462)</b>	<b>TOTAL INCOME</b>		<b>(180,404)</b>	<b>(97,954)</b>	<b>(278,358)</b>
<b>EXPENDITURE</b>							
Council Tax Precept Demands :							
	79,568	79,568	- Trafford Council			80,376	80,376
	10,956	10,956	- Police and Crime Commissioner for GM			11,067	11,067
	4,147	4,147	- GM Fire & Rescue Authority			4,189	4,189
Non-domestic Rates :							
77,294	-	77,294	- Payment to Central Government		80,619		80,619
1,546	-	1,546	- GM Fire & rescue Authority		1,612		1,612
75,748	-	75,748	- Trafford Council		79,007		79,007
Charges to Collection Fund:							
1,554	424	1,978	- Write offs of uncollectable amounts		553	791	1,344
3,887	494	4,381	- (Increase)/Decrease in Bad Debt Provision		210	104	314
(8,249)	-	(8,249)	- (Increase)/Decrease in Provision for Appeals		(60)		(60)
457	-	457	- Costs of Collection		462		462
75	-	75	- Disregarded Amounts		77		77
3,470	-	3,470	Transitional Protection Payments Payable		736		736
Contributions :							
-	356	356	- Distribution of previous years' estimated Collection Fund Surplus	4	3,490	357	3,847
<b>155,782</b>	<b>95,945</b>	<b>251,727</b>	<b>TOTAL EXPENDITURE</b>		<b>166,706</b>	<b>96,884</b>	<b>263,590</b>
<b>(19,420)</b>	<b>(315)</b>	<b>(19,735)</b>	<b>(Surplus) / Deficit for year</b>		<b>(13,698)</b>	<b>(1,070)</b>	<b>(14,768)</b>
<b>31,553</b>	<b>(457)</b>	<b>31,096</b>	<b>Balance brought forward as 1 April</b>		<b>12,133</b>	<b>(772)</b>	<b>11,361</b>
(19,420)	(315)	(19,735)	Deficit/(Surplus) for the Year (as above)		(13,698)	(1,070)	(14,768)
<b>12,133</b>	<b>(772)</b>	<b>11,361</b>	<b>(Surplus) / Deficit as at 31 March</b>	5	<b>(1,565)</b>	<b>(1,842)</b>	<b>(3,407)</b>
<b>Allocated to:</b>							
5,945	(649)	5,296	- Trafford		(767)	(1,545)	(2,312)
0	(89)	(89)	- Police and Crime Commissioner for GM		0	(216)	(216)
121	(34)	87	- GM Fire & Rescue Authority		(16)	(81)	(97)
6,067	0	6,067	- Central Government		(782)	0	(782)
<b>12,133</b>	<b>(772)</b>	<b>11,361</b>			<b>(1,565)</b>	<b>(1,842)</b>	<b>(3,407)</b>

## notes to the collection fund

### 1. General

The Council has a statutory requirement to operate a Collection Fund as a separate account to the General Fund. The purpose of the Collection Fund therefore, is to isolate the income and expenditure relating to Council Tax and Non-Domestic Business Rates. The administrative costs associated with the collection process are charged to the General Fund.

Collection Fund surpluses declared by the billing authority in relation to Council Tax are apportioned to the relevant precepting bodies in the subsequent financial year. Deficits likewise are proportionately charged to the relevant precepting bodies in the following year. For Trafford, the Council Tax precepting bodies are the Police and Crime Commissioner for Greater Manchester (PCCGM) and the Greater Manchester Fire and Rescue Authority (GMFRA).

In 2013/14, the local government finance regime was revised with the introduction of the retained business rates scheme. The main aim of the scheme is to give Councils a greater incentive to grow businesses in the Borough. It does, however, also increase the financial risk due to non-collection and the volatility of the NDR tax base.

The scheme allows the Council to retain a proportion of the total NDR received. The Trafford share is 49% with the remainder paid to precepting bodies. For Trafford the NDR precepting bodies are Central Government (50% share) and GMFRA (1% share).

NDR surpluses declared by the billing authority in relation to the Collection Fund are apportioned to the relevant precepting bodies in the subsequent financial year in their respective proportions. Deficits likewise are proportionately charged to the relevant precepting bodies in the following year.

The national code of practice followed by Local Authorities in England stipulates that a Collection Fund Income and Expenditure account is included in the Council's accounts. The Collection Fund balance sheet meanwhile is incorporated into the Council's consolidated balance sheet.

### 2. Council Tax

This tax was introduced on 1 April 1993 with all domestic properties placed in one of eight valuation bands. The Government has determined that the Council Tax payable in each band will be a specified fraction of the middle valuation band, known as band D. Each year, the Council must estimate the equivalent number of band D properties, after allowing for discounts, exemptions, losses on collection etc. For 2015/16, the calculation was as follows:

	Total No. Dwellings (i)	Specified Fraction	Band 'D' Equivalent
Band A (disb)	19	X5/9	11
Band A	15,224	x6/9	10,149
Band B	18,449	x7/9	14,349
Band C	23,946	x8/9	21,285
Band D	13,202	x9/9	13,202
Band E	7,155	x11/9	8,745
Band F	4,154	x13/9	6,000
Band G	3,911	x15/9	6,518
Band H	929	x18/9	1,859
	<b>86,988</b>		<b>82,117</b>
Less allowance for losses on collection			(780)
Adjustment for Annexes estimate			(76)
Less cost of Council Tax Support Scheme			(8,592)
<b>Council Tax Base</b>			<b>72,669</b>

The actual number of properties was 97,248, after adjusting for single person discounts, empty properties etc., the notional number of dwellings is 86,988.

The Band D Council Tax levied for the year was £1,315.17 (£1,315.17 in 2014/15).

### 3. Non-Domestic Rates

The business rates shares payable for 2015/16 were estimated before the start of the financial year as £80.619m to Central Government, £1.612m to GMFRA and £79.007m to Trafford Council. These sums have been paid in 2015/16 and charged to the collection fund in year.

When the scheme was introduced, Central Government set a baseline level for each authority identifying the expected level of retained business rates and a top up or tariff amount to ensure that all authorities receive their baseline amount. Tariffs due from authorities payable to Central Government are used to finance the top ups to those authorities who do not achieve their targeted baseline funding. In this respect Trafford paid a tariff from the General Fund in 2015/16 to the value of £44.142m (see note 11 and 39).

The total income from business rate payers collected in 2015/16 was £180.404m (£175.202m in 2014/15). This sum includes £0.736m of transitional protection payments from ratepayers, which under Government regulation should have a neutral impact on the business rate retention scheme. This sum has to be repaid to Central Government and therefore increases payments to Central Government to £81.354m.

Authorities are expected to finance appeals made in respect of rateable values as defined by VOA as at 31 March 2016. As such, authorities are required to make a provision for these amounts. Appeals are charged and provided for in proportion of the precepting shares. The total provision charged/(credited) to the collection fund for 2015/16 has been calculated at £(0.059)m (£(8.250)m in 2014/15). The movement and balance c/fwd on the provision is as follows:-

<b>Value of Provision £ 31.03.15</b>		<b>Value of Provision £ 31.03.16</b>
36,823	Balance at 1 April	28,573
(9,948)	Amount of appeals paid during the year	(4,640)
1,698	In year contributions to the provision	4,581
<b>(8,250)</b>	<b>Net Increase/(Decrease)</b>	<b>59</b>
<b>28,573</b>	<b>Balance at 31 March</b>	<b>28,514</b>

The total non-domestic rateable value at 31 March 2016 is £380.1m (£380.0m 2014/15), and the national multipliers applicable for 2015/16 were 48.0p for qualifying Small Businesses, and the standard multiplier being 49.3p for all other businesses (47.1p and 48.2p respectively in 2014/15).

## Estimated Surplus and Deficits

Regulations require the Council to make estimates in January each year of the surplus or deficit likely to arise at the year end, and to transfer these amounts into or out of the collection fund in the following financial year.

### Council Tax Estimated Surplus/Deficit

In January 2015 it was estimated that the council tax element of the collection fund would have a surplus of £0.357m (£0.356m surplus in January 2014) . This was distributed to the relevant precepting bodies as shown below, with Trafford's element utilised to support General Fund expenditure during the year.

<b>2014/15 £000</b>	<b>Distribution of Council Tax (Surplus) on Collection Fund</b>	<b>2015/16 £000</b>
(300)	Trafford	(300)
(40)	Police and Crime Commissioner for GM	(41)
(16)	Greater Manchester Fire & Rescue Authority	(16)
<b>(356)</b>	<b>Estimated Collection Fund (Surplus)/Deficit</b>	<b>(357)</b>

### NDR Estimated Surplus/Deficit

In January 2015 it was estimated that the NDR element of the collection fund would have a deficit of £12.166m (£16.041m deficit in January 2014) . This was collected from the relevant precepting bodies as shown below.

<b>2014/15 £000</b>	<b>Collection of NDR Deficit on Collection Fund</b>	<b>2015/16 £000</b>
7,860	Trafford	5,961
8,021	Central Government	6,083
160	Greater Manchester Fire & Rescue Authority	122
<b>16,041</b>	<b>Estimated Collection Fund (Surplus)/Deficit</b>	<b>12,166</b>

## 4. Year End Surplus/Deficit 2015/16

### Council Tax

The opening balance for the Collection Fund for 2015/16 regarding Council Tax was £0.772m surplus. The £1.842m surplus which had accrued at the year-end in respect of Council Tax transactions will be distributed in subsequent years to the Council's General Fund, the Police and Crime Commissioner for GM and the GM Fire and Rescue Authority.

<b>2014/15 £000</b>	<b>Allocation of year-end (Surplus)/Deficit on Collection Fund</b>	<b>2015/16 £000</b>
(649)	Trafford	(1,545)
(89)	Police and Crime Commissioner for GM	(216)
(34)	Greater Manchester Fire & Rescue Authority	(81)
<b>(772)</b>	<b>Estimated Collection Fund (Surplus)/Deficit</b>	<b>(1,842)</b>

In the Balance Sheet at 31 March 2016, the Council has included the £1.842m surplus on a disaggregated basis as a Creditor to the Police and Crime Commissioner for GM and the GM Fire & Rescue Authority to the value of £0.297m, and a £1.545m attributable surplus on the Council Tax Collection Fund balance alongside the General Fund.

## Non Domestic Rates

The opening balance for the Collection Fund for 2015/16 regarding NDR was £12.133m. and is collected in subsequent years from the Council's General Fund, the GM Fire and Rescue Authority and Central Government.

<b>2014/15</b>	<b>Allocation of year-end (Surplus)/Deficit on Collection Fund</b>	<b>2015/16</b>
<b>£000</b>		<b>£000</b>
5,945	Trafford	(767)
121	Greater Manchester Fire & Rescue Authority	(16)
6,067	Central Government	(782)
<b>12,133</b>	<b>Estimated Collection Fund (Surplus)/Deficit</b>	<b>(1,565)</b>

In the Balance Sheet at 31 March 2016, the Council has included the £1.565m surplus on a disaggregated basis as a Creditor to the GM Fire & Rescue Authority and Central Government to the value of £0.798m, and a £0.767m attributable surplus to the NDR Collection Fund balance alongside the General Fund.

## **glossary**

### **Actuarial Gains and Losses**

Over a reporting period, these consist of:

- (A) Experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred, including reflection of any funding valuation which has taken place since the last report); and
- (B) the effects of changes in actuarial assumptions (split between financial and demographic).

### **Better Care Fund**

The BCF was announced by the Government in the June 2013 spending round to ensure a transformation in health and social care. The BCF creates a pooled budget between the Council and the Clinical Commissioning Group (CCG).

### **Capital Financing Charges**

The annual charge to the revenue accounts in respect of interest and principal repayments of borrowed money together with leasing rentals.

### **Capital Financing Requirement**

This reflects the Council's underlying need to borrow for a capital purpose. It forms a basis for calculating the minimum revenue provision (MRP), which is the amount required to be set aside as provision to repay debt.

### **Capital Grants**

Grants received towards capital outlay on a particular service or project.

### **Capital Receipts**

Money received from the sale of surplus assets such as land or buildings that is used for new capital expenditure or to repay debt.

### **Capital Receipts Pooling**

New regulations came into force on 1 April 2004 which required authorities to pay over to the Government a proportion of the proceeds from the disposal of housing assets.

### **Carrying Amount**

This equates to the level of principal outstanding on loans and investments together with any accrued interest.

### **CIPFA/LASAAC**

The Chartered Institute of Public Finance and Accountancy/Local Authority (Scotland) Accounts Advisory Committee is the body responsible for preparing, maintaining, developing and issuing the Code of Practice on Local Authority Accounting for the United Kingdom.

### **Collection Fund**

The Collection Fund records transactions in respect of the council tax, community charge, non-domestic rates and revenue support grant receipts and illustrates the way in which these have been distributed.

### **Community Assets**

Non-current assets that an authority intends to hold in perpetuity and have no determinable useful life.

### **Coupon Rate**

The interest rate stated, expressed as a percentage of the principal (face value).

### **Creditors**

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

### **Current Service Cost (Pensions)**

The increase in the present value of the defined benefit obligation resulting from employee service in the current period.

### **Curtailement**

For a defined benefit scheme, an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service.

Curtailements include:

termination of employees' service earlier than expected, for example as a result of closing a factory or discontinuing a segment of a business, and termination of, or amendment to the terms of, a defined benefit scheme so that some or all future service by current employees will no longer qualify for benefits or will qualify only for reduced benefits.

**DCLG (Department for Communities & Local Government)**

This is the Government department which has the main responsibility for Local Government.

**DfE (Department for Education)**

This is the Government department responsible primarily for schools. It administers the majority of funding for schools including Dedicated Schools Grant, the major form of financial support.

**Debtors**

Sums of money due to the Council but which are unpaid at the date of the balance sheet

**Deferred Debtors/Deferred Capital Receipts**

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

**Defined Benefit Scheme**

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 pension or other retirement benefit scheme into which an employer pays regular contributions fixed 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/Amortisation**

An amount charged to revenue accounts to represent the wearing out of non-current assets.

**Direct Service Organisation (DSO)**

The in-house team which has won a contract to carry out work, or provide a service following a competitive tendering process.

**Discretionary Benefits**

Retirement benefits which the employer has no legal, contractual or constructive obligation to award and which are awarded under the authority's discretionary powers.

**Effective Interest Rate**

The rate at which debt charges are applied to the comprehensive income and expenditure statement.

**Financial Instruments**

The term covers both financial assets and liabilities. The borrowing, service concession arrangements (PFI & finance leases) and investment transactions are classified as financial instruments.

**General Fund**

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

**Greater Manchester Combined Authority (GMCA)**

Created by the Local Government, Economic Development and Construction Act, the Greater Manchester Combined Authority (GMCA) assumed its powers and duties on 1 April 2011. It took over the functions previously the responsibility of the Greater Manchester Integrated Transport Authority (GMITA), which it replaced. It also took over responsibility for transport planning, traffic control and wide loads, assumed responsibility for the transportation resources allocated to the Greater Manchester region and regional economic development functions.

**Greater Manchester Waste Disposal Authority (GMWDA)**

This is a levying Authority that provides waste disposal strategy, policy and services to nine of the AGMA Councils.

**Heritage Assets**

Heritage assets are assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical value.

**Impairment**

A reduction in the recoverable amount of a non-current asset. An impairment charge can be caused by a clear consumption of

economic benefits or by a general fall in prices.

**Income**

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

**Indemnified**

To protect against damage, loss or injury; insure.

**Infrastructure Assets**

Those non-current assets from which benefit can be obtained only by continued use of the asset created e.g. highways, footpaths and bridges.

**Interest Costs (Pensions)**

For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

**Investments (Pension Fund)**

The investments of the Pension Fund will be accounted for in the statements of that fund. However authorities (other than town parish and community councils and district councils in Northern Ireland) are also required to disclose, as part of the transitional disclosures relating to benefits, the attributable share of pension scheme assets associated with their underlying obligations.

**Large Scale Voluntary Transfer (LSVT)**

This is the name given to the process of transferring the Council housing stock out of Council ownership into another not for profit social housing organisation, such as a housing association.

**NDR**

Non-domestic rates, payable by businesses.

**NDR Pool**

A fund administered by the DCLG into which are paid business rates collected by local authorities. The DCLG pay out of the fund a per capita amount to all local authorities.

**Pay and Reward Improving Services (PARIS)**

Comprehensive pay and grading review to ensure a fair and equal pay structure across the Council.

**Past Service Cost**

The change in present value of the defined benefit obligation for employee service in prior periods resulting from a plan amendment (the defined benefit plan) or a curtailment (a significant reduction by the entity in the number of employees covered by the plan).

**Precept**

The amount levied by one authority which is collected on its behalf by another.

**Present value of defined benefit obligation**

The present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

**Private Finance Initiative**

An agreement with the private sector to design, build and operate facilities specified by an authority in return for an annual payment.

**Projected Unit Method**

An accrued benefits valuation method in which the scheme liabilities make allowances for projected earnings. An accrued benefits valuation method is a valuation method in which the scheme liabilities at the valuation date relate to: the benefits for pensioners and deferred pensioners (i.e. individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependants, allowing where appropriate for future increases, and the accrued benefits for members in service on the valuation date.

**Provisions**

Sums set aside for losses or liabilities which are certain to arise but cannot be quantified with certainty.

**Reserves**

Amounts set aside to meet future costs.

**Retirement Benefits**

All forms of consideration given by an employer in exchange for services

rendered by employees that are payable after the completion of employment. Retirement benefits do not include termination benefits payable as a result of either (i) an employer's decision to terminate an employee's employment before the normal retirement date, or (ii) an employee's decision to accept voluntary redundancy in exchange for those benefits, because these are not given in exchange for services rendered by employees.

**Revenue Expenditure Funded from Capital under Statute (REFCUS)**

Capital expenditure which does not produce a tangible asset (e.g. improvement grants or other expenditure on assets the authority does not own). These are charged directly to revenue in the year expenditure is incurred but are treated as capital for control purposes.

**Revenue Support Grant (RSG)**

A grant paid by Central Government to aid local authority expenditure generally.

**Revenue Contributions**

Refers to the financing of capital expenditure directly from revenue in one year rather than from loan or other sources.

**Revenue Expenditure**

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

**Scheme Liabilities**

The liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflects the benefits that the employer is committed to provide for service up to the valuation date.

**Settlement**

Occurs when an entity enters into a transaction that eliminates all further legal or constructive obligation for part or all of the benefits provided under a defined benefit plan, for example, when a lump-sum cash payment is made to, or on behalf of, plan participants in exchange for their rights to receive specified post-employment benefits.

**Soft Loan**

This is where loan is either given to or received from an external organisation or individual at conditions which are more favourable than market rates.

**Stepped Interest Rate Loans**

A loan agreement where one rate of interest applies for the primary period of the loan and another rate for the remainder, or secondary period.

**Trust Funds**

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

**Unsupported Borrowing**

Borrowing undertaken to finance capital expenditure where the related debt costs are paid for by the authority or from other income.

**Vested Rights**

In relation to a defined benefit scheme, these are:

- for active members, benefits to which they would unconditionally be entitled on leaving the scheme:
- for deferred pensioners, their preserved benefits:
- for pensioners, pensions to which they are entitled.



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**Report to: Executive**  
**Date: 20 June 2016**  
**Report for: Decision**  
**Report of: The Executive Member for Finance and the Chief Finance Officer**

**Report Title:**

Revenue Budget Monitoring 2015/16 – Period 12 Outturn (April 2015 to March 2016).

**Summary:**

**The Revenue Outturn report for the year to March 2016 shows a positive variation of £(5.5)m. The achievement of this planned underspend has allowed for the creation of a Budget Support Reserve to assist in smoothing the severe budget reductions expected to be faced in the years 2017/20.**

The main areas of overall budget variance and the favourable movement of £(0.204)m on the previous forecast are shown below and a summary by Directorate & Portfolio shown in Tables 1 & 2:

<b>Activity</b>	<b>Outturn £m</b>	<b>Movement £m</b>
Treasury Management (incl. Airport dividend and MRP saving)	(3.2)	-
Income & Grants (all Services)	(0.6)	(0.3)
Release of the unallocated general savings contingency budget (Council-wide)	(0.5)	-
Business Rates (Council-wide)	(0.4)	(0.1)
Vacancy management (all Services)	(3.5)	(0.7)
Running costs (all Services)	(1.3)	0.4
Children’s client care packages	1.2	(0.1)
Adults client care packages	(0.1)	0.6
Rephased base budget savings	0.5	-
Manchester Airport Group (MAG) interim dividend - transfer to Earmarked Reserve	1.2	-
Minimum Revenue Provision (MRP) saving - transfer to Budget Support Reserve	1.2	-
<b>Forecasted outturn</b>	<b>(5.5)</b>	<b>(0.2)</b>

**MTFP Savings and increased income**

Total Savings of £(21.769)m have been delivered against a target of £(21.584)m, an overachievement of £(0.185)m. Full details of all the variances have been included in the Transformation Board Report of 6 May 2016.

## **Reserves**

The opening balance of the General Reserve was £(7.871)m, and after taking into account approved use and commitments, and the Council-wide budget outturn in 2015/16, the closing balance as at 31 March 2016 is £(7.894)m.

Planned base budget support of £1.850m for the 2016/17 Budget and £0.044m on one-off projects will reduce the General Reserve to £(6.0)m, the minimum agreed by Council on 17 February 2016. (see Table 6 below).

The MAG interim dividend of £(1.245)m received in December 2015 has been transferred to an Earmarked Reserve for use in supporting the 2016/17 budget and the MRP saving of £(1.151)m transferred to the Budget Support Reserve.

In addition, the net service carry forward reserves at the beginning of the year were £(3.642)m, and after taking into account the service Directorates' outturn, the closing balance as at 31 March 2016 is £(5.950)m in surplus. In addition future service commitments of £1.757m are currently planned in 2016/17.

## **Council Tax**

The surplus brought forward of £(0.773)m, has been increased by an in-year surplus of £(1.360)m. After taking account of the planned use of £0.357m to support the base budget and another £0.081m for backdated valuation and discount appeals, and better than expected collection of our older debt of £(0.147)m, the total surplus to be carried forward is £(1.842)m. The Council's share of this surplus is £(1.545)m, and is planned to support future budgets in the MTFP.

## **Business Rates**

In year growth in business rate was £(2.560)m, which was £(0.749)m above target. Due to the manner in which business rate are accounted for, 50% of this additional growth £(0.374)m has been released in 2015/16 and features within the Council Wide outturn; the remaining 50% will be released to support the budget in 2017/18 (see paragraph 9 below).

## **Recommendation(s)**

### **It is recommended that:**

- a) the pre-audited outturn be noted;
- b) £1.067m is transferred from the General Reserve to the Budget Support Reserve in 2015/16 to provide a cushion against volatility in budget funding and the significant level of savings required over the medium term (Table 6);
- c) the General Reserve and Collection Fund balances and commitments are noted and confirmed.

**Contact person for access to background papers and further information:**

David Muggeridge, Finance Manager, Financial Accounting

Extension: 4534

Background Papers: None

Relationship to Policy Framework/Corporate Priorities	Value for Money
Financial	Revenue expenditure to be contained within available resources in 2015/16.
Legal Implications:	None arising out of this report
Equality/Diversity Implications	None arising out of this report
Sustainability Implications	None arising out of this report
Staffing/E-Government/Asset Management Implications	Not applicable
Risk Management Implications	Not applicable
Health and Safety Implications	Not applicable

**Finance Officer** .....NB.....

**Legal Officer** .....MRJ.....

**DIRECTOR'S SIGNATURE** ..... 

## Budget Monitoring - Financial Results

1. Based on the pre-audit outturn for the year, the Council will underspend its budget by £(5.558)m, (3.7)% for 2015/16 (Tables 1 & 2), which is a favourable movement of £(0.204)m since last period (paragraph 4).
2. The overall variance includes a net underspend on the three Directorate budgets of £(3.458)m, (2.8)%, and a net underspend on Council-wide budgets of £(2.100)m, (8.9)%. The details of service variances can be found in Annexes 1 to 3, and for Council-Wide, Annex 4

<b>Table 1: Budget Monitoring results by Directorate</b>	<b>Outturn (£000's)</b>	<b>Percentage %</b>	<b>Period Movement (£000's)</b>	<b>Annex</b>
CFW – Children's Services	598	2.1%	(239)	1
CFW – Adult Social Services	(2,348)	(4.8)%	279	1
CFW – Public Health	153	17.6%	(1)	1
Economic Growth, Environment & Infrastructure	(778)	(2.4)%	(2)	2
Transformation & Resources	(1,083)	(6.4)%	(56)	3
<b>Total Service Variances</b>	<b>(3,458)</b>	<b>(2.8)%</b>	<b>(19)</b>	
Council-wide budgets	(4,496)	(19.0)%	(185)	4
MAG interim dividend - transferred to MAG Dividend Reserve	1,245	-	0	4
MRP saving – transferred to Budget Support Reserve	1,151	-	0	4
<b>Outturn variance</b>	<b>(5,558)</b>	<b>(3.7)%</b>	<b>(204)</b>	

*CFW – Children, Families & Wellbeing*

<b>Table 2: Budget Monitoring results by Executive Portfolio Holder</b>	<b>Outturn (£000's)</b>	<b>Percentage %</b>	<b>Period Movement (£000's)</b>
Children's Services	598	2.1%	(239)
Adult Social Services	(2,348)	(4.8)%	279
Community Health & Wellbeing	153	17.6%	(1)
Environment & Operations	(389)	(1.4)%	(15)
Economic Growth & Planning	(389)	(8.5)%	13
Communities & Partnerships	20	0.8%	(7)
Transformation & Resources	(593)	(6.0)%	39
Finance	(5,006)	(17.8)%	(273)
MAG interim dividend - transferred to MAG Dividend Reserve	1,245	-	0
MRP saving – transferred to Budget Support Reserve	1,151	-	0
<b>Outturn variance</b>	<b>(5,558)</b>	<b>(3.7)%</b>	<b>(204)</b>

## Key Outturn Variations and Period Movements

3. The key variances for the year contributing to the outturn position of £(5.558)m are:
- Children's client care package costs £1.288m;
  - Reduction in running costs across all Directorates of £(0.612)m including: Social Support – Adult Placement, renegotiated contracts £(0.454)m; Children's Commissioning Service, personalisation and supporting people contracts £(0.251)m;
  - Vacancy management across all Directorates, £(3.487)m;
  - New and increased income generated £(0.788)m of additional funding, including: Parking Services £(0.179)m; Asset management property rentals £(0.187)m; Planning & Building Control £(0.081)m; HR Shared Service £(0.131)m; Treasury Management £(0.194)m;
  - Manchester Airport Group Dividend above budget, £(0.648)m (after transferring £(1.245)m to an Earmarked Reserve for use in supporting the 2016/17 budget);
  - Business Rates - additional growth of £(0.374)m has been released in 2015/16 and included in the Council Wide outturn;
  - Housing and Council Tax Benefits overpayment recovery net variance of £(0.454)m;
  - Release of the unallocated general savings contingency budget, £(0.487)m;
  - Other net variances totalling £0.004m.
4. The key variances contributing to the period movement of a favourable £(0.204)m are:
- Children's Services – a reduction in the overspend on client care packages, £(0.100)m;
  - Children's Services - other net movements across all services relating to income, staffing and running costs, £(0.139);
  - Adult Services – adverse movement of £0.553m as a result of client cost and activity changes, mainly within Long Term Clients;
  - Adult Services – favourable movement in staffing costs, £(0.228), particularly in the Social Care Activities – Care Management teams;
  - Adult Services – reduction in running costs across a number of services, £(0.047)m;
  - Economic Growth, Environment & Infrastructure Directorate – a net favourable movement of £(0.002)m across all services including income £(0.052)m and staffing £(0.086)m, offset by an increase in running costs of £0.136m;

- Transformation & Resources Directorate – additional income of £(0.168)m from Proceeds of Crime, £(0.047)m, Government grants £(0.043)m and other external income generation, £(0.078)m;
- Transformation & Resources Directorate – other net adverse movements in staffing and running costs, £0.112m;
- Housing and Council Tax Benefits overpayment recovery, favourable movement of £(0.069)m;
- A reduction in the provision for doubtful debts for general debtors has generated a budget saving in Council-wide of £(0.335)m;
- Council-wide - one-off amount set aside to top-up the Pension Strain allocation with the Greater Manchester Pension Fund in 2016/17 of £0.4m;
- Business Rates – a favourable movement on the Council-wide budget of £(0.069)m since the last report (see paragraph 9 below);
- Release of Deprivation of Liberty Safeguards (DoLS) grant originally held as a contingency in Council-wide against CFW savings, £(0.076)m;
- Other net movements in Council-wide, £(0.036)m.

## MTFP Savings and increased income

5. The Budget included for £(21.584)m of savings and increased income. The table below summarises the final outturn against this savings target:

<b>Table 3: Base budget savings</b>		<b>Total (£000's)</b>	<b>Total (£000's)</b>
<b>Outturn</b>			
	CFW	(16,045)	
	EGEI	(2,814)	
	T&R	(2,522)	
	C-W	(388)	
<b>Total Savings delivered</b>			<b>(21,769)</b>
<b>Budget Savings Required</b>			<b>(21,584)</b>
<b>Total Net Shortfall/ (Over recovery)</b>			<b>(185)</b>
<b>Shortfall Detailed by Directorate</b>			
Shortfall against savings target within T&R			
	• Libraries (as measured against revised target)	126	
	• ICT Procurement/ Other	150	
<b>Total shortfall/ (Over recovery) within T&amp;R</b>			<b>276</b>
Shortfall/(Over recovery) against savings target within CFW			
	• Children with Complex Needs – Use of Personalisation	(8)	
	• Children with Complex Needs – expand in-house homes	50	
	• Education Early Years – Early Help	187	
	• Older People Reablement	(470)	
	• LD – Void Management	(19)	
	• LD – Ordinary Residence	258	
	• LD – Care Package Review/ Reshaping Trafford	(685)	
	• Integrated Health and Social Care	260	
	• Commissioning – review of non-mandatory services	(6)	
<b>Total shortfall/ (Over recovery) within CFW</b>			<b>(433)</b>
Shortfall/(Over recovery) against savings target within CW			
	• Old Car Lease Scheme	(28)	
<b>Total shortfall/ (Over recovery) within CW</b>			<b>(28)</b>
<b>Total Net Shortfall/(Over recovery)</b>			<b>(185)</b>

6. This represents an overachievement against target of £(0.185)m. Full details of all the variances have been included in the Transformation Board Report of 6 May 2016.

## Council Tax

7. The 2015/16 surplus on the Council Tax element of the Collection Fund is shared between the Council (84%), the Police & Crime Commissioner for GM (12%) and GM Fire & Rescue Authority (4%). The 2015/16 total surplus brought forward was £(0.773)m.
8. As at the year end the total in-year surplus was £(1.360)m. After taking account of the planned application to support the 2015/16 budget of £0.356m and reductions as a consequence of back-dated valuations and awards of discounts or exemptions of £0.081m and better than expected collection of our older debt of £(0.146)m, the end of year total balance is £(1.842)m. The Council's share of this is £(1.545), being a favourable improvement of £(0.102)m since last month.

Table 4: Council Tax surplus	Overall		Trafford	
	£(000's)	£(000's)	£(000's)	£(000's)
<b>Surplus brought forward</b>		<b>(773)</b>		<b>(649)</b>
In Year Surplus	(1,360)		(1,141)	
Collection Fund initiatives	(149)	<b>(1,509)</b>	(125)	<b>(1,266)</b>
Banding valuations & discounts	81		68	
Increase in Bad Debt Provision	3	<b>84</b>	2	<b>70</b>
In-year application of surplus		<b>356</b>		<b>300</b>
<b>Surplus carry forward</b>		<b>(1,842)</b>		<b>(1,545)</b>

## Business Rates

9. The financial position in respect of the Business Rate Retention Scheme for 2015/16 is summarised in the table below:

Table 5: Calculation of Business Rates Income 2015/16	Original Estimate £000's	Outturn £000's	Variance £000's
<b>Net Yield</b>	<b>(161,238)</b>	<b>(162,769)</b>	<b>(1,531)</b>
Local Share (49%)	(79,007)	(79,756)	(749)
Less Tariff (Set by Government)	44,142	44,142	-
<b>Retained Rates</b>	<b>(34,865)</b>	<b>(35,614)</b>	<b>(749)</b>
Government Baseline	(33,054)	(33,054)	-
<b>In Year Growth</b>	<b>(1,811)</b>	<b>(2,560)</b>	<b>(749)</b>
Add: Section 31 Grants	(1,663)	(1,963)	(300)
Estimated surplus 2014/15	(1,710)	(1,710)	-
<b>Total Income subject to Levy</b>	<b>(5,184)</b>	<b>(6,233)</b>	<b>(1,049)</b>
Deduct Levy	2,592	3,104	512
<b>Net Income</b>	<b>(2,592)</b>	<b>(3,129)</b>	<b>(537)</b>
Add: Levy Rebate from GM Pool	(579)	(750)	(171)
Increased grant for 2% cap	(136)	(136)	-
Renewable Energy (retained in full)	(77)	(77)	-
S31 Grant from the cap on the business rate multiplier	(480)	(521)	(41)
<b>Net Retained Income</b>	<b>(3,864)</b>	<b>(4,613)</b>	<b>(749)</b>

10. In year growth was £(2.560)m which was £(0.749)m above target. This represents a movement from that last reported of £(1.103)m. The reason for this being a significant reduction in the amount that was set aside for bad debts in the year compared to that forecast. This additional benefit (net of any levy) of £(0.375)m will be available to support the budget in 2017/18.
11. The overall benefit in 2015/16 of £(0.374)m will be derived from:
  - Section 31 grants receivable to reimburse the Council for various Government initiatives including small business rate relief and retail relief are £(0.300)m higher than forecast due to a higher than estimated level of reliefs awarded. The benefit after payment of any levy is £(0.150)m in 2015/16;
  - Levy Rebate from the GM Pool which is £(0.171)m higher than estimated;
  - 2015/16 multiplier cap £(0.041)m;
  - Other adjustments £(0.012).
12. The additional levy on the extra growth will be matched to the growth and charged against the additional income when it can be released to the budget in 2017/18.
13. During 2015/16 DCLG agreed to a GM Growth Pilot whereby AGMA districts were able to retain 100% of their business rates above a baseline which was calculated on their NNDR1 forecasted net rates. The formal regulations around the scheme and how any retained growth will be utilised within AGMA have still to be determined but it is estimated that the 50% Government share of growth that will be retained within AGMA based on Trafford's performance will be £(0.900)m. This will be treated as a contingent asset in the year end accounts until such time as the formal regulations are passed when it will be accrued for and credited to a reserve until such time that AGMA determine how to utilise it.

## **Reserves**

14. The table below shows the balance on the General Reserve at 31 March 2016 and also includes for the future commitments agreed by Council on 17 February 2016 as part of the 2016/17 Budget Report. The balance at year end is £(7.894)m. After taking into account future plans the uncommitted balance is £(6.0)m, the minimum level agreed by Council on 17 February 2016:

<b>Table 6 : General Reserve Movements</b>	<b>(£000's)</b>
<b>Balance 31 March 2015</b>	<b>(7,871)</b>
<b>Commitments in 2015/16:</b>	
- Planned use for 2015/16 Budget	1,000
- Planned use for one-off projects 2015/16	10
- Council-wide budgets underspend	(2,100)
- Interim MAG Dividend 2015/16	(1,245)
- Transfer to MAG Dividend Reserve	1,245
- Minimum Revenue Provision (MRP) saving	(1,151)
- Transfer to Budget Support Reserve	1,151
- Additional transfer to Budget Support Reserve *	1,067
<b>Balance 31 March 2016</b>	<b>(7,894)</b>
- Planned use for 2016/17 Budget	1,850
- Planned use for one-off projects 2016/17	44
<b>Balance 31 March 2017</b>	<b>(6,000)</b>

\* As set out in the budget report in February 2016, the Director of Finance recommended to set a minimum level of £6m for the General Reserve. In order to maintain the General Reserve at £6m, it is recommended the balance of £1.067m is transferred to the Budget Support Reserve, which was recently established to provide a cushion against volatility in budget funding and the significant level of savings required over the medium term. The Budget Support Reserve balance is £(2.8)m at 1st April 2016, consisting of £(1.151)m released from the 2015/16 budget as a result of the Council's review of the MRP Policy, £(0.582)m released from various other earmarked reserves, as agreed in the budget report, and £(1.067)m transferred from General Reserve.

15. Service balances brought forward from 2014/15 were a net £(3.642)m. After the pre-audited outturn for the year, there is a net surplus of £(5.950)m to be carried forward to 2016/17 (Table 7).

	<b>b/f 1 April 2015 (£000's)</b>	<b>Movement in-year (£000's)</b>	<b>Balance as at 31 March 2016 (£000's)</b>
<b>Table 7: Service balances</b>			
Communities, Families & Wellbeing	(403)	(1,435)	(1,838)
Economic Growth, Environment & Infrastructure	(1,738)	(2)	(1,740) *
Transformation & Resources	(1,501)	(871)	(2,372) **
<b>Total (Surplus)/Deficit</b>	<b>(3,642)</b>	<b>(2,308)</b>	<b>(5,950)</b>

\* In addition future commitments of £1.149m are currently planned in 2016/17.

\*\* In addition future commitments of £0.608m are currently planned in 2016/17.

## Recommendations

16. It is recommended that:
  - (a) the pre-audited outturn be noted;
  - (b) £1.067m is transferred from the General Reserve to the Budget Support Reserve in 2015/16 to provide a cushion against volatility in budget funding and the significant level of savings required over the medium term (Table 6);
  - (c) the General Reserve and Collection Fund balances and commitments are noted and confirmed.

## TRAFFORD COUNCIL

Report to: CFW Senior Leadership Team  
 Date: 19<sup>th</sup> May 2016  
 Report for: Discussion  
 Report author: CFW Finance Manager

**Report Title:**

**Revenue Budget Monitoring 2015/16 – Period 12 Outturn (April 2015 to March 2016).**

**1. Outturn for the Year**

- 1.1 The approved revenue budget for the year is £76.039m and the outturn is £74.442m, which is less than the budget by £(1.597)m, (2.1)%. The underspend includes an overspend of £0.598m on Children's Services and an underspend of £(2.195)m on Adults.
- 1.2 The forecast variance for Period 11 was £(1.636)m and this represents an adverse movement of £0.039m since last reported.
- 1.3 The savings target for CFW in 2015/16 was £(15.612)m. The outturn position is that £(16.045)m has been achieved and provides a high level of assurance about the robustness of financial planning and effective delivery of transformation projects within the Directorate.

**2 Summary of Variances**

- 2.1 The main outturn variances (over £100k) are summarised below with more detail provided in Appendix 1.
- 2.2 **CHILDREN'S SERVICES**  
**The overall variance for Children's Services is an adverse £0.598m and the main areas (over £100k) are analysed below:-**

**(a) Children's Social Services (including Children with Complex Needs) - £1.188m adverse variance**

- There is an adverse variance of £1.288m on client care packages as analysed in Appendix 2. The main variances relate to an adverse variance of £1.328m relating to external children's homes, even though this is as a result of only 7.40 additional placements over the year, indicating the volatility of this particular budget and £0.260m for welfare secure places which relates to 0.81 additional places. The increase in both these costs is due to a combination of demographic growth and the complexity of need of children in care with more children requiring high cost specialist placements. There is also an adverse variance of £0.119m on agency foster placements which equates to 3.40 placements and an adverse variance of £0.109 for youth homeless placements due to increased numbers above the budget allocation. Also included in the £1.288m above is a favourable variance of £(0.358)m in

relation to the low numbers of Trafford children in need of adoptive placements and a favourable variance of £(0.173)m for In-House foster care which relates to reduced placements of (10.06).

However, this is counterbalanced by a shortfall in adoption income of £0.344m. In the North West the number of recruited adopters is exceeding the number of children awaiting adoption. This resulted from a legal judgement that placed a greater emphasis on a child returning home or to family members prior to consideration of adoption.

- Robust management action continues to be in place to scrutinise each individual placement to ensure it is appropriate to meet needs. We are also exploring collaborative ways of managing the external market as costs have increased substantially due to the increased demand for places. We have implemented an 'Edge of Care Strategy' that supports children and young people to remain at home and developing that into a broader project as part of the CFW transformation programme.
- Favourable variance in staffing costs of £(0.288)m due to staff turnover and vacancies across this service area.

**(b) Education Early Years - favourable variance £(0.137)m**

This is due to staffing underspend £(0.264)m, additional income £(0.023)m offset by adverse variances on transport £0.056m and other running costs £0.094m.

**(c) Commissioning running costs - favourable variance £(0.251)m**

This is due to personalisation and supporting people contracts.

**(d) Early Help Delivery Model - favourable variance £(0.128)m**

This is due to additional income.

**Movement from previous period**

The outturn variance compared to that last reported is £(0.239)m favourable. The main reasons for the change (over £20k) are:-

- Children's Social Services favourable movement of £(0.202)m. Due to reduction in overspend on client care packages £(0.100)m, reduction in staffing costs £(0.079)m, additional adoption income £(0.041)m and other minor variances totalling £0.018m.
- Education and Early Years adverse movement £0.030m due to increased staffing costs.
- Early Help Delivery Model favourable movement £(0.034)m, mainly due to additional income.

## 2.3 ADULTS' SERVICES

**The overall variance for Adults' Services is £(2.195)m favourable and the main variances (over £100k) are analysed below:**

- Long Term Support – client costs favourable variance £(0.187)m due to the increase in number of clients/costs offset by the overachievement of savings. Further detail on the variance is included in Appendix 4.
- Social Support (Carers and Adult Placement) – favourable variance £(0.545)m due to the renegotiation of a contract and funding from the Care Act grant.
- Social Care Activities – Care Management - favourable variance £(1.215)m. £(0.389)m is as a result of over achievement of staff savings within the reablement transformation project and £(0.826)m is due to utilisation of the Care Act grant and staff turnover and vacancies across a wide range of care management services (see CFW 8 in Appendix 1).
- Information and Early Intervention - favourable variance £(0.423)m due to an underspend in Extra Care as a result of a delay in implementation of the Old Trafford scheme of £(0.281)m, vacancies within the benefits advice team of £(0.082)m, renegotiation of contracts £(0.049)m and other minor variances £(0.011)m.
- Commissioning and Service Delivery – favourable variance £(0.331)m due to vacancies in the service following the Commissioning restructure £(0.267)m, re-configuration of services £(0.050)m and other minor variances of £(0.014)m.
- Department of Health funding and unallocated savings – adverse variance £0.266m due to the underachievement of the Integrated Health & Social Care saving £0.260m and other minor variances £0.006m. This saving proposal is now subsumed within the wider discussion with Pennine Care about the integration of all age health and social care services.
- Public Health – adverse variance of £0.153m due to the in-year Government reduction of (£0.772m) not being achievable.

An analysis of all variances is included in Appendix 1.

### **Movement from previous period**

The outturn variance compared to that last reported is £0.279m adverse. The main reasons for the change (over £20k) are:-

- Client costs – Adverse movement of £0.537m as a result of client cost and activity changes.
- Social Support – Favourable movement of £(0.084)m due to a reduction in project costs.
- Assistive Equipment & Technology – Adverse movement of £0.041m due to increase in Telecare charges and equipment.

- Social Care Activities (Care Management teams) – favourable movement of £(0.206)m following a review of vacancies across all teams and use of Care Act funding.
- Commissioning and Service Delivery – favourable movement of £(0.022)m due to contract amendments.

## 2.4 PUBLIC HEALTH

The Public Health budget is financed by a ring-fenced grant. Under the terms and conditions of the grant this must be used for defined Public Health purposes.

An announcement of the in-year budget reduction for Public Health was made by the Government in November 2015. Nationally this is £200m and the impact for Trafford Council is a reduction of £0.772m.

The final outturn position is that £0.619m of this reduction has been met within the Public Health budget on a one-off basis for 2015/16. The remaining £0.153m is met from within the overall CFW budget underspend.

## 3. Savings

### 3.1 2015/16 Base Budget Savings

The Council's overall budget for 2015/16 includes £(21.584)m of savings of which £(15.612)m relates to CFW.

The final position is that against the target of £(15.612)m, savings of £(16.045)m have been achieved and a full breakdown of the projections for individual initiatives is included in Appendix 3.

The additional savings over the Service's target is a major achievement and provides a high level of assurance about the robustness of financial planning and effective delivery of transformation projects within the Directorate.

Within the gross shortfall of £0.187m for the Early Help model, £0.073m relates to a decision to keep Sale West and Old Trafford Youth Centres open which has been met from a temporary budget virement from the general savings contingency in Council-wide in 2015/16. The remaining amount of £0.114m will be met via one-off funding from Corporate Landlord of £0.050m and £0.064m from within the CFW Directorate from the over-achievement of other savings. Budget provision has been made available in 2016/17 for the building costs of both youth centres, with the savings target for Old Trafford of £0.035m reinstated for 2017/18.

The shortfall of £0.260m in Integrated Health and Social Care has been partially offset by a saving of £(0.100)m whereby the service has taken the opportunity to capitalise expenditure associated with major aids and adaptations. This on-going saving proposal is now subsumed within the wider discussion with Pennine Care about the integration of all age health and social care services.

#### 4 Better Care Fund

- 4.1 Under the terms of the Better Care Fund agreement with the CCG, the Council secured £(2.0)m for the protection of social care services. A national condition of the funding allocated for the Better Care Fund is that collectively the CCG and Council should achieve targeted reductions of at least 3.5% in non-elective admissions. Should these reductions not be achieved, then funding allocated in respect of performance would not be released by NHS England and the CCG would be obliged to transfer this to the acute sector. The amount of BCF funding in the BCF agreement relating to performance is £(1.319)m and the Council carries the risk of 30% of funding based on the agreed risk share of 70/30 between the CCG and the Council; this equates to circa £0.400m in 2015/16.
- 4.2 Planned reductions on non-elective admissions have not been met, locally, regionally or nationally, and the Council has paid the CCG its share of the risk to BCF funding which equates to £0.400m. This shortfall has been met from an earmarked reserve.

#### 5 Learning Disabilities (LD) Pooled Fund

- 5.1 The LD Pooled fund deficit was written down at the end of 2014/15 and therefore in balance at the start of the year. The fund has underspent by £(0.156)m in 2015/16 and this balance is being retained by the Council to offset the costs of the previous deficit. It is therefore included in the outturn figures in this report

#### 6 Reserves

- 6.1 At the beginning of April 2015 the Children, Families and Wellbeing Directorate has accumulated balances of £(1.729)m carried forward from previous financial years.
- 6.2 The carry-forward balances at the end of the year is as follows:

	<b>DSG (£000's)</b>	<b>CFW (£000's)</b>
Balance b/f 1 April 2015	(1,326)	(403)
Reserves used to balance budget	163	
Specific commitments in 15/16		162
Outturn 15/16	376	(1,597)
<b>Balance c/f 31 March 2016</b>	<b>(787)</b>	<b>(1,838)</b>

### Period 12 Outturn revenue expenditure and income variances

The following tables detail the main variances from the revenue budget to the outturn, and the movements since the last monitoring report, in both Management Accounts (“Budget Book”) format and by cause or area of impact of the variance.

Budget Book Format (Objective analysis)	Full Year Revised Budget (£000's)	Outturn (£000's)	Outturn variance (£000's)	P11 variance (£000's)	Period Movement (£000's)	Ref
<b>Children's Services Portfolio – DSG Element</b>						
Dedicated Schools Grant	0	376	376	514	(138)	CFW1
Transfer to Dedicated Schools Grant Reserve	0	(376)	(376)	(514)	138	CFW1
<b>Sub-total – DSG</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	
<b>Children's Services Portfolio – Non DSG Element</b>						
Education Early Years' Service	4,993	4,856	(137)	(167)	30	CFW3
Children's Social Services	17,221	18,666	1,445	1,648	(203)	CFW2
Children with Complex & Additional Needs	1,288	1,031	(257)	(258)	1	CFW2
Commissioning	1,714	1,463	(251)	(247)	(4)	CFW3
Multi Agency Referral & Assessment Service (MARAS)	1,649	1,596	(53)	(38)	(15)	CFW3
Youth Offending Service	271	250	(21)	(7)	(14)	CFW3
Early Help Delivery Model	959	831	(128)	(94)	(34)	CFW3
<b>Sub-total – Non DSG</b>	<b>28,095</b>	<b>28,693</b>	<b>598</b>	<b>837</b>	<b>(239)</b>	
<b>CFW Children's Total</b>	<b>28,095</b>	<b>28,693</b>	<b>598</b>	<b>837</b>	<b>(239)</b>	

Budget Book Format (Objective analysis)	Full Year Revised Budget (£000's)	Outturn (£000's)	Outturn variance (£000's)	P11 variance (£000's)	Period Movement (£000's)	Ref
<b>Adult Social Services Portfolio</b>						
Long Term Support – client costs	38,757	38,570	(187)	(724)	537	CFW4
Short Term Support – client costs	557	594	37	21	16	CFW5
Social Support – Adult Placement / Carers Commissioned services	849	304	(545)	(461)	(84)	CFW6
Assistive Equipment & Technology	1,473	1,523	50	9	41	CFW7
Social Care Activities – Care Management	11,523	10,308	(1,215)	(1,009)	(206)	CFW8
Information and Early Intervention – Preventative Services	934	511	(423)	(414)	(9)	CFW9
Commissioning and Service Delivery	765	434	(331)	(309)	(22)	CFW10
Non-Adult Social Care – Supporting People	0	0	0	0	0	CFW11
DH Funding and un-allocated savings (Note 1)	(6,046)	(5,780)	266	260	6	CFW12
<b>CFW Adults Total</b>	<b>48,812</b>	<b>46,464</b>	<b>(2,348)</b>	<b>(2,627)</b>	<b>279</b>	
<b>Community Health &amp; Wellbeing Portfolio</b>						
Public Health	(868)	(715)	153	154	(1)	CFW13
<b>CFW Public Health Total</b>	<b>(868)</b>	<b>(715)</b>	<b>153</b>	<b>154</b>	<b>(1)</b>	
<b>CFW Total</b>	<b>76,039</b>	<b>74,442</b>	<b>(1,597)</b>	<b>(1,636)</b>	<b>39</b>	

<b>Business Reason / Area (Subjective analysis)</b>	<b>Outturn Variance (£000's)</b>	<b>P11 Variance (£000's)</b>	<b>Period Movement (£000's)</b>	<b>Ref</b>
<b>Children's</b>				
Management of staff budgets	(549)	(390)	(159)	CFW2, CFW3
Transport Costs	95	74	21	CFW3
Client Need	1,288	1,388	(100)	CFW2
YOS Remand Placements	(79)	(78)	(1)	CFW2
Income	119	208	(89)	CFW2
Other running costs	(276)	(365)	89	CFW2, CFW3
<b>Total Children's</b>	<b>598</b>	<b>837</b>	<b>(239)</b>	
<b>Adults</b>				
Management of staff budgets	(1,546)	(1,318)	(228)	CFW8, 10
Client Need	(150)	(703)	553	CFW4, CFW5
Other running costs	(652)	(606)	(46)	CFW6,7,9,10, CFW11
<b>Total Adults</b>	<b>(2,348)</b>	<b>(2,627)</b>	<b>279</b>	
<b>Public Health</b>	<b>153</b>	<b>154</b>	<b>(1)</b>	
<b>Total CFW</b>	<b>(1,597)</b>	<b>(1,636)</b>	<b>39</b>	

## NOTES ON VARIANCES AND PERIOD MOVEMENTS

### CHILDREN'S SERVICES

#### CFW1 – DSG

- The overspend within DSG was £0.376m in 2015/16 and the DSG reserve balance at year-end is £(0.787)m. The greatest pressure on the DSG continues to be the increasing numbers in SEN and the High Needs Block of the DSG being frozen. The significant reliance on the DSG reserve has been addressed for 2016/17 by reviewing school allocations and this has been agreed by the schools Funding Forum on 19 January 2016. A consultation on a new funding formula for schools is currently being considered.
- Schools reserves as at 31 March 2016 are £8.7m (these are shown in Appendix 5).

#### CFW2 – Children's Social Services (Including CAN) £1.188m adverse variance

- There is an overspend of £1.288m, on client care packages as analysed in the table in Appendix 2. The main variances are in respect of welfare secure places, external children's homes, agency foster care and adoption places. The increases in cost are due to a combination of demographic growth and the complexity of need of children in care with more children requiring high cost specialist placements. £1.328m of the variance relates to external children's homes even though this is as a result of only 7.40 additional placements over the year, indicating the volatility of this particular budget. There is an adverse variance of £0.260m for welfare secure places which relates to 0.81 additional places and £0.119m on agency foster placements which equates to 3.40 placements: this reflects a national trend following high profile reports into major failings such as at Rotherham. There is also an adverse variance of £0.109 for youth homeless placements due to increased numbers above the budget allocation. There is a favourable variance of £(0.358)m in relation to the low numbers of Trafford children in need of adoptive placements. This significant reduction has had an impact on numbers of children placed for adoption. There is a favourable variance of £(0.173)m for In-House foster care which relates to reduced placements of (10.06).
- There is a shortfall in adoption income of £0.344m, although this is partially offset by the reduction in adoption costs referenced above. It has become apparent that in the North West the number of recruited adopters is exceeding the number of children awaiting adoption. This resulted from a legal judgement that placed a greater emphasis on a child returning home or to family members prior to consideration of adoption. We are currently developing an expression of interest with neighbouring LA's for a Regional Adoption Agency in line with national policy.
- Staffing costs – favourable variance £(0.288)m.
- There is additional income for CAN placements of £(0.086)m as a result of Continuing Health Care assessments that have identified eligible expenditure for children with complex health needs,

- General running costs - favourable variance £(0.035)m.
- Adoption grant - favourable variance of £(0.035)m.

### **CFW3 – Various - £(0.590)m favourable**

#### **Education Early Years**

- Favourable variance due to staffing underspend £(0.264)m, additional income £(0.023)m offset by adverse variances on transport £0.056m and other running costs £0.094m.

#### **Commissioning running costs**

- Favourable variance on personalisation and supporting people contracts £(0.251)m.

#### **MARAS**

- Favourable variance due to staffing £(0.053)m.

#### **Youth Offending Service**

- Favourable variance £(0.021)m mainly due to low remand placements

#### **Early Help Delivery Model**

- Favourable variance £(0.128)m due to increased income.

### **ADULTS' SERVICES**

#### **CFW4 – Long term client costs - £(0.187)m favourable**

- Due to the increase in the number of clients/costs offset by the overachievement of savings. Further detail on the variance is included in Appendix 4.

#### **CFW5 – Short term client costs - £0.037m adverse**

- Due to the increase in the number of clients/costs.

#### **CFW6 – Social Support – Adult Placement / Carers - £(0.545)m favourable**

- Due to the renegotiation of contracts and funding through the Care Act grant £(0.545)m.

#### **CFW7 – Assistive Equipment & Technology - £0.050m adverse**

Due to :-

- High volume of minor adaptations £0.143m.
- Reduction in Lift maintenance spend £(0.043m)
- Equipment Recharge through the One Stop Resource Centre and cost of running the centre £(0.059)m
- Community alarms £0.009m

### **CFW8 – Social Care Activities – Care Management teams - £(1.215)m favourable**

Due to vacant posts and other staffing related savings across the following teams:

- Pathways and Network £(0.183)m;
- Ascot House £(0.056)m;
- Community MH Organic team £(0.090)m;
- Community Mental Health team £(0.055)m;
- Crisis Team £0.020m;
- Community Social Work team £(0.409)m;
- CLDT team £(0.052)m;
- Emergency Duty Team £0.040m;
- Service manager posts £(0.030)m;
- Reablement £(0.401)m;
- Other minor variances £0.001m.

### **CFW9 – Information and Early Intervention - £(0.423)m favourable**

Due to:-

- Extra Care Housing –Old Trafford scheme will not be operational until 2017 £(0.281)m.
- Vacancies within the benefits advice team £(0.082)m.
- Renegotiation of contracts £(0.049)m
- Other minor variances £(0.011)m.

### **CFW10 – Commissioning & Service Delivery - £(0.331)m favourable**

Due to:-

- Commissioning Restructure – saving arising from restructure and vacancies in the service £(0.267)m.
- Re-configuration of contracts £(0.050)m.
- Other minor variances £(0.014)m

### **CFW11 – Non-Adult Social Care - £Nil**

- In line with budget.

### **CFW12- DH Funding and un-allocated savings - £0.266 adverse**

- Due to the underachievement of the Integrated Health & Social Care saving £0.260m and other minor variances £0.006m. This saving proposal is now subsumed within the wider discussion with Pennine Care about their integration of a wide range of services

**CFW13 – Public Health - £0.153m adverse**

- After a detailed review the level of in year reduction achievable is £0.619m against the Government reduction of £0.772m.

## Client Care Packages : Outturn

Service	Budget Service Users (No.)	Budget Average weekly cost (£)	Gross Budget (£000's)	Actual Service Users (No.)	Average weekly cost (£)	Actual Gross Forecast (£000's)	Variance Service Users (No.)	Variance Gross Forecast (£000's)
Welfare Secure	0.34	5,081	90	1.15	5,853	350	0.81	260
External Children's Homes	5.86	3,048	929	13.26	3,273	2,257	7.40	1,328
Agency Foster Care	32.89	884	1,513	36.29	865	1,632	3.40	119
In-house Foster Care	94.68	319	1,570	84.62	317	1,397	(10.06)	(173)
Family and Friend Foster Care	112.04	218	1,271	110.14	234	1,340	(1.90)	69
Asylum Seekers	0.00	0	0	0.00	0	0	0.00	0
Special Guardianship	29.00	152	229	28.54	157	233	(0.46)	4
Assisted Residence Allowances	24.00	107	133	20.00	113	117	(4.00)	(16)
Aftercare	n/a		381	n/a		428	n/a	47
Supported Lodges	n/a		325	n/a		276	n/a	(49)
Youth Homeless	n/a		193	n/a		302	n/a	109
Adoption	13.00		923	4.00		565	(9.00)	(358)
CAN Respite	1.96	1,931	210	1.48	2,417	186	(0.48)	(24)
CAN Long Term Care	4.91	2,436	594	4.95	2,409	620	0.04	26
CAN Home from Home	n/a		161	n/a		161	n/a	0
CAN Direct Payments/Personalisation	n/a		367	n/a		313	n/a	(54)
<b>Total</b>			<b>8,889</b>			<b>10,177</b>		<b>1,288</b>

## Savings Outturn

CFW Rebased Savings 2015/16		2015/16 Revised Reduction (£000's)	Saving (£000's)	Variance (£000's)
Children with Complex Needs – use of personalisation	CS	(200)	(208)	(8)
Children in Care – expansion of in-house Children's home	CS	(50)	0	50
Home to School Transport	CS	(400)	(400)	-
Market Management	CS	(200)	(200)	-
Music Service	CS	(30)	(30)	-
Educational Psychology	CS	(100)	(100)	-
Governor Services	CS	(5)	(5)	-
Commissioning – reduction in multi-agency contracts	CS	(126)	(126)	-
Education Early Years – Early Help *	CS	(3,079)	(2,892)	187
Education Early Years – Re-organisation	CS	(377)	(377)	-
Youth Offending Service	CS	(130)	(130)	-
<b>Sub-total Children Services</b>		<b>(4,697)</b>	<b>(4,468)</b>	<b>229</b>
Older People – Reablement	AS	(700)	(1,170)	(470)
LD - Re-negotiation of Contracts	AS	(13)	(13)	-
LD – Supported Living	AS	(203)	(203)	-
LD – Acceleration of Re-tendering	AS	(942)	(942)	-
PD – Telecare	AS	(116)	(116)	-
LD – Void Management	AS	(32)	(51)	(19)
Continuing Health Care	AS	(389)	(389)	-
Better Care Fund	AS	(2,000)	(2,000)	-
Voluntary and Community Sector	AS	(59)	(59)	-
LD – Ordinary Residence	AS	(1,082)	(824)	258
LD – Care Package Review	AS	(411)	(1,934)	(685)
Reshaping Trafford	AS	(838)		
LD – Development Fund	AS	(45)	(45)	-
LD – Review of Building Based Support	AS	(72)	(72)	-
Floating Support Service	AS	(230)	(230)	-
Market Management	AS	(915)	(915)	-
Integrated Health & Social Care **	AS	(500)	(240)	260
Commissioning – all age structure	AS	(830)	(830)	-
Commissioning – review of non-mandatory services	AS	(1,538)	(1,544)	(6)
<b>Sub-total Adult Social Care</b>		<b>(10,915)</b>	<b>(11,577)</b>	<b>(662)</b>
<b>Total</b>		<b>(15,612)</b>	<b>(16,045)</b>	<b>(433)</b>

\* Within the gross shortfall of £0.187m for the Early Help model, £0.073m relates to a decision to keep Sale West and Old Trafford Youth Centres open which has been met from a temporary budget virement from the general savings contingency in Council-wide in 2015/16. The remaining amount of £0.114m will be met via one-off funding from Corporate Landlord of £0.050m and £0.064m from within the CFW Directorate from the over-achievement of other savings. Budget provision has been made available in 2016/17 for the building costs of both youth centres, with the savings target for Old Trafford of £0.035m reinstated for 2017/18.

\*\*The shortfall of £0.260m in Integrated Health and Social Care has been partially offset by a saving of £(0.100)m whereby the service has taken the opportunity to capitalise expenditure associated with major aids and adaptations.

Appendix 4

Client Group	Budgeted Annual Cost (£000's)	Service Users (No.)	Average Service Users (No.)	Average Weekly Cost (£)	Annual Cost (£000's)	Variance (£000's)
<b>Learning Disability</b>						
Community Services	9,928	233	239	777	9,653	(275)
Direct Payments	4,127	211	203	440	4,647	520
Residential/Nursing	5,262	60	57	1,081	3,205	(2,057)
<b>Sub-total</b>	<b>19,317</b>	<b>504</b>	<b>499</b>	<b>2,298</b>	<b>17,505</b>	<b>(1,812)</b>
<b>Mental Health Support</b>						
Community Services	1,267	148	138	220	1,578	311
Direct Payments	585	41	46	249	596	11
Residential/Nursing	3,535	162	179	420	3,910	375
<b>Sub-total</b>	<b>5,387</b>	<b>351</b>	<b>363</b>	<b>889</b>	<b>6,084</b>	<b>697</b>
<b>Physical Support</b>						
Community Services	4,055	858	861	85	3,810	(245)
Direct Payments	2,861	239	243	257	3,253	392
Residential/Nursing	5,799	428	405	301	6,331	532
<b>Sub-total</b>	<b>12,715</b>	<b>1,525</b>	<b>1,509</b>	<b>643</b>	<b>13,394</b>	<b>679</b>
<b>Sensory Support</b>						
Community Services	219	66	69	98	351	132
Direct Payments	168	26	23	196	234	66
Residential/Nursing	438	28	28	361	525	87
<b>Sub-total</b>	<b>825</b>	<b>120</b>	<b>120</b>	<b>655</b>	<b>1,110</b>	<b>285</b>
<b>Social Support</b>						
Community Services	153	28	27	75	105	(48)
Direct Payments	119	18	17	182	161	42
Residential/Nursing	174	9	8	197	82	(92)
<b>Sub-total</b>	<b>446</b>	<b>55</b>	<b>52</b>	<b>454</b>	<b>348</b>	<b>(98)</b>
<b>Support with Memory and Cognition</b>						
Community Services	29	8	8	139	58	29
Residential/Nursing	36	15	10	133	69	33
<b>Sub-total</b>	<b>65</b>	<b>23</b>	<b>18</b>	<b>272</b>	<b>127</b>	<b>62</b>
<b>Total</b>	<b>38,755</b>	<b>2,578</b>	<b>2,561</b>	<b>5,211</b>	<b>38,568</b>	<b>(187)</b>

Schools Reserve Balances as at 31<sup>st</sup> March 2016

School	Opening Reserve £	Budget 15-16 £	Closing Reserves £	% of Budget
Navigation Primary	57,943	1,507,479	112,742	7.48%
Oldfield Brow Primary	116,400	1,079,620	86,840	8.04%
Stamford Park Junior	104,941	957,016	122,195	12.77%
Stamford Park Infant	65,114	949,584	80,293	8.46%
Heyes Lane Primary School	57,008	2,272,305	-45,205	-1.99%
Broadheath Primary	72,862	1,422,880	68,687	4.83%
Broomwood Primary	193,014	1,597,477	86,978	5.44%
Well Green Primary	45,801	909,431	46,122	5.07%
Willows Primary	90,374	939,929	104,234	11.09%
Cloverlea Primary	14,342	901,359	55,640	6.17%
Bollin Primary	352,828	1,664,180	334,622	20.11%
Springfield Primary	27,999	1,733,376	171,808	9.91%
Woodheys Primary	27,510	1,580,885	-50,065	-3.17%
Worthington Primary	113,020	1,274,833	206,614	16.21%
Brooklands Primary	59,748	1,718,228	15,405	0.90%
Firs Primary	5,381	1,630,822	87,668	5.38%
Wellfield Junior	102,999	995,358	44,278	4.45%
Partington Primary	147,051	2,108,928	395,934	18.77%
Moorlands Junior	132,050	1,015,000	135,350	13.33%
Templemoor Infant	77,463	886,293	33,101	3.73%
Wellfield Infant & Nursery	62,779	900,439	48,370	5.37%
Urmston Junior	56,310	972,192	86,427	8.89%
Urmston Infant	69,712	948,710	99,270	10.46%
Davyhulme Primary	182,363	1,891,510	205,880	10.88%
Flixton Junior	16,112	874,370	-1,740	-0.20%
Flixton Infant	29,444	825,860	37,649	4.56%
Barton Clough Primary	-3,288	1,314,036	-35,881	-2.73%
Gorse Hill Primary	82,318	1,649,881	39,083	2.37%
King's Road Primary	81,022	2,290,946	209,548	9.15%
Moss Park Junior	126,085	971,536	199,788	20.56%
Moss Park Infant	72,715	920,580	63,464	6.89%
Seymour Park Community Primary	116,181	2,701,541	151,618	5.61%
Victoria Park Junior	112,309	1,068,127	101,168	9.47%
Victoria Park Infant	25,469	967,924	65,611	6.78%
Highfield Primary	22,898	1,115,403	35,832	3.21%
Woodhouse Primary	19,990	864,146	91,723	10.61%
Kingsway Primary	187,318	913,375	174,538	19.11%
Tyntesfield Primary	45,610	1,526,434	222,967	14.61%
Bowdon C.E. Primary	149,491	1,522,306	249,818	16.41%
St. Hugh's Catholic Primary	47,556	2,192,125	58,817	2.68%

Altrincham C.E. Primary	-1,697	1,139,273	15,423	1.35%
St. Anne's C.E. Primary	68,705	900,683	100,243	11.13%
St. Mary's C.E. Primary (Sale)	60,869	1,058,204	21,223	2.01%
Holy Family Catholic Primary	83,153	833,513	47,105	5.65%
Our Lady of Lourdes Catholic Primary	21,418	1,024,372	26,049	2.54%
All Saints' Catholic Primary				
St. Mary's C.E. Primary (Davyhulme)	130,807	881,000	38,017	4.32%
St. Michael's C.E. Primary	37,959	777,396	123,836	15.93%
St. Hilda's C.E. Primary				
St. Matthews C.E. Primary	35,847	834,468	26,353	3.16%
English Martyrs' R.C. Primary	12,900	1,387,341	57,594	4.15%
St. Hugh of Lincoln R.C. Primary	11,229	993,745	102,018	10.27%
St. Ann's R.C. Primary	77,276	871,985	71,766	8.23%
St. Alphonsus R.C. Primary	161,185	1,144,498	143,936	12.58%
St. Teresa's R.C. Primary	93,791	1,651,074	141,050	8.54%
St. Monica's R.C. Primary	250,184	1,201,120	269,708	22.45%
Our Lady Of the Rosary R.C. Primary	1,808	1,006,902	-15,628	-1.55%
St. Margaret Ward Catholic Primary	93,664	1,199,658	112,867	9.41%
St. Joseph's Catholic Primary	58,977	784,205	122,273	15.59%
St. Vincent's R C Primary School				
Sale High School	107,011	1,023,803	147,392	14.40%
Lostock College				
Blessed Thomas Holford Catholic High	59,017	1,504,327	182,707	12.15%
Stretford Grammar	112,892	2,064,636	128,418	6.22%
Stretford High CL College	597,220	3,585,516	392,543	10.95%
St. Antony's Catholic College	329,785	2,593,442	154,990	5.98%
Pictor School	-81,466	5,654,548	-91,607	-1.62%
Brentwood School				
Longford Park School	510,361	3,933,470	471,650	11.99%
Delamere School	502,144	5,339,472	364,988	6.84%
Manor High School	-80,336	3,406,781	-60,600	-1.78%
Egerton School	231,263	1,807,839	321,828	17.80%
	699,365	2,341,968	578,234	24.69%
	41,223	1,135,399	211,946	18.67%
	42,318	1,673,184	129,874	7.76%
	67,691	1,712,221	175,704	10.26%
	63,421	1,042,956	25,845	2.48%
<b>Total</b>	<b>7,766,226</b>	<b>110,085,418</b>	<b>8,734,937</b>	

## TRAFFORD MBC

**Report to:** Economic Growth, Environment and Infrastructure  
Directorate Management Team

**Date:** 12 May 2016

**Report for:** Discussion

**Report author:** Finance Manager

Report Title

## Revenue Budget Outturn 2015/16

**1. Outturn for the Year - Summary**

- 1.1 The approved revenue budget for the year is £32.225m. The outturn is £31.447m, which is £(0.778)m under the approved budget. This underspend is £(0.002)m higher than forecast in the last report.
- 1.2 The overall outturn includes a one-off underspend of £(0.233)m income relating to Oakfield Road car park, and there is sustainable additional income from the let estate and planning totalling £(0.192)m which is included in the Directorate budget savings proposals for 2016/17. Staffing is £(0.562)m underspent due to vacancies, largely from the early part of the financial year, which have now been filled or are in the process of being filled following the restructure of the Directorate during 2015. Capital fee income is £0.132m less than budgeted and relates to the period before the One Trafford Partnership. There are also one-off additional costs of £0.052m from plant and vehicle returns.
- 1.3 The £(0.002)m net movement from the previous report reflects a number of additional variances across the various service areas. This includes £(0.086)m relating to staff vacancies, additional income of £(0.033)m from Oakfield Road car park, and net £(0.019)m from other income. Street lighting energy costs are £0.059m higher than forecasted and other running costs are £0.077m higher now that all bills for the year have been accounted for.
- 1.4 The approved budget for 2015/16 included savings of £(2.814)m and all have been delivered in full (paragraph 4). This includes £(2.250)m from the One Trafford partnership with Amey LG for Environmental, Highways, Street Lighting, Technical and Property Services.
- 1.5 The One Trafford partnership contract commenced on 4th July 2015 for 15 years, and is monitored through the payment and performance mechanism agreed with Amey as part of the procurement process. The revenue budget outturn for the year reflects economic activity on in-scope services both before and after the contract start date.
- 1.6 For traded services (catering and cleaning) there is a net surplus of £(0.276)m at the end of March 2016, which is £(0.024)m higher than last reported. The service manages its costs and income over school terms and academic years rather than financial years and the surplus at the end of March has been carried over to continue development of the service and in particular improve readiness for the new academic year in September 2016.

## 2. Reserves

- 2.1 At the end of 2014/15 the Directorate had a surplus on accumulated balances of £(1.738)m, which was carried forward to 2015/16. This was a result of the successful management of budget pressures and additional income generation in the last three years.
- 2.2 The remaining balance on the EGEI Directorate Reserve after the outturn for 2015/16, future known commitments and re-phasing of projects is £(0.591)m (table below). The EGEI Reserve will be utilised on initiatives to generate future savings and income generation to support service provision within the on-going revenue budget constraints. The reserve may also be required for other one-off budget pressures arising during the year.

<b>Utilisation of Carry forward Reserve 2015/16</b>	<b>(£000's)</b>
EGEI Surplus balance brought forward at 1 April 2015	(1,738)
Spend in 2015/16	992
Re-phased projects	(216)
Outturn (favourable)	(778)
<b>Balance at 31 March 2016</b>	<b>(1,740)</b>
Future commitments	1,149
<b>Balance after known commitments</b>	<b>(591)</b>

## 3. Savings

- 3.1 The approved Directorate budget includes 2015/16 savings of £(2.814)m, and all are achieved in full over the financial year, as follows :

	<b>Budget (£000's)</b>	<b>Outturn (£000's)</b>	<b>Variance (£000's)</b>
Efficiencies and others	(2,336)	(2,336)	0
Increased and new income	(324)	(324)	0
Policy Choice	(154)	(154)	0
<b>Total EGEI</b>	<b>(2,814)</b>	<b>(2,814)</b>	<b>0</b>

## 4. Recommendations

- 4.1 It is recommended that the 2015/16 financial year outturn be noted.

**Period 12 Outturn revenue expenditure and income variances.**

The following tables detail the main variances from the revenue budget to the outturn, and the movements since the last monitoring report, in both Management Accounts (“Budget Book”) format and by cause or area of impact of the variance.

<b>Economic Growth, Environment &amp; Infrastructure Budget Book Format (Objective analysis)</b>	<b>Full Year Budget (£000's)</b>	<b>P12 Outturn (£000's)</b>	<b>P12 Outturn Variance (£000's)</b>	<b>P11 Forecast Variance (£000's)</b>	<b>Period Movement (£000's)</b>	<b>Ref</b>
Highway and Network Management, including Traffic & Transportation	3,413	3,413	0	(40)	40	EGEI1
Groundforce	4,201	4,324	123	99	24	EGEI2
Sustainability & Greenspace	380	315	(65)	(61)	(4)	
Bereavement Services	(1,128)	(1,123)	5	(1)	6	
Waste Management (incl. WDA levy)	19,561	19,572	11	(3)	14	EGEI3
Public Protection & Enforcement	766	729	(37)	(1)	(36)	
Parking Services	(539)	(782)	(243)	(197)	(46)	EGEI4
School Crossing Patrols	403	381	(22)	(20)	(2)	
Strategic Support Services	577	416	(161)	(150)	(11)	EGEI5
<b>Sub-total Environment &amp; Operations Portfolio</b>	<b>27,634</b>	<b>27,245</b>	<b>(389)</b>	<b>(374)</b>	<b>(15)</b>	
Property and Development	2,589	2,499	(90)	(176)	86	EGEI6
Economic Growth	795	642	(153)	(133)	(20)	EGEI7
Housing Strategy	500	430	(70)	(52)	(18)	EGEI8
Strategic Planning & Development	488	417	(71)	(43)	(28)	
Planning & Building Control	(146)	(151)	(5)	2	(7)	EGEI9
Directorate Strategic Management	374	374	0	0	0	
<b>Sub-total Economic Growth &amp; Planning Portfolio</b>	<b>4,600</b>	<b>4,211</b>	<b>(389)</b>	<b>(402)</b>	<b>13</b>	
<b>Operational Services for Education (Catering &amp; Cleaning Traded Service)</b>	<b>(9)</b>	<b>(9)</b>	<b>0</b>	<b>0</b>	<b>0</b>	
<b>Total Outturn Period 12</b>	<b>32,225</b>	<b>31,447</b>	<b>(778)</b>	<b>(776)</b>	<b>(2)</b>	

<b>Economic Growth, Environment &amp; Infrastructure Business Reason / Area (Subjective analysis)</b>	<b>P12 Outturn Variance (£000's)</b>	<b>P11 Forecast Variance (£000's)</b>	<b>Period Movement (£000's)</b>	<b>Ref</b>
<b>Highways and Network Management incl. Traffic &amp; Transportation</b>				
Income shortfall, including moving traffic offences	5	6	(1)	
GMRAPs income above budget	(10)	(10)	0	
Capital fee income shortfall	75	75	0	
Staff vacancies	(37)	(12)	(25)	
Running costs	(32)	(25)	(7)	
Energy – Street Lighting	(1)	(60)	59	
<b>Depot &amp; Business Support</b>				
Supplies & Services	0	(14)	14	
<b>Sub-total</b>	<b>0</b>	<b>(40)</b>	<b>40</b>	EGE11
<b>Groundforce</b>				
Staffing and Transport costs	55	55	0	
Other running costs – contractors, plant hire, fuel	68	44	24	
<b>Sub-total</b>	<b>123</b>	<b>99</b>	<b>24</b>	EGE12
<b>Sustainability &amp; Greenspace</b>				
Vacancy, supplies & services	(65)	(56)	(9)	
Income above budget	0	(5)	5	
<b>Sub-total</b>	<b>(65)</b>	<b>(61)</b>	<b>(4)</b>	
<b>Bereavement Services</b>				
Staffing and running costs	(38)	(39)	1	
Income shortfall	43	38	5	
<b>Sub-total</b>	<b>5</b>	<b>(1)</b>	<b>6</b>	
<b>Waste Management and Disposal</b>				
Staffing and running costs	(1)	(13)	12	
Income shortfall – bulky and commercial waste	19	10	9	
GM Waste disposal levy	(7)	0	(7)	
<b>Sub-total</b>	<b>11</b>	<b>(3)</b>	<b>14</b>	EGE13

<b>Economic Growth, Environment &amp; Infrastructure Business Reason / Area (Subjective analysis)</b>	<b>P12 Outturn Variance (£000's)</b>	<b>P11 Forecast Variance (£000's)</b>	<b>Period Movement (£000's)</b>	<b>Ref</b>
<b>Public Protection &amp; Enforcement</b>				
Staffing costs	(11)	(6)	(5)	
Running costs	(36)	0	(36)	
Income shortfall, including licences	10	5	5	
<b>Sub-total</b>	<b>(37)</b>	<b>(1)</b>	<b>(36)</b>	
<b>Parking Services</b>				
Staffing & running costs	(64)	(95)	31	
Oakfield Road car park remaining open	(233)	(200)	(33)	
Income shortfall – other locations and fines	54	98	(44)	
<b>Sub-total</b>	<b>(243)</b>	<b>(197)</b>	<b>(46)</b>	EGEI4
<b>School Crossing Patrols - vacancies</b>	<b>(22)</b>	<b>(20)</b>	<b>(2)</b>	
<b>Director &amp; Business Support</b>				
Staffing and Running costs	(161)	(150)	(11)	EGEI5
<b>Sub-total Environment &amp; Operations Portfolio</b>	<b>(389)</b>	<b>(374)</b>	<b>(15)</b>	
<b>Property and Development</b>				
Investment Property Rental Income:				
- Stretford Arndale – one off back rent 14/15	(87)	(87)	0	
- Urmston Town Centre – one-off surplus	(19)	(11)	(8)	
- Airport – surplus	(43)	(43)	0	
- Other properties - surplus	(38)	(54)	16	
Community buildings – income/running costs	22	29	(7)	
Admin Buildings running costs	(42)	(60)	18	
Facilities Management/other staffing vacancies	(80)	(80)	0	
Other running cost variances	134	67	67	
Major projects capital fee income shortfall	63	63	0	
<b>Sub-total</b>	<b>(90)</b>	<b>(176)</b>	<b>86</b>	EGEI6
<b>Economic Growth</b>				
Staffing vacancies	(149)	(143)	(6)	
Other running costs	(4)	10	(14)	
<b>Sub-total</b>	<b>(153)</b>	<b>(133)</b>	<b>(20)</b>	EGEI7

Economic Growth, Environment & Infrastructure Business Reason / Area (Subjective analysis)	P12 Outturn Variance (£000's)	P11 Forecast Variance (£000's)	Period Movement (£000's)	Ref
<b>Housing Strategy</b>				
Staffing	(35)	(36)	1	
Running costs	(35)	(16)	(19)	
<b>Sub-total</b>	<b>(70)</b>	<b>(52)</b>	<b>(18)</b>	EGEI8
<b>Strategic Planning &amp; Development</b>				
Staffing/running costs savings	(71)	(43)	(28)	
<b>Planning &amp; Building Control</b>				
Planning applications income	(181)	(171)	(10)	
Building Control income shortfall	100	96	4	
Staffing including interim support	52	54	(2)	
Other running costs	24	23	1	
<b>Sub-total</b>	<b>(5)</b>	<b>2</b>	<b>(7)</b>	EGEI9
<b>Sub-total Economic Growth &amp; Planning Portfolio</b>	<b>(389)</b>	<b>(402)</b>	<b>13</b>	
<b>Total Outturn EGEI Period 12</b>	<b>(778)</b>	<b>(776)</b>	<b>(2)</b>	

### Summary Variance Analysis Period 12 Outturn

All Services	Savings £000	Staff £000	Running Costs £000	Income £000	Total Variance £000
Period 11	0	(476)	(110)	(190)	(776)
Period 12 Outturn	0	(562)	26	(242)	(778)
Period Movement	0	(86)	136	(52)	(2)

### ADDITIONAL NOTES ON OUTTURN VARIANCES

#### EGEI1 – Highways & Network Management - £Nil

Income generation of £(0.030)m is included in the budget from moving traffic offences. This is part of an AGMA initiative to improve safety and traffic flows on major routes and the project timeline has been re-phased to later in 2016.

Running costs are £(0.032)m under budget over a number of service areas. This mainly reflects maintenance costs in highways and street lighting up to the 4<sup>th</sup> July 2015 commencement date of the One Trafford contract with Amey.

Staffing is £(0.037)m underspent which includes for the period before the commencement of the One Trafford contract and Council client vacancies later in the financial year.

There is additional income above budget of £(0.010)m from the Greater Manchester Road Access Permit Scheme, which was implemented during 2013/14.

Fee income from technical and consultancy work charged to capital schemes is £0.075m below budget due to the timing of capital works up to the commencement of the One Trafford contract. The on-going risk has effectively been transferred to Amey from July 2015 and the contract is structured in a way which incentivises Amey to progress in delivering the programme on time.

Street Lighting energy costs are in line with budget. A £(0.060)m underspend was previously projected but this has been updated now that the year-end bills from the utility company are all accounted for.

**EGEI2 – Groundforce - £0.123m (adverse)**

Staffing, plant, contractor and transport costs are £0.123m overspent relating to the services provided prior to the One Trafford contract. This includes additional one off contract costs of £0.052m relating to the final return of externally hired plant and equipment at the end of the autumn season. The overspend is £0.024m higher than last reported now all bills relating to returned plant are received.

**EGEI3 – Waste Management and Disposal - £0.011m (adverse)**

Bulky waste and commercial waste income is £0.019m less than was expected for the pre One Trafford contract period.

Year- end information has now been received from GM Waste Disposal Authority and the final levy cost is £(0.007)m less than budgeted.

**EGEI4 – Parking Services – £(0.243)m (favourable)**

The approved budget from 2013/14 included assumptions regarding the partial, then full closure of Oakfield Road car park during the year as part of the regeneration of Altrincham Town Centre. The re-phasing of the town centre project has resulted in income being £(0.233)m above budget, which has continued from last year. This is £(0.033)m higher than last reported.

Other car parking income, including fines, is £0.054m below budget, which is a favourable movement of £(0.044)m from last reported.

The parking enforcement contract and other running costs are £(0.064)m underspent. Costs are £0.031m higher than last reported now all the year-end bills have been received.

**EGEI5 – Director and Business Support – £(0.161)m (favourable)**

There is an underspend on senior management staffing due to vacancies and on-going restructuring. This is £(0.011)m higher than last reported.

**EGEI6 – Property and Development - £(0.090)m (favourable)**

The Agents for the owners of Stretford Arndale have continued to maintain a number of short term lettings to ensure the number of vacant units is minimised and this has held up gross rental income. A final year-end rental payment for 2014/15 of £(0.087)m was

notified in November 2015 which is above the expectations included when setting the budget.

Manchester Airport rent is £(0.043)m above budget based on notification from Manchester City Council of new rent levels. This includes an additional £(0.022)m received in January 2016.

Fee income from capital and external projects is £0.063m less than budgeted for the period up to the commencement of the One Trafford contract which reflects the phasing of capital works. The on-going risk has effectively been transferred to Amey from July 2015 and the contract is structured in a way which incentivises Amey to progress in delivering the programme on time.

Administrative building running costs are less than expected across the portfolio by £(0.042)m. This includes a £(0.037)m underspend relating to the catering concession at Altrincham Town Hall. Other building running costs have increased by £0.067m from last reported due to a number of late bills received from external suppliers in March.

#### **EGEI7 – Economic Growth Team – £(0.153)m (favourable)**

There is an underspend in staffing and running costs of the Altrincham Town Team as service review and potential re-design is implemented in this area. The Growth Team service was restructured during 2015 and remaining staff vacancies are expected to be filled in the early part of 2016/17.

#### **EGEI8 – Housing Strategy – £(0.070)m (favourable)**

Staffing costs are £(0.035)m underspent due to secondments, with running costs including the housing options contract £(0.035)m underspent.

#### **EGEI9 – Planning and Building Control – £(0.005)m (favourable)**

Income from planning fees is £(0.181)m higher than budgeted which is a trend continuing from last financial year. This is £(0.010)m higher than last reported. There is a shortfall in income from building control fees of £0.100m, which is also a continuation of difficult trading conditions and external competition. The service is reviewing its business plan to improve its financial position in 2016/17. Both fees are monitored regularly.

There is an overspend on staffing of £0.052m which reflects the appointment of interim staff to cover vacancies and address the resulting capacity issues. These posts contribute to the achievement of the additional planning income above. The permanent filling of vacant posts will be addressed early in 2016/17 following the recent restructure of the Directorate. Running costs are £0.024m higher than budget, which includes ICT system improvements.

#### **EGEI10 – Traded Services (Catering and Cleaning)**

There is a net traded surplus at the end of March 2016 of £(0.276)m, which is £(0.024)m higher than last reported. However, the service manages its costs and income over school terms and academic years rather than financial years and any surplus at the end of March is earmarked to continue the investment in the service. This is particularly to improve readiness for the new academic year in September 2016.

## TRAFFORD MBC

**Report to:** Transformation and Resources Directorate Management Team  
**Date:** 12 May 2016  
**Report for:** Discussion  
**Report author:** Finance Manager

Report Title

## Revenue Budget Outturn 2015/16

**1. Outturn for the Year**

- 1.1 The approved revenue budget for the year is £16.983m with a final outturn of £15.900m. This results in an underspend of £(1.083)m, which is £(0.056)m higher than last reported.
- 1.2 The final outturn for the Directorate reflects £(0.772)m from higher than expected staff vacancy levels, £(0.116)m from cost control of running expenses, and £(0.471)m from higher levels of income. These underspends are partially offset by a reduction in the planned level of savings of £0.276m.
- 1.3 The increase in the underspend from last reported reflects additional external income of £(0.047)m from proceeds of crime and £(0.043)m of government grants which were received in March. There is also £(0.078)m from other income now final charges for the year are confirmed. This is offset by a reduced underspend in staffing and running costs of £0.117m after all year end bills have now been accounted for. The key variances are shown in section 2 below and Appendix 1.
- 1.4 The Directorate has brought forward balances of £(1.501)m from previous years (section 3). This is utilised to support initiatives to reshape Trafford and deliver future efficiencies and income generation. The balance after known commitments and the outturn is £(1.764)m.

**2. Summary of Variances**

- 2.1 The overall underspend of £(1.083)m reflects a number of individual under and overspends across the Directorate, with comments on the main variances from budget and movements from the last report shown below.

**Staffing**

- 2.2 Staffing costs are £(0.772)m less than budget across the Directorate due to vacancies. Vacancy levels are approximately 3.9% higher than assumed in the setting of the 2015/16 budget, and is a consequence of a delay in appointing to a number of vacancies on some service restructures.

**Running Costs**

- 2.3 General running costs are underspent by £(0.041)m. In addition, a one-off saving has been realised of £(0.075)m as a result of the successful settlement of a claim in relation to supplier performance in ICT.

## Savings

- 2.4 The £0.276m shortfall in savings relates to Library Service and ICT proposals for 2015/16 of £0.126m and £0.150m respectively. Further details are listed below in paragraph 4.

## Income

- 2.5 The £(0.471)m from additional external income is a net figure. This includes a £0.077m shortfall from CCTV services. Work is on-going to redesign the CCTV service delivery model, which has been continued from 2014/15, and will deliver sustainable benefits going forward.
- 2.6 Income relating to legal costs charged to capital schemes is also £0.039m less than budgeted. This is affected by external factors and levels of staff vacancies, and the service has fully mitigated this shortfall within its overall budget.
- 2.7 There is a £0.038m shortfall in budgeted Council tax liability order income. This income reduces as council tax collection rates improve but is offset in the Council's separate Collection Fund account. This budget has been realigned in 2016/17 in the recently approved budget.
- 2.8 The income shortfalls are offset in the main by £(0.237)m of additional income from grants in the Revenues and Benefits Service. The Revenue and Benefits Service has had a number of grants awarded in-year and rolled forward from 2014/15 to support spending, leading to increased levels than budgeted at the start of the year.
- 2.9 Additional income is also included relating to events and advertising £(0.013)m plus from traded activities in Legal and Democratic Services £(0.078)m, ICT £(0.042)m and Human Resources £(0.131)m. There is also external grant income of £(0.040)m relating to the costs of administering the Council's blue badge scheme and £(0.023)m for Safer Communities projects. Finance also includes £(0.047)m Proceeds of Crime income received in March 2016.

## 3. Reserves

- 3.1 At the end of 2014/15 the Directorate had a surplus of £(1.501)m in its reserve, which has been carried forward to 2015/16. This was a result of the successful management of the budget in previous years.
- 3.2 The remaining balance on the T&R Directorate Reserve after the outturn for 2015/16, future known commitments and re-phasing of projects is £(1.764)m (table below). The T&R Reserve will be utilised on initiatives and project based activity in support of Reshaping Trafford and also to generate future savings and income generation. Commitments will be underpinned by business cases and will be reviewed each month.

<b>Utilisation of Carry forward Reserve 2015/16</b>	<b>(£000's)</b>
T&R Surplus balance brought forward at 1 April 2015	(1,501)
Spend in 2015/16	304
Re-phased Projects	(92)
Period 12 outturn (underspend)	(1,083)
<b>Balance at 31 March 2016</b>	<b>(2,372)</b>
Future Commitments	608
<b>Balance after known commitments</b>	<b>(1,764)</b>

#### 4. Savings

- 4.1 The T&R budget for 2015/16 includes savings of £(2.848)m. This originally included £0.550m in respect of the libraries rationalisation but this figure was revised down by £0.050m when the outcome of the second phase of consultation was reported to Executive in March 2015. This reduction has been met from savings in the Treasury Management budget as a consequence of rephasing of the capital programme in 2014/15. The updated T&R savings target for 2015/16 is therefore £(2.798)m and actual savings of £(2.583)m have been achieved with £0.215m of savings re-phased and £0.061m requiring alternative solutions.

<b>Saving Description</b>	<b>Savings Shortfall (£000's)</b>
Libraries re-phased saving (a)	126
ICT re-phased procurement savings (b)	89
ICT savings not able to be realised (b)	61
<b>Total</b>	<b>276</b>

- 4.2 The shortfall in savings delivery is reflected in the outturn and are summarised below:

- (a) Libraries – an overall £(0.500)m saving is included in the approved revenue budget. This includes both staffing and property cost reductions. Due to additional consultations and re-phasing of delivery plans, £(0.374)m has been achieved in 2015/16. This gives a shortfall of £0.126m in-year, which has been fully mitigated by management action within the Access Trafford budget. The saving will be delivered in full during 2016/17.

The £0.126m shortfall relates to a delay in the closure of libraries (Bowfell, Davyhulme and Lostock, the redevelopment of Hale and Timperley Libraries) and changes to in-year delivery at Coppice as part of the consultation process.

Whilst the delay in implementing some library changes has impacted on savings overall there are significant benefits to the Council in terms of the final proposals agreed. With redevelopment of a number of sites to include residential dwellings which will attract new homes bonus, council tax and a capital receipt.

- (b) ICT savings of £(0.750)m are included in the approved budget. This includes staffing and contract procurement reductions. Savings of £(0.600)m have been achieved in 2015/16, with a shortfall of £0.150m as follows:
- £0.089m relates to procurement processes which have taken longer than planned.
  - Savings of £0.061m will not be achieved following a further technical assessment of individual proposals. This relates mainly to the installation of new back up arrangements where realisation of the saving is now unlikely and alternative measures are being sought.

The primary mitigation to address these shortfalls is via a review of all ICT Third Party spend (c. £1.8m including Networks and SAP). Work is continuing with Procurement to review all contracts with the aim of aggregating the spend with fewer or single suppliers. SAP and AGMA contracts are potentially out of scope due to the nature of existing commercial arrangements which would reduce the spend under this review to approximately £0.4m. Procurement have completed

the market testing which resulted in four vendors presenting back to Trafford, with two who are realistic prospects. It is clear from the presentations that there is potential to reduce the spend by up to 20%. The Trafford spend of £0.4m on its own is considered relatively small and as such Procurement have advised the other AGMA authorities of the opportunity. To date only Greater Manchester Fire and Rescue have expressed an interest and have asked for more information. There is a risk that if Trafford tenders on its own there will not be sufficient market interest. Procurement have advised that the only way to fully test the market is to Tender which is now planned for June/July.

The current WAN (network) service was retendered in October 2015 and was awarded to Virgin Media from 1<sup>st</sup> January 2016. The expected full year savings from this date are in line with the original forecast of £(0.076)m, spread over the first two years of the contract.

In addition, the annual maintenance charge paid to SAP of c.£0.3m will be reviewed based on a significant reduction in SAP licence use within Trafford in recent years. The current charge relates to a licence position negotiated in 2003 and Procurement will write to SAP in May requesting a financial adjustment accordingly.

During June 2016 Trafford will be subject to a Microsoft Software Asset Management Audit (SAM). This may identify a financial exposure relating to licences. In preparation, the Council is undertaking its own test using our incumbent reseller to identify the likely position ahead of the Microsoft Audit.

- 4.3 The shortfall in savings against budget has been fully mitigated by in-year net underspends from the management and monitoring of the whole Directorate budget (e.g. through vacancies, running costs, income generation).

## **5. Recommendations**

- 5.1 It is recommended that the 2015/16 financial outturn be noted.

**Period 12 Outturn revenue expenditure and income variances.**

The following tables detail the main variances from the revenue budget to the outturn, and the movements since the last monitoring report, in both Management Accounts (“Budget Book”) format and by cause or area of impact of the variance.

<b>Transformation and Resources Budget Book Format (Objective analysis)</b>	<b>Full Year Budget (£000's)</b>	<b>P12 Outturn (£000's)</b>	<b>P12 Outturn Variance (£000's)</b>	<b>P11 Forecast Variance (£000's)</b>	<b>Period Movement (£000's)</b>
Legal and Democratic Services	2,289	2,118	(171)	(154)	(17)
Access Trafford	2,558	2,557	(1)	5	(6)
ICT Services	2,040	1,996	(44)	(29)	(15)
Communications	255	188	(67)	(71)	4
Finance Services	4,431	3,921	(510)	(422)	(88)
Partnerships and Communities	1,503	1,499	(4)	2	(6)
Culture and Sport	1,115	1,139	24	25	(1)
Human Resources	2,240	1,902	(338)	(383)	45
Executive	359	387	28	0	28
Transformation	193	193	0	0	0
<b>Total Outturn Period 12</b>	<b>16,983</b>	<b>15,900</b>	<b>(1,083)</b>	<b>(1,027)</b>	<b>(56)</b>

<b>Transformation and Resources Business Reason / Area (Subjective analysis)</b>	<b>P12 Outturn Variance (£000's)</b>	<b>P11 Outturn Variance (£000's)</b>	<b>Period Movement (£000's)</b>
<b>Legal and Democratic Services</b>			
Staff vacancies net of agency costs	(122)	(122)	0
Other running costs	(5)	1	(6)
Fee income from capital schemes - shortfall	39	39	0
Income	(83)	(72)	(11)
<b>Sub-total</b>	<b>(171)</b>	<b>(154)</b>	<b>(17)</b>
<b>Access Trafford</b>			
Re-phased Library savings	126	131	(5)
Staff vacancies – contact centre	(85)	(92)	7
External grant income	(42)	(34)	(8)
<b>Sub-total</b>	<b>(1)</b>	<b>5</b>	<b>(6)</b>
<b>ICT Services</b>			
Re-phased savings – contact procurement	89	89	0
Other savings shortfall	61	61	0
Staff vacancies	(42)	(42)	0
One-off contract refund	(75)	(75)	0
Other running costs	(35)	(37)	2
Income	(42)	(25)	(17)
<b>Sub-total</b>	<b>(44)</b>	<b>(29)</b>	<b>(15)</b>
<b>Communications</b>			
Staffing and running costs	(54)	(58)	4
Events and advertising income	(13)	(13)	0
<b>Sub-total</b>	<b>(67)</b>	<b>(71)</b>	<b>4</b>
<b>Finance Services</b>			
Staff vacancies	(358)	(350)	(8)
Other running costs	102	72	30
Government Grants – Revenue and Benefits	(237)	(194)	(43)
Other income	(55)	0	(55)
Council tax liability order income - shortfall	38	50	(12)
<b>Sub-total</b>	<b>(510)</b>	<b>(422)</b>	<b>(88)</b>
<b>Partnerships and Communities</b>			
CCTV income shortfall	77	77	0
Staff costs and Running Costs	(35)	(29)	(6)
Other income	(46)	(46)	0
<b>Sub-total</b>	<b>(4)</b>	<b>2</b>	<b>(6)</b>

<b>Transformation and Resources Business Reason / Area (Subjective analysis)</b>	<b>P12 Outturn Variance (£000's)</b>	<b>P11 Outturn Variance (£000's)</b>	<b>Period Movement (£000's)</b>
<b>Culture and Support</b>			
Income shortfall	24	25	(1)
<b>Sub-total</b>	<b>24</b>	<b>25</b>	<b>(1)</b>
<b>Human Resources</b>			
Staff vacancies net of agency costs	(161)	(192)	31
Running costs (e.g. training)	(46)	(81)	35
External agency income above target	(131)	(110)	(21)
<b>Sub-total</b>	<b>(338)</b>	<b>(383)</b>	<b>45</b>
<b>Executive</b>			
Running costs	28	0	28
<b>Sub-total</b>	<b>28</b>	<b>0</b>	<b>28</b>
<b>Total Outturn T&amp;R Period 12</b>	<b>(1,083)</b>	<b>(1,027)</b>	<b>(56)</b>

#### Summary Variance Analysis Period 12

<b>All Services</b>	<b>Savings £000</b>	<b>Staff £000</b>	<b>Running Costs £000</b>	<b>Income £000</b>	<b>Total Variance £000</b>
<b>Period 11</b>	281	(800)	(205)	(303)	(1,027)
<b>Period 12 Outturn</b>	276	(772)	(116)	(471)	(1,083)
<b>Period Movement</b>	<b>(5)</b>	<b>28</b>	<b>89</b>	<b>(168)</b>	<b>(56)</b>

## TRAFFORD COUNCIL

Report to: Chief Finance Officer  
 Date: 19 May 2016  
 Report for: Information  
 Report author: Interim Head of Financial Management

Report Title

**Revenue Budget Monitoring 2015/16 – Period 12 Outturn - Council-wide Budgets (April 2015 to March 2016 inclusive)**

**1 Outturn**

1.1 The approved revenue budget for the year is £23.669m. The outturn is £21.569m, which is £(2.100)m under the budget, a favourable movement of £(0.185)m since the last report.

1.2 Appendix 1 details the outturn variance compared to the approved revenue budget and the period movement from the previous forecast by both function and activity, which in summary are;

- Treasury Management: £(1.893)m relating to Manchester Airport Group (MAG) dividends received above budget. This includes the interim dividend of £(1.245)m received in December 2015 which has been transferred to an Earmarked Reserve for use in supporting the 2016/17 budget. There is also £(0.183)m increased investment interest from favourable cash flows and a reduction in loan interest payable of £(0.011)m.

Also a review of the Council's Minimum Revenue Provision (MRP) has identified savings of £(1.151)m. This MRP saving has been transferred in full to the Budget Support Reserve as reported in Period 9.

- Business Rates – a favourable impact on the Council-wide budget of £(0.374)m, a favourable movement of £(0.069)m since the last report (see paragraph 9 of the covering report);
- Housing and Council Tax Benefits overpayment recovery net variance of £(0.454)m, a favourable movement of £(0.069)m since last month;
- Members expenses – full year effect of the savings as a result of changes to the Members Allowances Scheme in September 2014 and the new Government pension regulations which came into effect on 1 April 2014, plus associated National Insurance savings, totaling £(0.059)m;
- Coroners and Mortuary fees are higher than anticipated due mainly to higher numbers of inquests, £0.097m, partly offset by the full use of the earmarked reserve of £(0.037)m;
- Costs of the 2016/17 Budget Consultation exercise, £0.050m;

- The 2015/16 saving for the Old Car Lease scheme has been overachieved, £(0.028)m;
- Release of the unallocated general savings contingency budget, £(0.487)m;
- A reduction in the provision for doubtful debts for general debtors has generated a budget saving of £(0.335)m;
- One-off amount set aside to top-up the Pension Strain allocation with the Greater Manchester Pension Fund in 2016/17 of £0.4m;
- Other minor variances of £(0.031)m.

## 2 Service carry-forward reserve

- 2.1 Council-wide budgets do not have their own carry forward reserve, and the above underspend will be transferred to the General Reserve, as detailed in the summary report.

## 3 Savings

- 3.1 The Council-wide budget for 2015/16 originally included savings of £(0.310)m. This figure was increased by £(0.050)m to counter balance the shortfall in library savings (as approved by the Executive in March 2016). The updated Council-wide savings target for 2015/16 is therefore £(0.360)m and actual savings of £(0.388)m have been achieved as shown below;

<b>Council-wide Base Budget Savings 2015/16</b>	<b>2015/16 Revised Savings Target £000's</b>	<b>Outturn Saving £000's</b>	<b>Variance £000's</b>
Old Car Lease Scheme	(68)	(96)	(28)
Discretionary Rate Relief to Collection Fund	(152)	(152)	-
Member's Allowances budget	(35)	(35)	-
External Audit Savings	(55)	(55)	-
Treasury Management savings *	(50)	(50)	-
<b>Total</b>	<b>(360)</b>	<b>(388)</b>	<b>(28)</b>

\* This additional target has already been met from savings in the Treasury Management budget as a consequence of rephasing of the capital programme in 2014/15.

### Period 12 Outturn revenue expenditure and income variances

The following tables detail the main variances from the revenue budget to the forecasted outturn, and the movements since the last monitoring report, in both Management Accounts (“Budget Book”) format and by cause or area of impact of the variance.

Budget Book Format (Objective analysis)	Full Year Budget (£000's)	Outturn (£000's)	Outturn variance (£000's)	P11 Outturn variance (£000's)	Period Movement (£000's)	Ref
<b>Finance Portfolio</b>						
Precepts, Levies & Subscriptions	17,720	17,768	48	48		C-W5
Provisions (bad debts & pensions)	2,407	2,020	(399)	(438)	39	C-W6
Treasury Management	7,869	7,027	(842)	(839)	(3)	C-W1
Insurance	875	875	0	0		
Members Expenses	904	845	(59)	(50)	(9)	C-W2
Grants	(6,645)	(6,688)	(43)	33	(76)	C-W7
Business Rates	350	(24)	(374)	(305)	(69)	C-W3
Other Centrally held budgets	189	(242)	(431)	(364)	(67)	C-W4
<b>Total</b>	<b>23,669</b>	<b>21,581</b>	<b>(2,100)</b>	<b>(1,915)</b>	<b>(185)</b>	

<b>Business Reason / Area (Subjective analysis)</b>	<b>Outturn variance (£000's)</b>	<b>P11 Outturn variance (£000's)</b>	<b>Period Movement (£000's)</b>	<b>Ref</b>
Treasury Management:				
- MAG Dividend	(1,893)	(1,893)		C-W1
- Investment Income	(183)	(180)	(3)	C-W1
- Debt Management	(11)	(11)		C-W1
- Transfer MAG interim dividend to Earmarked Reserve	1,245	1,245		C-W1
- Minimum Revenue Provision (MRP)	(1,151)	(1,151)		C-W1
- Transfer MRP saving to Budget Support Reserve	1,151	1,151		C-W1
Members Allowances	(59)	(50)	(9)	C-W2
Business Rates	(374)	(305)	(69)	C-W3
Housing & Council Tax benefits	(454)	(385)	(69)	C-W4
External Audit fees	12	12		C-W4
Payment Card Industry (PCI) compliance	3	3		C-W4
Carbon Reduction Scheme	(1)	(1)		
VAT claims - legal fees	7	7		C-W4
Housing Act Advances interest	2	0	2	C-W4
Flood Defence levy	(8)	(8)		C-W5
Subscriptions	7	7		C-W5
Coroners & Mortuary fees	60	54	6	C-W5
Probation Service loan charges	(1)		(1)	C-W5
AGMA projects	(5)		(5)	C-W5
Magistrates Court Debt charges	(5)	(5)		C-W5
Budget Consultation	50	50		C-W6
Old Car Leasing Scheme saving	(28)	(30)	2	C-W6
Leisure Services CIC costs	26	26		C-W6
Legal costs of Judicial Review re 2015/16 Budget Consultation	3	3		C-W6
Release of unallocated general savings contingency budget	(487)	(487)		C-W6
Provision for doubtful debts	(335)		(335)	C-W6
Pension Strain one-off top-up	400		400	C-W6
Other	(28)		(28)	C-W6
Grants	(43)	33	(76)	C-W7
<b>Total</b>	<b>(2,100)</b>	<b>(1,915)</b>	<b>(185)</b>	

## NOTES ON PROJECTED VARIANCES

### **C-W1 – Treasury Management - £(0.842)m (favourable), £(0.003)m favourable movement**

#### **Investments – £(0.831)m (favourable)**

This additional income has been created as a result of:

- the original dividend received from Manchester Airport Group (MAG) in July 2015 was £(2.0)m. MAG also announced their interim results for 2015/16 in November 2015 and have paid a further total dividend of £(38.6)m across the members of the Group, which for Trafford equates to £(1.245)m, bringing the total dividend for the year to £(3.245)m. This is now £(1.893)m above budget. The interim dividend of £(1.245)m has been transferred to an Earmarked Reserve for use in supporting the 2016/17 budget;
- a favourable increase in cash flow, generating £(0.100)m of additional investment income, primarily due to capital programme rephasing and grant monies received ahead of schedule;
- £5m of funds were invested on 29 September 2015 for a minimum period of 5yrs in the Church Commissioners Local Authority Property fund which is forecasted to generate annual returns of between 4% and 5%, equivalent to additional investment income above budget of £(0.083)m.

#### **Debt – £(0.011)m (favourable)**

Lower than anticipated loan interest payable £(0.011)m.

A review of the Council's annual Minimum Revenue Provision (MRP) charge for capital expenditure incurred prior to 2008 has identified both short to medium term revenue savings as reported to Members at the January 2016 Council meeting. By adopting this revised approach a revenue saving of £(1.151)m will be generated in 2015/16. This saving has been transferred to the Budget Support Reserve.

### **C-W2 – Members Expenses - £(0.059)m (favourable), £(0.009)m favourable movement**

Changes to the Members Allowances Scheme were approved at the Council meeting on 17 September 2014 following a report from the Independent Remuneration Panel (IRP), reducing the cost of allowances. Also, Government legislation, effective from 1 April 2014, has removed the access to a Local Government Pension Scheme for Councillors. This is on a phased basis and will be applied to those Councillors re-elected in the May local elections over 3 years. When added to the associated reduced National Insurance contributions the total budget saving in 2015/16 is £(0.059)m.

### **C-W3 – Business Rates - £(0.374)m (favourable), £(0.069)m favourable movement**

See notes in paragraph 9 of the covering report.

**C-W4 – Other Centrally held budgets - £(0.431)m (favourable), £(0.067) favourable movement**

- **Housing & Council Tax Benefits - £(0.454)m**

The Council Tax Benefit Scheme ceased in 2013 and was replaced by the Council Tax Support Scheme. Any recovery of overpaid Council Tax Benefit from previous years is retained by the Council and the outturn for 2015/16 is £(0.081)m. The credit from the recovery of overpaid Council Tax Benefit is difficult to predict and will eventually taper off.

There is a net variance of £(0.373)m, within the Housing Benefit budget. This is an improvement since the previous period of £(0.051)m, largely as a result of better than expected collection of historic overpaid benefits in the final month of the year.

- **Other minor variances £0.023m.**

**C-W5 – Precepts, Levies & Subscriptions - £0.048m (adverse), £nil movement**

- **Coroners & Mortuary fees - £0.060m**

The cost of the Coroners service, which is shared between Stockport, Trafford and Tameside Councils, has increased significantly due to the following factors:

- Increasing volume of inquests, resulting in the need for an additional court and hence an increase in associated costs;
- Deprivation of Liberty status (DOLS) is placing a further demand on the number of inquests. All DOLS cases deaths require an inquest;
- Pressures from increasing costs of toxicology and transport;
- Extra demands placed on the service from disclosure of information requests.

The additional costs for Trafford in 2015/16 are £0.097m and have been partly offset by the use of the earmarked reserve of £(0.037)m, which was specifically set up for such an eventuality. Also, the impact of these additional costs in the future has been included in the 2016/17 Budget.

- **Other minor variances £(0.012)m.**

**C-W6 – Provisions - £(0.399)m (favourable), £0.039m adverse movement.**

- 2016/17 Budget Consultation – the costs of employing an independent company to oversee the budget consultation process, £0.050m;
- The 2015/16 saving from the Old Car Lease scheme has been overachieved due to employees leaving the scheme earlier than anticipated, £(0.028)m;
- On 30 July 2015 The Executive Member for Communities and Partnerships approved that a Community Interest Company (CIC) be established to run the leisure services, previously provided by Trafford Community Leisure Trust.

Trafford Leisure CIC took over the running of the leisure facilities on 1<sup>st</sup> October 2015. Two firms of specialists were also employed by the Council to

advise on legal and VAT matters during the transition to the CIC. These costs currently totaling £0.026m are included in the outturn figure above;

- Final legal costs of £0.003m associated with the 2015/16 Budget Consultation Judicial Review;
- The original Council-wide budget for 2015/16 included a one off allowance of £0.700m as a general contingency to cushion against possible slippage in the delivery of the significant savings programme in 2015/16. Of this £0.085m was released to cover budget pressures regarding Market Management, £0.055m for Gorse Hill Studios and £0.073m for Early Help Delivery Model. The unallocated balance of £(0.487)m was included as a budget saving in the Period 7 report;
- There has been an improvement in general debtor collection performance during the year and as a result the bad debt provision has been reduced from £0.5m to £0.4m generating a budget saving of £(0.335)m;
- The higher than normal number of redundancy payments during the year has increased the pressure on the Council's Pension Strain allocation with the Greater Manchester Pension Fund. Further staff savings will need to be made in 2016/17 and it is deemed prudent at this stage to set aside a one-off top-up to the Fund of £0.4m;
- **Other minor variances £(0.028)m.**

**C-W7 – Grants - £(0.043)m (favourable), £(0.076)m favourable movement.**

Final monies were received for the following non ring-fenced grants which are held within Council-wide:

- Release of Deprivation of Liberty Safeguards (DoLS) grant originally held as a contingency against CFW savings, £(0.076)m;
- New Homes Bonus, £(0.003)m above budget;
- Education Services grant, £0.024m. This specific grant is based on pupil numbers in Council maintained schools and is dependent on the final number of schools converting to Academy status during the year;
- Council Tax Annexes grant, £0.007m below budget;
- Council Tax Compensation grant, £0.005m below budget.

## TRAFFORD BOROUGH COUNCIL

**Report to:** Executive 20 June 2016  
**Report for:** Decision  
**Report of:** The Executive Member for Finance and the Chief Finance Officer

### Report Title

**CAPITAL INVESTMENT PROGRAMME 2015/16 OUTTURN**

### Summary

The report summarises the outturn position for 2015/16 and the consequential impact on the Capital Programme for 2016/19.

Capital investment expenditure for 2015/16 amounted to £31.9m, equivalent to 72% of revised budget of £44.6m and the variance can be explained by a number of factors that are detailed in the report.

Net re-profiling of £12.3m will increase the Capital Investment Programme in 2016/17 and later years. This includes £1.5m of net savings that will be available to support the 2016/19 Programme approved by the Executive in February 2016.

### Recommendation(s)

The Executive is requested to

- Note this summary report
- Approve the changes to the 2016/19 Programme
- Approve the additional expenditure, listed in Appendix B.
- Note the outturn of the prudential indicators for 2015/16 as set out in paragraph 14 and Appendix C.

### Contact person for access to background papers and further information:

Name: Mark Hughes  
Extension: 2072

Background Papers - None

## Capital Investment Expenditure 2015/16

1. Capital investment expenditure amounted to £31.9m in 2015/16 compared to £26.5m in 2014/15 and some of the main highlights include:

### School Improvements - £16.9m:-

- Expansion & Basic Need Works - £14.1m
  - *Replacement of Brentwood School - £7.2m (still in construction)*
  - *Oldfield Brow Primary School expansion - £2.7m*
  - *Bowdon C of E Primary School expansion - £2.8m*
  - *Willows Primary School expansion - £0.9m*
- Capital Maintenance & Access works - £2.0m
  - *Re-roofing works at 5 schools - £0.8m*
  - *Boiler replacements at 4 schools - £0.6m*
  - *Kitchen upgrade works at 8 schools - £0.3m*
  - *Access initiative schemes at 5 schools - £0.2m*
- Improvements via Devolved Formula Capital - £0.5m
- Universal Infant Free school Meals works - £0.2m

### Adult Social Services - £2.5m:-

- Disabled Facilities Grants - £1.7m
- Telecare System - £0.2m
- Liquid Logic – ICT Social Care System - £0.5m

### Major works on Public & Operational Buildings - £0.8m

- Former Davyhulme Library – Conversion to a doctors surgery - £0.3m
- DDA improvements - £0.2m
- Public Building Repairs - £0.2m

### Regeneration Projects - £2.4m

- Altrincham Town Centre public realm improvements - £1.7m
- Partington District Centre - Land purchase for potential residential development - £0.4m
- Town centres business grants - £0.1m

### Highway Related Improvements - £6.5m

- Integrated Transport Improvements - £2.5m
  - *Cycling Initiatives - £1.3m*
  - *Contribution to Altrincham Interchange improvements - £0.4m*
  - *Better Bus initiatives - £0.3m*
  - *A range of parking, schools and local safety schemes - £0.5m*
- Highway Structural Maintenance - £4.1m
  - *Structural maintenance works to road and bridges - £2.1m (refurbishing 9.6km of carriageway)*
  - *Street Lighting improvements - £0.2m*
  - *Major junction works on A56/West Timperley - £1.1m*
  - *Highway works related to developments – £0.7m (funded via S278 agreements)*

### Sport, Recreation & Culture - £0.8m

- Improvements to parks and open spaces across the borough (including new disc-golf course at Longford Park) - £0.5m
- Security and welfare improvements to allotments - £0.1m

- Boardwalk works Trafford Water Sports Centre - £0.1m
- Improvements to the Trans Pennine Trail - £0.1m

**Bereavement Services - £0.5m** : including £0.4m on replacement cremators at Altrincham Crematorium

**ICT Investment £ 1.2m**

- Continuing implementation of new CRM system - £1.0m
- Contribution to Greater Manchester broadband initiative - £0.1m

**Financing of Capital Investment Expenditure**

2. The expenditure was financed predominantly from grants and external contributions, supplemented by receipts derived from the sale of surplus assets and a small level of specific reserves and borrowing. The actual levels applied are shown below:-

<i><b>Financing of Capital Investment Expenditure 2015/16</b></i>	<b>Revised £m</b>	<b>Actual £m</b>
<b>Internal Resources</b>		
Capital Receipts	4.6	1.4
LSVT VAT Receipts	3.5	1.8
Specific Reserves	1.0	0.3
Borrowing	2.1	0.2
<b>Sub-Total</b>	<b>11.2</b>	<b>3.7</b>
<b>External Resources</b>		
Grants & Contributions	33.4	28.2
<b>Total</b>	<b>44.6</b>	<b>31.9</b>

3. Sufficient capital resources will be available to cover all the expenditure re-profiled from 2015/16 to future years. No grants and contributions are at risk of clawback and will therefore be available in later years. The lower than projected borrowing will lead to a temporary reduction in minimum revenue provision (repayment of debt) of approximately £38k in 2016/17 compared to the MTFP estimate.

**Performance against budget and explanation of major variances**

4. The original budget for 2015/16 was approved at £41.8m in February 2015 but this has subsequently been revised during the year for new grant approvals and other changes approved by the Executive and the revised budget for 2015/16 was £44.6m as at Quarter 3.
5. Final expenditure of £31.9m represents an overall variance of £12.7m. Whilst this variance is significant it had been anticipated during the year and reported to the Executive in quarter 3. Capital expenditure by its nature can be “lumpy” and difficult to project and in a good number of situations the Council does not have total control on when the expenditure will be incurred. A full explanation of the variations by service area are shown in the following table:-

<b>Actual Capital Investment Expenditure compared to Revised Budget 2015/16</b>					
<b>Service Area</b>	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>	<b>Actual</b>	<b>Note</b>
	£m	£m	£m	%	
<b>Children Families &amp; Wellbeing</b>					
Schools	17.5	16.9	(0.6)	97%	1
Children's Services	0.0	0.0	-		
Services for Adults	4.1	2.6	(1.5)	63%	2
<b>Total</b>	<b>21.6</b>	<b>19.5</b>	<b>(2.1)</b>	<b>90%</b>	
<b>Economic Growth, Environment &amp; Infrastructure</b>					
Corporate Landlord	2.8	0.8	(2.0)	29%	3
Town Centre Regeneration & Strategic Planning	3.8	2.4	(1.4)	63%	4
Housing Services	0.1	0.0	(0.1)	-	
Highways	11.3	6.5	(4.8)	58%	5
Bereavement Services	0.8	0.4	(0.4)	50%	
Sustainability & Greenspace	1.0	0.8	(0.2)	80%	
Public Protection	0.3	0.1	(0.2)	33%	
<b>Total</b>	<b>20.1</b>	<b>11.0</b>	<b>(9.1)</b>	<b>55%</b>	
<b>Transformation &amp; Resources</b>					
Performance & Improvement	0.3	0.2	(0.1)	67%	
Information Technology	2.6	1.2	(1.4)	46%	6
<b>Total</b>	<b>2.9</b>	<b>1.4</b>	<b>(1.5)</b>	<b>48%</b>	
<b>Capital Programme Total</b>	<b>44.6</b>	<b>31.9</b>	<b>(12.7)</b>	<b>72%</b>	

➤ **Note 1 - Schools**

The majority of this large budget (97%) was spent successfully in year with the variance primarily relating to planned rephasing on a number of maintenance projects scheduled for 2016/17 and an under spend on the schools devolved capital budget; the expenditure on which is controlled by individual schools not the Council.

➤ **Note 2 – Services for Adults**

The variance relates to planned rephasing:-

- To cover the cost of an agile working scheme planned for 2016/17
- Demand for adaptations now rescheduled to 2016/17
- To complete the implementation of the children's social care IT system

➤ **Note 3 – Corporate Landlord**

During the Technical Services Review and following a review of Leisure assets a number of the proposed schemes were placed on hold until a review of building usage and lease / tenant agreements for corporate and leisure buildings had been completed

➤ **Note 4 – Town Centre Regeneration and Strategic Planning**

The majority of this rephasing relates to final land assembly costs, which are subject to agreement and negotiation, on regeneration projects including the Altair scheme in Altrincham.

➤ **Note 5 – Highways**

The highway maintenance programme was successfully delivered as planned during 2015/16 but rephasing was required for the contribution on the metrolink extension in Trafford Park which following consultation is now expected to commence later in 2016 (£3m). Other rephasing of £1.2m was required to the LED replacement programme and the A56/West Timperley junction improvement scheme, both of which are now underway.

➤ **Note 6 – Information Technology**

Planned rephasing the majority of which is to cover the final costs on the new CRM system.

6. The level of capital investment expenditure equates to 72% of the approved budget and a summary of the major variances is shown below. Appendix A provides an analysis of variance at a service level whilst Appendix B details variances at an individual scheme level.

<b><i>Actual Capital Expenditure compared to Revised Budget 2015/16</i></b>	<b>£m</b>
<b>Revised 2015/16 Budget</b>	<b>44.6</b>
Actual	31.9
<b>Variance</b>	<b>12.7</b>
<b>Explained By:-</b>	
Re-profiling to future years (Appendix B, pages 11-12)	14.1
Acceleration (Appendix B, page 13)	(1.8)
Additional Expenditure (Appendix B, page 13)	(1.3)
Savings (Appendix B, page 13-14)	1.7
<b>Total</b>	<b>12.7</b>

7. Where schemes are estimated to overspend then this is reported to the Executive in accordance with finance procedure rules during the year. Given the incidence of capital expenditure this mainly occurs in the final quarter of the year. During 2015/16 additional expenditure of £1.345m has been incurred on a number of projects financed from specific resources. This includes £695k of highway works done under S278 of the Highways Act funded by the developer and £370k for the purchase of land in Partington funded by capital grant from the HCA. Additional expenditure was also incurred on a number of grant funded schools and highway related projects and these were offset by savings in these respective areas.

8. As part of setting the 2016/19 Capital Programme a number of uncommitted 2015/16 budgets were identified as being available to support future year's investment. Savings in schemes supported by Council resources total £1.5m and these resources will be used to fund the agreed 2016/19 Programme.

### **Children, Families and Wellbeing**

9. Expenditure of £19.5m has been incurred which represents 90% of the £21.6m budget. The result of this is net re-profiling of £2.1m to 2016/17 and later years. A detailed explanation is provided in Appendix B, with the main areas of variance being :-
- **Schools** related investment accounts for £17.5m of the budgets in this Service Area and expenditure for the year totals £16.9m, resulting in net re-phasing of £0.6m to 2016/17 and later years.
  - **Social Care and DFG's** - The approved budget was £4.1m and actual expenditure £2.6m resulting in £1.5m being re-phased to 2016/17. This re-phasing relates primarily to ;
    - **Social Care Grant** – A revised capital programme has been undertaken with some the grant being used to support the extension of the Liquid Logic System to include children's services and the Telecare project. It was identified that £0.5m would be used on the introduction of an Agile Working programme, this is expected to start in 2016/17.
    - **Liquid Logic Social Care System** – Work to incorporate children's facilities onto the system was started in the year. Some modules have not yet been implemented and completion has slipped into 2016/17.
    - **Disabled Facilities Grants** – New procedures for the payments for works has been introduced during the year which has speeded up the charges through to capital. As a result the carry-over from 2014/15 and the majority of the 2015/16 budget has been spent. £0.2m is required to meet demand and therefore is to be re-phased to 2016/17.

### **Economic Growth, Environment and Infrastructure**

10. Expenditure of £11.0m has been incurred which represents 55% of £20.1m budget. The variance of £9.1m relates to net re-phasing of £9.4m, expenditure of £1.2m incurred on schemes not budgeted for but funded from external contributions (S278 highways works and Partington town centre land purchase ) and savings of £0.9m to be used to support the 2016/19 Capital programme. A detailed explanation is provided in Appendix B  
The major areas of re-phasing being :-
- **Corporate Landlord** related projects include Mechanical & Electrical, Public Building Repair Works and the Community Asset Transfer budget along with specific budget for Broadheath Community Centre. Budgets totaling £2.8m are included in the service area with expenditure in the year of £0.8m. As reported in paragraph 12 £0.8m of uncommitted budgets will be used to support 2016/17 investment and the balance of £1.2m is to be rephased to 2016/17.

- **Altair Development, Altrincham** – Variance of £1.2m due to ongoing land assembly issues has resulted in re-phasing to later years.
- **Town Centre Regeneration** – A number of town centre improvement projects are now underway. The first phase of the public realm works in Altrincham is now complete. Minor rephasing, totaling £0.3m, across a number of schemes is required to cover payments now due in 2016/17.
- **Highways related** budgets totaled £11.3m with expenditure in year of £6.5m. The result of this is net re-phasing 2015/16 of £4.8m. Whilst the majority of the planned structural maintenance and integrated transport programmes were delivered as expected a number of schemes funded by, and involving, external parties have not progressed as expected. These include the Metrolink extension in Trafford Park (£3.0m), LED Replacement Programme (£0.9m) City Cycle Ambition Grant (£0.4m) and A56/West Timperley Improvements (£0.4m).
- **Parks and Public Realm** - A budget £1.0m with actual expenditure of £0.8m. Included in the investment was a range of park and play area improvements and access schemes along with improvements to the countryside infrastructure around Sale Water Park and the Trans Pennine Trail.
- **Bereavement Services** – Budget of £0.8m with re-phasing of £0.3m
  - **Additional Burial Land** - The purchase of additional burial land in Altrincham has been delayed due to the ongoing negotiations with the land owner. Work has also been undertaken to identify the required infrastructure works. As a result £0.3m has been re-phased to 2016/17.

## Transformation and Resources

11. The budget for this service area is £2.9m with expenditure of £1.4m resulting in £0.9m being re-phased to 2016/17 and savings identified of £0.6m. It was reported at quarter 3 that the anticipated outturn would be £1.8m, £1.1m lower than the approved budget. The main areas of variance relate to:-

- **Major ICT projects** including the corporate Customer Relationship Management (CRM) and Electronic Data Records Management System projects. Implementation of the new CRM system has progressed well during the year and is now nearing completion and budget has been rephased to cover the outstanding costs. It is estimated that there could be significant savings of £0.6m on this budget. Confirmation will be available in the latter half of 2016/17.

## Prudential Indicators

12. The Council is required to maintain these indicators which are designed to show that its capital expenditure plans are prudent, affordable and sustainable. Detailed in Appendix C are the actual capital programme related indicators agreed in February 2015, and updated in February 2016. No indicators were breached in 2015/16.

## Conclusions & Recommendations

13. The report has identified the impact of the capital expenditure outturn in 2015/16. The Executive is requested to:-

- Note this summary report
- Approve the changes to the 2016/19 Programme
- Approve the additional expenditure listed in Appendix B.
- Approve the actual prudential indicators for 2015/16 as set out in Appendix C.

Relationship to Policy Framework/Corporate Priorities	Value for Money
Financial	Capital expenditure has been contained within available resources in 2015/16.
Legal Implications:	None arising out of this report
Equality/Diversity Implications	None arising out of this report
Sustainability Implications	None arising out of this report
Staffing/E-Government/Asset Management Implications	A number of improvement schemes undertaken in 2015/16 were completed.
Risk Management Implications	Not Applicable
Health and Safety Implications	A number of schemes were undertaken in 2015/16 on the grounds of health and safety.

## Other Options

There are no options in this report.

## Consultation

N/A

## Reasons for Recommendation

To ensure that key information on the Capital Investment Programme is noted by the Executive.

**Finance Officer Clearance**      **NB**.....

**Legal Officer Clearance**      **MRJ**.....

**DIRECTOR'S SIGNATURE** ..... 

**APPENDIX A**

**CAPITAL OUTTURN 2015/16**

The Council spent £31.9m on capital schemes last year. A summary analysis of this by service area is shown below, together with further detail on re-profiling, acceleration, overspending and savings.

Service Area	Budget 2015/16 £'000	Outturn 2015/16 £'000	Variance £'000	← Variance Explained By →			
				Re- Profiling £'000	Acceleration £'000	Add'n Expend £'000	Saving £'000
Children, Families & Wellbeing	21,590	19,463	(2,127)	(3,831)	1,708	88	(92)
Economic Growth, Environment & Infrastructure	20,068	10,993	(9,075)	(9,381)		1,252	(946)
Transformation and Resources	2,915	1,396	(1,519)	(942)	89	4	(670)
<b>Total</b>	<b>44,573</b>	<b>31,852</b>	<b>(12,721)</b>	<b>(14,154)</b>	<b>1,797</b>	<b>1,344</b>	<b>(1,708)</b>



## APPENDIX B

### Explanation of Major Variances

Re-Profiling £14.154m	£000	Explanation
<b>Children, Families &amp; Wellbeing</b>		
School Places Programme	1,593	During the year work has been undertaken on 16 schools to provide additional places with a budget of £14.1m. 13 are now complete, with a number having final payments due in 2016/17.
Schools Maintenance Schemes	584	Work has been undertaken on 17 schools during the year, predominantly during the summer recess. However 5 schemes have been unable to start as expected which along with retentions require re-profiling to 2016/17.
Schools Devolved Formula and Access schemes	93	Each school allocated annual budgets to be spent within 3 years as they require. Council has no control over when budgets are spent
Adult Social Care – Community Capacity Grant	604	A programme of investment has been approved including an Agile Working programme (£484k) which is due to commence in 2016/17.
Liquid Logic – Social Care System	225	Work to incorporate children’s facilities onto the system was started in the year. Some modules have not yet been fully implemented and completion has slipped into 2016/17.
LDD Assessment Unit – Upgrade (Shawe View, Flixton)	100	Review is underway with ongoing dialogue with the care provider. The review includes service improvements and the development of an acute facility in the upstairs area of the property.
Assistive Technology	198	Required to fund the wind down of the historical arrangements as we move to a new model and to fund any one off opportunities that arise, predicated to reduce long-term revenue expenditure and provide a positive return on capital invested.
Disabled Facilities Grants	254	New procedures for the payments for works has been introduced during the year which has speeded up the charges through to capital. As a result the majority of the 2015/16 budget has been spent. £0.2m is required to meet demand and therefore is to be re-phased to 2016/17.
Various Social Care schemes	180	Includes schemes for Children’s Residential Services, U5s service provision and Old Trafford Extra Care.

<b>Economic Growth, Environment &amp; Infrastructure</b>		
Broadheath Community Centre	419	The council is to utilise S.106 contributions to support the new facility. Continuing legal negotiations between the interested parties has delayed the expected start of the development.
Corporate Landlord schemes	754	A range of health & safety and public building repair schemes. The Health and Safety and Building Maintenance and Mechanical and Electrical Schemes and Projects will be phased and programmed for 2016/17 dependent on buildings future.
Altair Development, Altrincham	1,217	Relates to outstanding land compensation issues on the site.
Town Centres – Public Realm Improvements	413	A number of town centre improvement projects are now underway. The first phase of the public realm works in Altrincham is now complete. Minor rephasing, across a number of schemes is required to cover payments now due in 2016/17.
Cycle Initiative schemes	536	Delays in negotiations and agreements with funding agencies and landowners mean that schemes have not progressed as expected.
Integrated Transport Plan Works	236	A number of schemes have been delayed due to the requirement to implement Traffic Regulation Orders.
Metrolink extension works	3,000	Public enquiry has delayed programmed start. GMCA will claim contribution when outcome of enquiry completed, and this is expected to be announced in Autumn 2016.
Various Traffic & Transport schemes	329	This relates to a number of individual projects delayed due to: Value Engineering on Hale Barns; A56 Davyhulme Rd junction redesign following discussion with TfGM; Sinderland Road delayed due to works on adjacent junction.
A56 / West Timperley : Junction Improvements	401	Minor delays with the purchase of properties and statutory civil works have delayed completion. However the scheme is progressing well and is now expected to complete in early August 2016.
LED Replacement Programme	885	The start of the project was delayed due to legal action against the Council. Following the Council's successful defence of its position the replacement programme commenced in April 2016.
Highway Structural Maintenance	160	£2.4m of HSM schemes have been delivered in 2015/16 including maintenance, street

		lighting and bridge works. Re-profiling to 2016/17 is required to cover completion of and final payments.
Pay & Display Equipment	146	The pay and display upgrade is to be procured alongside a cashless payment option. Equipment has been ordered, waiting on delivery and installation which is due early in 2016/17.
Residents Parking – Cecil Road, Hale	81	Consultation has recently completed on the proposals. Objections have been raised to the scheme, and further consultation is to be undertaken
Parks & Greenspace Schemes	207	Attributable to a £100k S106 scheme at Fairywell Brook (access and biodiversity improvements) which was re-profiled to 16/17 in Quarter 4. The remainder is made up of Seymour Park (skate park component) contract which was let in late 15/16 and Longford Park (older children's play )which has been carried forward so that one contract can be let for more extensive play area improvement works using funding available from 2015/16 and 2016/17.
Additional Burial Land	364	Planning approval issue have delayed the completion of the purchase of additional burial land in Altrincham
Various minor EG&I schemes	233	(1) The homeowner grant scheme relies on sufficient numbers of homeowners (who meet the qualifying criteria) applying for the grant. Although several grants were awarded during 2015/16 to a value £27k, there is £35k remaining to be carried forward to 2016/17. (2) The Council use powers, including CPO, to bring empty properties back into use. A number of properties have been identified, however, due to a number of factors these schemes have been unable to start as expected during 2015/16. £100k will require re-profiling to 2016/17.
<b>Transformation &amp; Resources</b>		
Performance & Improvement schemes	104	Sports Frameworks grants (£74k): A new scheme is now in place with 4 grants already awarded. The balance is to be awarded in 2016/17. Libraries – Wifi provision (£26k). Due to ongoing consultation with ICT improved provision across all libraries to meet increasing demand will now be introduced in 2016/17.
CRM Upgrade	245	Implementation has progressed well during

		the year and is now nearing completion and budget has been rephased to cover the outstanding costs. It is estimated that there will be significant savings of £0.6m on this budget
Other ICT Projects	593	Includes SAP upgrades and developments (£250k) and Disaster System Recover (£100k) as well as a range of smaller projects now planned for 2016/17

<b>Acceleration £1.797m</b>	<b>£000</b>	<b>Explanation</b>
<b>Children, Families &amp; Wellbeing</b>		
School Places Programme	1,698	Brentwood School project is 6 weeks ahead of schedule. There is need to accelerate budget to finance contractor payments.
Free Schools Meals Programme	10	Work at Flixton Infants School completed and retention paid earlier than anticipated.
<b>Transformation &amp; Resources</b>		
ICT Schemes	89	Successful implementation of the new CRM system

<b>Additional Expenditure £1.344m</b>	<b>£000</b>	<b>Explanation</b>
<b>Children, Families &amp; Wellbeing</b>		
Schools Maintenance Programme	43	Minor overspends across a number schemes offset by identified savings.
Various schools related works	38	As above
Youth Services	7	As above
<b>Economic Growth, Environment &amp; Infrastructure</b>		
Partington District Centre – Land purchase	370	Funded by HCA capital grant
Section 278 agreements	695	Relates to highway works on residential and commercial developments undertaken by the Council and funded by the developer.
CCAG schemes	83	Relates to 2 schemes funded by TfGM grant
Highways Related Projects	61	Includes £36k Better Bus spend, and £25k for integrated transport works (covered by S.106 contribution).
Sustainability & Greenspace Projects	39	Minor overspends funded from S.106 contributions and savings on other projects
Various minor overspends	8	

<b>Savings £1.708m</b>	<b>£000</b>	<b>Explanation</b>
<b>Children, Families &amp; Wellbeing</b>		
St. Ambrose College – Rebuild	67	Minor savings on this major project now

		retentions have been paid used to offset other additional expenditure on school projects.
Various CFW projects	25	Minor savings across a number of schemes
<b>Economic Growth, Environment &amp; Infrastructure</b>		
Long Term Accommodation	25	
Highways Related Projects	47	CCAG grant from TfGM to cover Better Bus expenditure, agreed with the grant provider.
Sustainability & Greenspace Projects	16	Minor savings across a number of schemes
Corporate Landlord schemes	758	Identified as uncommitted and to be used to support 2016/17 investment
Housing / Empty property grants	100	As above
<b>Transformation &amp; Resources</b>		
ICT Schemes	670	Includes £650k relating to the successful implementation of the new CRM system

## APPENDIX C

### Prudential Indicators – Actual 2015/16

The figures below show the Council's actual prudential indicators for 2015/16 compared to estimate.

<b>Indicator 1: CAPITAL EXPENDITURE</b>	2014/15 Actual £'000	2015/16 Original Estimate £'000	2015/16 Revised Estimate £'000	2015/16 Actual £'000
<b>Total Expenditure</b>	<b>26,479</b>	<b>41,841</b>	<b>44,573</b>	<b>31,853</b>

Explanation of variances are given in the Appendices A & B

<b>Indicator 2: CAPITAL FINANCING REQUIREMENT</b>	31/3/15 Actual £'000	31/3/16 Original Estimate £'000	31/3/16 Revised Estimate £'000	31/3/16 Actual £'000
<b>General Fund</b>	<b>138,239</b>	<b>138,389</b>	<b>135,431</b>	<b>134,815</b>

This is the Council's underlying need to borrow for a capital purpose. The table above reflects the estimated need to borrow for capital investment i.e. the anticipated level of capital expenditure not financed from capital grants and contributions, revenue or capital receipts.

<b>Indicator 3: FINANCING COSTS TO NET REVENUE STREAM</b>	2014/15 Actual %	2015/16 Original Estimate %	2015/16 Revised Estimate %	2015/16 Actual %
<b>General Fund</b>	<b>7.0</b>	<b>7.3</b>	<b>6.1</b>	<b>6.0</b>

This indicator shows the net borrowing costs and minimum revenue provision as a percentage of the Council's net revenue budget.

<b>Indicator 4: Incremental impact on Band D council tax and housing rents</b>	2014/15 Actual £	2015/16 Original Estimate £	2015/16 Revised Estimate £	2015/16 Actual £
<b>Council Tax – Band D</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>

The in-year borrowing requirement was less than the amount set aside to repay debt therefore there is no change to this indicator in year.

## TRAFFORD COUNCIL

**Report to:** Accounts and Audit Committee  
**Date:** 28 June 2016  
**Report for:** Information / Comments  
**Report of:** Audit and Assurance Manager

### Report Title

Draft Annual Governance Statement – 2015/16

### Summary

This reports sets out the Draft 2015/16 Annual Governance Statement (AGS). The preparation and publication of an Annual Governance Statement is necessary to meet the statutory requirement set out in the Accounts and Audit Regulations 2015.

The content of the Draft AGS has been reviewed and agreed by CMT. This has included agreeing significant governance issues detailed in the AGS, progress against which will be monitored through the year.

In compiling the AGS for 2015/16, an exercise has been undertaken to also update the Council's Corporate Governance Code to reflect any developments or changes during the year. A separate report has been produced which highlights proposed amendments to the Code.

It was previously agreed that a sub-group of the Accounts and Audit Committee was given delegated responsibility to review the AGS at draft stage and review by this group will be taken into account in producing the final version.

The final version of the AGS will take into account any feedback and also further developments through June to September 2016 (e.g. External Audit and Internal Audit review work) and will be presented to the Accounts and Audit Committee in September 2016 to accompany the Council's Accounts. This final version will be signed by the Chief Executive and Leader.

### Recommendation

The Accounts and Audit Committee notes that its Sub group, given delegated responsibility to review the 2015/16 AGS, will consider the draft version.

The final version of the Annual Governance Statement, signed off by the Chief Executive and Leader, will be presented for approval by the Accounts and Audit Committee in September 2016.

### Contact person for access to background papers and further information:

Name: Mark Foster – Audit and Assurance Manager  
Extension: 1323

Name: Paula Liew – Principal Auditor  
Extension: 1232

**Background Papers:** - CIPFA) /SOLACE – “Delivering Good Governance in Local Government” – Framework, Guidance Note, Briefing Note and Addendum (2012). (Note that updated guidance issued in 2016 from CIPFA/SOLACE is required to be applied for the 2016/17 Annual Governance Statement).



# TRAFFORD COUNCIL

## ANNUAL GOVERNANCE STATEMENT 2015/16 **DRAFT**

## **1. Scope of Responsibility**

- 1.1 Trafford Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Trafford Council 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 regards to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, Trafford Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.
- 1.3 Trafford Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government'. A copy of the Authority's code is on our website at: <http://www.trafford.gov.uk/about-your-council/budgets-and-accounts/downloadable-documents.aspx>.  
This statement explains how Trafford Council has complied with the code and also meets the requirements of Accounts and Audit (England) Regulations 2015, regulation 6, which requires all relevant bodies to prepare an annual governance statement.

## **2. Purpose of the Governance framework**

- 2.1 The governance framework comprises the systems and processes, culture and values by which the Authority is directed and controlled and its activities through which it accounts to, engages with and leads its communities. 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 services and value for money.
- 2.2 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 ongoing process designed to identify and prioritise the risks to the achievement of Trafford Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.
- 2.3 The governance framework has been in place at Trafford Council for the year ended 31 March 2016 and up to the date of approval of the statement of accounts.

### 3. The Governance Framework

3.1 The Authority has adopted a local governance framework which is consistent with the principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government'. It is reviewed and updated periodically to ensure it remains fit for purpose. The Trafford Council Corporate Governance Code sets out in detail how the Authority meets the requirements of the framework. The Framework is based on 6 principles of good governance as follows:



3.2 The key elements of the system and processes that comprise the Authority's governance framework are outlined in this Annual Governance Statement, describing how the Authority can demonstrate the effectiveness of governance arrangements during 2015/16 with reference to each of the six governance principles.

CIPFA SOLACE Principle 1.	Key Elements of Trafford Framework
Focusing on the purpose of the Authority and on outcomes for the community and creating and implementing a vision for the local area:	<ul style="list-style-type: none"> <li>• Sustainable Community Strategy (Trafford Vision 2021: A Blueprint)</li> <li>• Reshaping Trafford 2014-17: Blueprint</li> <li>• Annual Delivery Plan</li> <li>• Transformation Programme</li> <li>• Revenue Budget Setting and Monitoring</li> <li>• Capital Investment Programme</li> </ul>
How we have delivered against the Principle in 2015/16	
<p>The Reshaping Trafford Blueprint 2014-17 sets out the Council’s vision and aims to have a new operating model by 2017 to enable the delivery of minimum statutory requirements, ensure directly funded services are monitored for quality and performance whilst continuing to provide a place shaping role for the borough. The Blueprint will be refreshed during 2016/17 to reflect local and national changes including devolution, financial gap and future funding arrangements, Greater Manchester Public Sector Reform framework and integration.</p>	
<p>Trafford is leading the way across Greater Manchester by being one of the first boroughs to bring its Public Service Reform programme under one integrated partnership governance framework. An extensive review and restructure of the Trafford Partnership has taken place, to ensure this is aligned to the Greater Manchester Strategy, to support Public Service Reform including place based integration. This has resulted in a streamlined Trafford Partnership structure under the themes of Health &amp; Wellbeing, Economic Growth and Strong Communities, with greater focus on performance and accountability. The Terms of reference and membership of the Health and Wellbeing, Stronger Communities Board and Trafford Partnership Board (formally the Trafford Partnership Executive) have been updated and a new Growth Board established. (See Section 5. Significant Governance Issues – Public Service Reform).</p>	
<p>Trafford Council and Trafford Clinical Commissioning Group (CCG) have jointly developed the Trafford Locality Plan 2016-21 in response to the Greater Manchester health &amp; social care devolution agreement. To support the delivery of the Locality Plan, Trafford Council is working in collaboration with Trafford Clinical Commissioning Group (CCG) and key partners to develop an all age integrated health &amp; social care delivery model with Pennine Care and develop an ‘all age front door’ through the implementation of the Trafford Care Coordination Centre (TCCC) which will have a critical role in managing demand in the social care system, to optimise through co-location and integration where most appropriate and through a framework of commissioned services.</p>	
<p>A revised 2 year Section 75 partnership agreement between Trafford Council and Pennine Care Foundation was approved by the Council Executive on 21<sup>st</sup> March 2016 and signed on 1 April 2016. As part of the Greater Manchester Devolution programme, a Trafford Joint Commissioning Board is now in place chaired by the Leader of Trafford Council and reporting directly to the Greater Manchester Joint Commission Board.</p>	

(Also see Section 5. Significant Governance Issues - GM devolution programme).

The total value of savings planned in the 2015/16 budget of £21.584 million was achieved, with the final outturn for the year showing an overachievement. This represents the largest amount to be achieved in a single year in the Council's history.

The Government grant settlement has provided indications for the level of settlement up to 2019/20. The medium term outlook demonstrates that the Council will still need to make savings in excess of £30m over the three years from 2017/18 to 2019/20, a significant proportion of this being in 2017/18. The Council's reserves have been revised and a budget support reserve has been created which will be available to smooth the impact of the budget reductions and assist with the transformation programme. (Also see Section 5.3 Significant Governance Issues 2016/17).

The Council has balanced and approved the 2016/17 net revenue budget of £147m which represents a £1.6m (1.1%) reduction on 2015/16 and a funding gap of £22.6m. Of this, 46% (£10.3m) is to be through additional income streams including the application of a 2% adult social care precept to the local Council Tax bills; 22% (£5.0m) through efficiency savings and 32% (£7.2m) through policy choice savings. Alongside this the annual review of the Capital Programme 2016/17-2018/19 and Prudential Indicators were approved by the Executive in February 2016.

All recommendations from the Council's 2014/15 budget monitoring action plan have been completed; the outcomes being reported to Accounts and Audit Committee in September 2015 (Also see Section 5. Significant Governance Issues 2014/15 – Budget Monitoring).

The Council has successfully implemented the 'One Trafford' partnership with Amey LG to manage a range of previous in-house services and also to take on the previously outsourced domestic and commercial waste contract. This is expected to deliver £3.4m efficiency savings by the end of 2016/17.

In collaboration with Trafford Council, Greater Manchester Police (GMP) has embarked on a programme to transform its HR shared services to provide a more streamlined, cost effective and higher quality services to meet the needs of its officers and staff. GMP and Trafford Council have completed the design phase and a full business case has been approved.

Following the expiry of the Trafford Leisure Trust contract in Sept 2015, alternative delivery arrangements have been established and an interim business plan is in place. The Council set up a wholly owned community interest company, Trafford Leisure Community Interest Company Ltd from 1<sup>st</sup> Oct 2015 to deliver leisure services across the borough. A Board of Directors has been appointed responsible for compliance with general company law and CIC regulatory requirements. Based upon supply and demand analysis, a Leisure Strategy and commercial prospectus is currently being developed which will form the basis of the future provision and identify the long term requirements for built leisure facilities across the borough. (Also see Section 5.

Significant Governance Issue 2014/15 – Leisure Services).

A proposal for Trafford Council to establish Trust Youth Trafford as a Community Interest Company was agreed by the Council Executive in February 2016. The CIC was registered in March 2016 and an independent Board of Directors has been set up, which includes amongst other skill sets, youth sector expertise and 2 young people aged 17 and 18. The purpose of the Trust is to grow investment into youth provision across Trafford, commission and fund provision in response to local needs and aspirations and develop a network for youth sector providers to share knowledge, expertise and resources and to prevent duplication. Cabinet Office funding has been obtained through the Delivering Differently for Young People Programme to provide independent support to the Board in its first few months of operation. (Also see Section 5. Significant Governance Issues – Reshaping Trafford).

Through Trafford’s Approach to Trading, a more effective way of delivering traded services has been developed. Detailed business plans, with associated action plans, have been prepared. These identify new income streams, improved cost models and pricing structures as well as efficiencies in working methods in order to improve the financial return to the Council. A new governance structure has also been developed to provide more scrutiny of progress to plan.

STAR Procurement, the shared procurement service for Stockport, Trafford and Rochdale Councils, continues to support the redesign of services delivered by Trafford Council. In the financial year 2015/16, STAR supported Trafford Council in the delivery of £6.1m savings against budget/planned expenditure. STAR Procurement promotes the objectives set out in its joint Procurement Strategy and has been successful in gaining regional and national awards , including the GO Awards (Leadership of the Year award). It continues to promote inter-authority working and service redesign; for example, taking the lead on a whole Greater Manchester approach to commissioning the Sexual Health contract.

The Council agreed its 2015/16 Annual Delivery Plan in March 2015, which set out the key deliverables for the year, supported by individual Corporate Directorate plans, connecting service objectives and associated actions to the community vision and corporate priorities. Progress against this was reported quarterly through CMT and the Executive and monthly dashboard to portfolio holders.

CIPFA SOLACE Principle 2.	Key Elements of Trafford Framework
Members and officers working together to achieve a common purpose with clearly defined functions and roles:	<ul style="list-style-type: none"> <li>• Constitution</li> <li>• Executive Terms of Office</li> <li>• Scheme of Delegation to Officers</li> <li>• Member Officer Relations Protocols</li> <li>• Employment Procedure Rules</li> <li>• Pay Policy Statement</li> <li>• Members Allowance Scheme</li> </ul>

#### How we have delivered against the Principle in 2015/16

The Council has entered into a 15 year contract with Amey LG commencing July 2015 to manage a range of environmental services. Contract governance and monitoring arrangements have been established including a Strategic Partnership Board and Operational Board. (Also see Section 5. Significant Governance Issues – Reshaping Trafford).

Senior management structures have been further streamlined with the decision taken to appoint a Corporate Director – Resources supported by the post of Chief Finance Officer. With effect from 1 March 2016 the Chief Finance Officer was designated as the Council's Statutory 151 Officer authorised to perform all financial duties previously the responsibility of the post of Director of Finance. The Chief Finance Officer is a member of the Corporate Management Team.

A new linear pay structure was implemented in April 2015 that introduced a new grade to span the top of the National Joint Council (NJC) pay spine and the Senior Manager pay structure. This will enable posts to be created in recognition of increased levels of responsibility as the organisation reshapes.

From 1 April 2014, the Council implemented a package of changes to employee terms and conditions including introduction of 3 days mandatory unpaid leave on a temporary 2 year basis to 31 March 2016, and delivering savings of £1.05m over this period. During 2015, the scheme was reviewed and proposals to further extend changes to employee terms and conditions were subject to statutory consultation with the trade unions and workforce. The outcome of this, approved by Employment Committee on 18 January 2016, was for a 1 year extension of the mandatory unpaid leave and also to implement a simplified scheme for taking additional voluntary unpaid leave, enabling staff to spread costs over a 12 month period. All staff in scope have signed up to revised terms and conditions.

Contract Procedure Rules (CPRs) harmonised across the three Councils participating in STAR Procurement were adopted in to the Council Constitution in July 2015. These CPRs allow for greater participation in shared services and single contracts across the three partner authorities, in turn assisting with the achievement of a common purpose.

STAR Procurement continues to rationalise procurement processes and documentation across the three partner authorities. Actions in the last 12 months include the finalisation of common terms and conditions of contract and other procurement documentation to harmonise processes and procedures. This has allowed the publication of a single Procurement Handbook to provide aligned procurement guidance to officers/stakeholders across the three authorities, thereby streamlining processes and making the procurement process more efficient and effective. In February 2016, STAR Procurement published its website. This website acts as a resource for both suppliers to the STAR partner authorities and also for stakeholders, or buyers, within each council.

CIPFA SOLACE Principle 3.	Key Elements of Trafford Framework
Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour:	<ul style="list-style-type: none"> <li>• Employee Code of Conduct</li> <li>• Members Code of Conduct</li> <li>• Disciplinary Policy</li> <li>• ICT Acceptable Use Policy</li> <li>• Anti-Fraud &amp; Corruption Strategy</li> <li>• Whistle blowing Policy</li> <li>• Corporate Complaints Procedure</li> <li>• Standards Committee</li> <li>• Corporate Governance Code</li> </ul>
How we have delivered against the Principle in 2015/16	
<p>The Council's benefit fraud investigation team transferred to the Department of Work Pensions in March 2015 with the creation of the national Single Fraud Investigation Service. During 2015/16 a new Counter Fraud and Enforcement Team was established with a remit of areas of fraud risk which remain with the Council following the transfer, initially focusing primarily on revenues related fraud relating to Council tax and Business rates with a view to developing capacity over time.</p>	
<p>In light of changes in counter fraud investigation arrangements, the Council's Strategy and Policy and associated guidance for reporting fraud are being reviewed in 2016/17. Relevant services including Counter Fraud, Internal Audit, Human Resources and Legal Services will agree updated arrangements and where appropriate update other policies such as the Council's Whistleblowing Policy.</p>	
<p>The Council continues to participate in the National Fraud Initiative (NFI) data matching exercise. The NFI 2014/15 results as at March 2016 identified for the matches reviewed, the detection of 28 cases of fraud or error. In relation to this, £23k of benefits overpayments are being recovered and there is also an ongoing weekly payments reduction of £24k per annum.</p>	
<p>To ensure the Authority meets best practice and legislative requirements, the Council has established an Information Security Governance Board (ISGB). The Senior Information Risk Officer assists the Board to oversee and review information governance issues and risk, and to embed standards across the Council. The ISGB has established an action plan of key areas for improvement within the Council. The ISGB is regularly reviewing progress on the implementation of these tasks throughout the Council. Areas identified include a review of all Information Governance policies, a review of procedures for responding to Freedom of Information and Subject Access Requests and introduction of refresher Information Governance Training for staff who process personal and or sensitive information. (See Section 5. Significant Governance Issues – Information Governance).</p>	
<p>The Council held its 4th annual Employee Recognition Awards in October 2015 to appreciate the contribution of both individual employees and teams and demonstrates Council values to staff. In addition, during 2015 the Celebrating Success Employee</p>	

Recognition scheme has been launched to enable managers to nominate staff for outstanding contributions to service delivery.	
CIPFA SOLACE Principle 4.	Key Elements of Trafford Framework
Taking informed and transparent decisions which are subject to effective scrutiny and managing risk:	<ul style="list-style-type: none"> <li>• Decision Making Protocols</li> <li>• Access to Information Procedure Rules</li> <li>• Scrutiny Committees and Protocols</li> <li>• Risk Management Strategy &amp; Policy Statement</li> <li>• Strategic Risk Register</li> <li>• Internal Audit Strategy</li> <li>• Accounts &amp; Audit Committee</li> </ul>
How we have delivered against the Principle in 2015/16	
<p>The Council has in place a Scrutiny Committee and a separate Health Scrutiny Committee, supported by an annual work programme, which met on a regular basis throughout 2015/16.</p> <p>The annual Budget Scrutiny exercise took place during November to December 2015 with feedback reported to the Executive in January 2016. A number of risks identified through the annual Budget Scrutiny exercise will be used to inform the annual work programme for 2016/17. Other topics reviewed through Task and Finish Groups included home to school transport, educational attainment and hospital discharges. The Joint Health Scrutiny committee received regular updates on the New Health Deal for Trafford work programme.</p> <p>The Council operates an Accounts and Audit Committee which operates in accordance with its remit following guidance set out in CIPFA's "Audit Committees: Practical Guidance for Local Authorities". Throughout 2015/16 the Committee received regular updates in relation to strategic risks and governance issues.</p> <p>The Council continues to review and report on its Strategic Risk Register on a regular basis. The March 2016 report identified 17 strategic risks faced by the Council, each risk being managed by nominated staff / groups within the Council. The Council's ongoing work to plan service delivery with reduced financial resources continues to be one of the highest risks being managed with regular updates provided.</p> <p>The Internal Audit 2015/16 work plan incorporated coverage of key financial systems and other business risks. Quarterly updates of work undertaken were provided to the Corporate Management Team and the Accounts and Audit Committee through the year. The Annual Report of the Head of Internal Audit for 2015/16 states that based on internal audit work undertaken for 2015/16, the Internal Audit Opinion is that, overall, the control environment is operating to a satisfactory standard. Follow up audit work in areas previously reviewed demonstrates that continuing improvements in controls are being made to address risks previously identified. There were, however, some areas</p>	

where significant improvements in controls were required and in such instances, recommendations were made to improve the controls in place. Particular areas identified include required improvements in Council processes in relation to business continuity both in respect of service and central IT disaster recovery processes. Areas identified for improvement will be further followed up in 2016/17. (Also see Section 5.3 Significant Governance Issues 2016/17).

The Internal Audit function operates in general conformance with the Public Sector Internal Audit Standards. The Council's assurance arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2010).

The External Auditor's Annual Letter 2014/15 was presented to Accounts & Audit Committee in November 2015 providing an unqualified opinion on the financial statements and identified that in all significant aspects, proper arrangements were in place to secure value for money.

During 2015/16 the Council received OFSTED inspections of its Youth Offending Service and Children's Service which both received positive outcomes. The Children's Service review published in May 2015 rated Trafford overall 'Good with outstanding features' and rated them joint highest in the country.

CIPFA SOLACE Principle 5.	Key Elements of Trafford Framework
Developing the capacity and capability of members and officers to be effective:	<ul style="list-style-type: none"> <li>• Supporting Change to Happen Strategy 2014-17</li> <li>• Member Development Strategy</li> <li>• Members' Training Plan</li> <li>• Members' Induction Process</li> <li>• Employee Training &amp; Development Plan</li> <li>• Corporate Induction Procedure</li> <li>• Employees Personal Development Review (PDR)</li> <li>• Absence Management Strategy</li> <li>• Apprenticeship Scheme</li> <li>• Managing Organisational Change Toolkit</li> </ul>
How we have delivered against the Principle in 2015/16	
Risks in relation to the loss / absence and retention of senior managers to the organisation have been identified and are monitored through the Strategic risk register.	
A Supporting Change to Happen strategy is in place which identifies areas of good practice and sets out further improvements required through use of technology, training and leadership support. A suite of learning and development courses are available for staff to equip them with tools, techniques and skills to manage their own personal transition to work in new delivery models successfully.	

Trafford Council is the lead authority on the development of a Greater Manchester (GM) training procurement framework and a new approach will be in place in 2016. We are also a partner in the GM e-learning platform. Training and Development Plans are in place at directorate level and cross council, which are refreshed and updated annually.

A new starter induction guide and checklist is in place which includes a number of mandatory elements such as the Data Protection, Information Security, Employees' Code of Conduct, Fraud Awareness and the Acceptable Use Policy.

As part of our 'Be Bold be the Difference' campaign, a range of training/awareness sessions have been rolled out to staff working with the community to understand how community groups can function alongside the council to achieve shared goals. Community Builders and Community Connectors are in place to connect people in neighbourhoods so that all resources working in localities have a common understanding of what's available.

A succession planning strategy has been developed that formalises an approach to ensure that key skills are not lost to the Council whilst up-skilling staff to take on higher graded roles. Successors will be identified at senior manager level and targeted development initiatives provided to ensure that we are equipped to flex our workforce to react to resource and skills gaps.

A graduate recruitment scheme will recruit 2 graduates in 2016/17 to work in HR and Communications team to support a programme of work around employee engagement initiatives.

One to one meeting guidance and a template to record discussions has been developed and made available for managers so that a consistent approach to supervision is adopted across the Council. A refreshed Personal Development Review (PDR) process is in place and training to support the process is available for staff to access.

A supplementary Member Development Strategy describes how Councillors will be supported to develop in their changing role as community advocates and leaders. A Member Training Plan is in place with a training programme delivered during the year including safeguarding, legislative changes and financial management. A Leadership Development Programme was rolled out throughout 2015 that delivered a range of community based leadership interventions. The Council continues to demonstrate compliance with Level 1 of the North West Employers Organisation Members Charter.

Trafford in partnership with Pure Innovations, Trafford College and CMFT (Central Manchester Foundation Trust) has implemented a Learning Disability Internship scheme, with the aim to train cohorts of 10 young people with learning difficulties resulting in City & Guilds qualification and the minimum of one year paid employment with one of the scheme partners. The scheme is now in its third year of operation, having secured six employment opportunities for young people.

As at the end of the year, the Council's Internal Apprenticeship scheme launched in 2011 has had over 103 recruits in a broad range of disciplines and forty-one of these have secured permanent employment with the Council. At the Trafford College Apprentice Awards 2015, the Council won the Business Training Award 2015 and two of our Apprentices won 'Intermediate Apprentice for Customer Service' and 'Personal Achiever of the Year' awards. One of our Apprentices was shortlisted for a national Apprentice of the Year award with the Public Service People Managers Association (PPMA).

The Council takes a rigorous approach to absence management and in 2015/16 the Council achieved its target of 9 days absence per employee. This target was achieved through the delivery of a programme of management training across all service areas; targeted interventions in hotspot areas; improved management information at a corporate management level; effective use of health management services provided through the occupational health contract and the continued involvement of Elected Members to challenge the management of sickness absence within their portfolio areas.

Looking forward, a stretch target of 8.5 days per employee per annum has now been agreed for 2016/17 and an action plan has been developed to help the Council achieve this new target. The action plan which will be monitored by the Director of Human Resources involves a focus on improving the health and wellbeing of the workforce, in particular in relation to supporting staff with mental health issues; improving policies and practices for managing health and wellbeing; and improving staff morale and motivation.

CIPFA SOLACE Principle 6.	Key Elements of Trafford Framework
Engaging with local people and other stakeholders to ensure robust public accountability:	<ul style="list-style-type: none"> <li>• Customer Strategy</li> <li>• Trafford Council Website</li> <li>• Budget Consultation</li> <li>• Locality Working Programme</li> <li>• Building Strong Communities Strategy</li> <li>• Trafford Partnership Data Innovation and Intelligence Lab</li> <li>• Info Trafford Website</li> <li>• Corporate Complaints Procedure</li> </ul>
How we have delivered against the Principle in 2015/16	
<p>The Council has procured a new Customer Relationship Management (CRM) system which is due to go live in early summer 2016 with roll out across council services to be completed by the end of 2016/17.</p>	
<p>All Trafford libraries now have Wi-Fi and usage is increasing. Art Council Grant funding of £26k has been used to improve customer experience through installation of self-registration software and to part fund a Libraries Digital Officer post for 12 months with a role to ensure library staff and volunteers are equipped to assist customers with their</p>	

digital needs, embed working practices, promote services and ensure that Trafford Libraries are fully engaged with local and national digital initiatives. A draft digital strategy is being prepared for publication later in the year.

The Council has committed to undertake annual public and stakeholder consultation in relation to its budget proposals. Consultation on the 2016/17 budget took place between September to December 2015 based around the themes of the Reshaping Trafford programme and to obtain views on the proposed Council Tax increase. The process was supported by an independent organisation and included a dedicated website, staff briefings, open public forums and business briefing. A summary report was presented to the Executive in February 2016 which provides further detail on the methodologies and outcomes.

The Council continues to demonstrate compliance with Open Data requirements, publishing a range of financial and performance data on its website and was recognised as an Open Data Champion by central government in March 2015. The InfoTrafford website is well developed and through participation in the Greater Manchester Data Synchronisation Programme, the Council has developed a collaborative approach and has overcome barriers local authorities face in making data available in properly open formats.

The Trafford Partnership Data Innovation and Intelligence Lab has undertaken crime data mapping which has led to the Lab creating a software tool to extract open source police data and map it per ward across the whole of Greater Manchester. It has also secured funding for involvement in a 3 year European project demonstrating the value of open data, with Trafford focusing on the employment and skills agenda. It won an I-Network award for Innovation in Public Service in November 2015.

Following consultation and workshops with strategic partners and third sector providers, the Third Sector Strategy was reviewed during 2015 and transformed into a new Building Stronger Communities Strategy which not only provides for infrastructure support to the Voluntary, Community and Social Enterprise Sector (VCSE), but focusses on brokering and improving mutually beneficial relationships across and between the public, private and VCSE sectors and with residents and communities. It provides a strategic home for Locality Working and promotes the use of Social Value across the Trafford Partnership.

The Locality Working programme is a key feature of the strategy. It has 4 key features: Locality Partnership networks, locality projects, our Be Bold. Be the Difference campaign and our Community Building Programme. Locality Working is underpinned by Trafford's approach to Asset Based Community Development which not only allows us to make best use of all the assets, skills and resources in our communities but sees public sector staff as valuable assets, contributing a huge amount to communities. (See Section 5. Significant Governance Issues – Locality Working).

We are developing our front line staff and councillors as Community Builders on the

ground enabling residents to take action by signposting and connecting them to other local people and local services. We have delivered training to over 300 people on how to be a Community Builder, how to unlock the strengths within neighbourhoods, providing practical tools for mapping assets in communities. Our Locality Working programme has been shortlisted for a 2016 national Municipal Journal Award for Behaviour Change).

Pulse Regeneration and Trafford Housing Trust worked in partnership for 3 years up until October 2015 to deliver infrastructure support to the Third Sector under the Thrive Trafford brand and delivery over the 3 years exceeded targets. The contract was extended for 6 months October 2015 to April 2016 solely with the main contract holder, Pulse, whilst a new specification in response to the new Building Strong Communities Strategy was tendered. From 1<sup>st</sup> April 2016 a new 12 month contract with Pulse regeneration has been agreed to provide support during 2016/17 for social enterprise, community capacity building, Locality Working and asset-based principles, Community asset transfer and volunteering.

#### 4. Review of effectiveness

4.1 Trafford Council’s Corporate Governance Code sets out the Authority’s responsibility to undertake a review of the effectiveness of its governance framework on an annual basis. The review of effectiveness is informed by the work of the executive managers within the Authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit’s annual report, and also by comments made by the external auditors and the results of other reviews / inspections.

4.2 The processes applied and sources of assurance obtained in maintaining and reviewing the effectiveness of governance arrangements and, as part of that, the system of internal control include the following:

Management Controls	Independent Assurance	External Assurance
<ul style="list-style-type: none"> <li>• Financial Management</li> <li>• Programme Management</li> <li>• Performance Management</li> <li>• Risk Management</li> <li>• Legal</li> </ul>	<ul style="list-style-type: none"> <li>• Internal Audit</li> <li>• Scrutiny</li> <li>• Health &amp; Safety</li> </ul>	<ul style="list-style-type: none"> <li>• External Audit</li> <li>• Other inspectorate e.g. OSTED, CQC</li> <li>• Sector led improvement e.g. LGA</li> </ul>

4.3 These governance functions are described in more detail within the Council's Corporate Governance Code and specific assurances or improvements delivered during 2015/16 are detailed in Sections 3 and 5 of this Statement.

**4.4 We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Accounts and Audit Committee, and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new actions planned are set out in Section 5.**

## **5. Significant Governance issues**

5.1 The Council takes seriously its responsibilities and duties with regard to ensuring continuous improvement in the way its functions are exercised and in consideration of economy, efficiency and effectiveness.

5.2 In response to the 2015/16 review of the internal control environment and the identification of a number of control issues, the Council has taken significant action to address those issues and implement appropriate improvement actions through 2015/16. Detailed below are the significant governance issues highlighted in the 2014/15 Annual Governance Statement followed by action taken in 2015/16, and where applicable further work proposed for 2016/17.

## Significant Governance Issues

2014/15 Significant Issues	Action Taken 2015/16	Further Work Planned 2016/17
<p><b>1. Reshaping Trafford Programme</b></p> <p>Key work programmes underway included:  <u>One Trafford Partnership</u>            The Joint Venture Contract programme scheduled to 'go-live' in July 2015 with chosen partner Amey LG. This partnership will deliver savings of approximately £2.25m in 2015/16, whilst continuing to deliver high quality and value for money services.</p> <p><u>GMP HR Collaboration</u>            We are also working with the Greater Manchester Police force to launch a joint Human Resources shared service that will benefit both organisations by sharing best practice, technology and other synergies.</p>	<p>Key programmes included:  <u>One Trafford Partnership</u>            The contract went live in July 2015. Governance arrangements have been established including a quarterly Strategic Partnership Board with elected member and senior officer representation, and a monthly Operations Board with officer representation, key performance indicators and performance reporting established.</p> <p><u>GMP HR Collaboration</u>            GMP and Trafford Council have completed the design phase and approved a full business case for creating a joint HR shared service centre. This will aim to achieve further economies of scale and yield financial savings, operating efficiencies and a collaborative way of working.</p> <p><u>Maximising Income</u>            As part of a Reshaping Trafford, we have developed a two year approach to reviewing all services in order to generate additional income and identifying collaborative opportunities that realise efficiency savings.</p>	<p>There are 37 projects / programmes under 6 themes:</p> <ul style="list-style-type: none"> <li>• Working smarter</li> <li>• Buying better</li> <li>• Commissioning</li> <li>• Promoting Independence</li> <li>• Maximising income</li> <li>• Joined up and working together</li> <li>• Eligibility and access</li> </ul> <p>The 2016/17 Transformation saving target is £9.94m. The Benefits Realisation approach is under review now to build on learning from within the CFW Directorate to wider arrangements.</p> <p><u>GMP HR Collaboration</u>            This is now in the 'construct' phase, staff consultation with all parties has been concluded and it is planned the service will begin operation in late summer 2016. A number of other organisations have expressed interest in joining and these opportunities will continue to be explored.</p> <p>Delivery of the Trafford Locality Plan, including new place based integrated working delivery models.</p>

2014/15 Significant Issues	Action Taken 2015/16	Further Work Planned 2016/17
<p><u>CFW Transformation Programme</u></p> <p>Given the strategic importance of this programme, it had its own dedicated project team and a separate programme board, chaired by the Chief Executive, and consisting of senior Council staff, and individual project managers.</p> <p>Key elements of the Children Families &amp; Wellbeing Programme Plan include:</p> <ul style="list-style-type: none"> <li>- Delivery of the agreed 2015/16 saving target and development of savings proposals for 2016/17 and 2017/18;</li> <li>- Design of the specification and governance arrangements to underpin Pennine Care Foundation Trust delivery of the all age delivery model from 1 April 2016 (including integrated commissioning arrangements);</li> <li>- Preparation for Greater Manchester health devolution at local level, whilst ensuring delivery of the Greater Manchester Public Service Reform agenda (see separate governance issue No. 4).</li> </ul>	<p>The CFW Programme 2015/16 year end position has delivered £16.415m savings, compared to the £15.612m target.</p> <p>Trafford Council and Trafford Clinical Commissioning Group (CCG) have jointly developed the Trafford Locality Plan 2016-21 approved by the Health and Wellbeing Board in March 2016 and sets out how the authority, CCG and partners will deliver health &amp; social care outcomes for Trafford through integrated service delivery and commissioning.</p> <p>A revised 2 year Section 75 partnership agreement between Trafford Council and Pennine Care Foundation was approved by the Executive on 21 March 2016 and signed on 1 April 2016.</p> <p>Trafford Council has supported the implementation of the Trafford Care Co-ordination Centre (TCCC) which will have a critical role in managing demand in the social care system.</p> <p>New delivery models are in place for the 'early help' provision and framework of commissioned services.</p>	<p>The CFW programme has been supported by a leadership group. This is now under review to ensure the terms of reference are fit for the 2016/17 programme</p> <p>Trafford Council and Trafford CCG have agreed integrated commissioning priorities which align to the new Health and Wellbeing Board priorities going forward:</p> <ul style="list-style-type: none"> <li>• Learning Disabilities</li> <li>• Mental Health</li> <li>• Community Equipment</li> <li>• Better Care Fund</li> <li>• Alcohol use</li> <li>• Smoking cessation</li> <li>• Reducing Physical Inactivity</li> </ul>

2014/15 Significant Issues	Action Taken 2015/16	Further Work Planned 2016/17
<p><u>Youth Trust</u> As part of the new Early Help Model, commitment has been given by the Council and Trafford Partnership to develop a Youth Trust. A mapping exercise of all current provision for young people has been undertaken alongside an early help needs assessment. A partnership steering group has been set up and a project plan is under development with a view to creating a shadow Trust by September 2015 and the full legal entity by April 2016, ready to commission services from 1 April 2016. The Council will be a significant investor into the Trust and as such will be represented by individuals on the Board of Trustees.</p>	<p>A multi-agency Steering Group was established in March 2015 supported by task groups to consider the governance and infrastructure, commissioning, communication and engagement requirements for formation of the Trust.</p> <p>Extensive consultation took place throughout the year, including Young Person and Provider engagement events in July 2015 to outline proposals and discuss the purpose and vision.</p> <p>The governance model and options were presented to the Steering Group and it was approved by the Council Executive on 20 January 2016 to create a Community Interest Company (CIC), initially with the Council as sole shareholder, to establish an independent partnership organisation Trust Youth Trafford which will grow investment into youth provision in Trafford, commission and fund provision for 11-18 year olds (up to 25 years for people with learning disabilities) against identified needs and aspirations, helping the sector to better co-ordinate itself to improve capacity, sustainability and outcomes for young people.</p>	<p>The new CIC Board are currently working with independent consultants red Quadrant funded by the Cabinet Office, to support Board development and develop investment and membership models, further stakeholder and young people engagements culminating in the drafting of a business plan and operating model for Year One. In addition the consultants are working with both the Trust and Trafford Council to draft an Operating Agreement which sets out the relationship and funding arrangement between the 2 organisations. This work will be completed by July 2016.</p> <p><b>Reshaping Trafford will continue to be reported as a significant governance issue for 2016/17.</b></p>

2014/15 Significant Issues	Action Taken 2015/16	Further Work Planned 2016/17
<p><b>2. Information Governance</b> The membership and Terms of Reference of the Information Security Governance Board (ISGB) have been reviewed and a newly established Information Governance team is in place. The ISGB has developed and approved a work plan and action against that plan is reported to CMT on a regular basis. Action points in the plan include:-</p> <ul style="list-style-type: none"> <li>• Communicate roles &amp; responsibilities across the Council including responsibilities of Information Asset Owners (IAO)</li> <li>• Develop an Information Asset Register to identify all corporate assets and their uses</li> <li>• Implement retention and disposal policy on all historic, current and future records</li> <li>• To streamline Freedom of Information and Subject Access Request to legal compliance and improve processes</li> <li>• Introduce Privacy Impact Assessments for all new projects that collect personal / sensitive data initially, and roll out retrospectively to existing projects.</li> </ul>	<p>Developments in 2015/16 include the following:</p> <ul style="list-style-type: none"> <li>• Setting up of the centralised corporate Information Governance Team</li> <li>• The re-established Information Security Governance Board (ISGB) meets monthly to discuss current information security and IG matters affecting the Council</li> <li>• Refresher Information Governance (IG) training was prepared and rolled out to Council staff during April 2016 using a new training suite to build on the existing knowledge of staff</li> <li>• A new, simplified Information Asset Register has been developed to identify corporate assets</li> <li>• Working with stakeholders to develop Information Sharing Protocols at the start of new collaborative projects where sharing of information is necessary</li> <li>• Assisting project leads with implementing Privacy Impact Assessments for new collaborative working initiatives that require the collection of personal / sensitive data</li> <li>• Continuous education of and</li> </ul>	<p>To continue to further develop IG arrangements across the Council, Plans of the IG team include the following:</p> <ul style="list-style-type: none"> <li>• To continue to assist in the successful implementation of the tasks outlined on the ISGB Work Plan</li> <li>• To work with the Information Commissioners Office regarding response times to Freedom of Information Requests</li> <li>• To provide assistance on the information governance challenges facing Public Service Reform</li> <li>• To provide information governance advice and guidance in collaborative working with other stakeholders</li> <li>• To provide information governance advice and guidance in the creation of the Trafford Human Resources Shared Service Centre</li> <li>• To prepare the Council for the forthcoming voluntary audit by the ICO.</li> </ul> <p><b>Information Governance will continue to be reported as a</b></p>

2014/15 Significant Issues	Action Taken 2015/16	Further Work Planned 2016/17
	communication with stakeholders on good IG practices.	<b>significant governance issue for 2016/17.</b>
<p><b>3. Locality Partnerships</b></p> <p>A Steering Group has been established to implement locality working across Trafford, working with Locality Partnerships, Ward Members and key stakeholders.</p> <p>From June 2015 Locality Working will 'go-live' including: Each Locality Partnership will hold a stakeholder event, inviting representatives from all sectors.</p> <p>A large-scale borough-wide campaign, "Be Bold, Be the Difference", will be launched to encourage residents involvement and highlight the support available.</p> <p>Front-line staff will have a key role in this campaign, acting as 'Community Builders', on the ground signposting and connecting local people. Officers are being identified and training commissioned.</p> <p>Engagement activities will shape the</p>	<p>To further embed locality working as business as usual through:</p> <p>The new Building Stronger Communities Strategy and working model enabling collaborative priority setting and to co-deliver solutions to local issues.</p> <p>A data mapping exercise in June 2015 was used to create four locality profiles enabling local people to set priorities and shape action, and from this our Locality projects emerged.</p> <p>Changes to partnership membership and meeting formats to become more open and inclusive, with four Enabling groups established to lead on engagement, project monitoring and communications</p> <p>Launch of the Be Bold, Be the Difference campaign in summer 2015.</p> <p>In spring 2015 commissioning of Community Builder training to front-line staff, managers and Ward Councillors; to date we have delivered training to</p>	<p>Actions to include the following:</p> <ul style="list-style-type: none"> <li>• Develop a performance framework and outcome measure measurement tool to demonstrate how locality projects are delivering against strategic priorities.</li> <li>• Through the role of the Partnership and Communities Team and campaigns, direct support enabling neighbourhood partnerships to become more resident-led, networking and creative spaces</li> <li>• Run the 2016 Voluntary Sector Grants programme in-house to generate in region of £35k efficiency savings.</li> <li>• Ensure the Asset Based Community Development (ABCD) and Community Builder Programmes are embedded in the new Place Based Integration work stream. Work with all PSR partners to encourage them to adopt ABCD principles and pool resources to support the training programme.</li> <li>• The Trafford Partnership Data Innovation and Intelligence Lab to</li> </ul>

2014/15 Significant Issues	Action Taken 2015/16	Further Work Planned 2016/17
<p>development of locality plans and task and finish groups will be established to tackle key outcome focused objectives.</p>	<p>over 300 people. All participants have access to an online tool kit for ongoing support and with virtual teams in each locality.</p>	<p>map / track projects that have received grant funding since 2012 and map all businesses in Trafford so we are able to engage more systematically with them.</p> <p><b>Locality Partnership will continue to be reported as a significant governance issues for 2016/17.</b></p>
<p><b>4. Public Service Reform (PSR)</b> In December 2013, the PSR Leadership group shared its vision for the next phase of PSR accelerating the pace and scale of progress over the next two years with focus on complex dependency and integration of health and social care. A set of core GM standards will act as a 'checklist' for delivery models with local flexibility that allows for innovation and varied needs of residents.</p> <p>As part of Manchester's recent Devolution Agreements transition period, over the next 2 years it is proposed that the Greater Manchester Combined Authority will receive additional powers for certain parts of public service reform, specifically on business support, skills, complex dependency and health and social</p>	<p>To support complex dependency and place based integration, Trafford is leading the way across Greater Manchester by being one of the first boroughs to bring its PSR programme under one integrated -partnership governance framework.</p> <p>A PSR Board has been established made up of senior officers from key partners which will report to the Trafford Partnership Board, and its role will include responsibilities for investment, decision making, strategy and risk.</p> <p>The PSR Board will be supported by an Operational Group representing operational managers across partner agencies and also a Peer Support Group representing front line staff.</p> <p>Terms of reference and membership have been agreed, and the board met</p>	<p>The PSR programme is aligned to the Health and Social Care integration programme with the aim of creating a single New Operating Model across partners for Trafford based on a 4 locality place-based model, to co-ordinate service provision, making full use of community assets, Voluntary, Community and Social Enterprise services and adopting a single key-worker approach.</p> <p>7 work streams are being developed as part of a 3-5 year programme:</p> <ul style="list-style-type: none"> <li>• All Age Front Door</li> <li>• Place Based Integrated Working</li> <li>• Workforce Development</li> <li>• Communications</li> <li>• Information Governance</li> <li>• Estates</li> <li>• Perfect Weekend- a cross-partnership exercise to observe,</li> </ul>

2014/15 Significant Issues	Action Taken 2015/16	Further Work Planned 2016/17
<p>care. As Trafford is an exemplar Local Authority within Greater Manchester, we are keen to play a pivotal role in the transition toward full Devolution within Greater Manchester in 2017. Public Service Reform and in particular the integration of Complex Dependency within the local All Age Front Door model, will be pivotal in assisting in this process.</p>	<p>for the first time in Feb 2016.</p>	<p>assess and analyse how demand is managed in Trafford across a 24/7 timeframe in order to inform redesign of services to improve outcomes for Trafford residents.</p> <p><b>Public Service Reform will continue to be reported as a significant governance issue for 2016/17.</b></p>
<p><b>5.Devolution</b>  The Devolution Agreement signed in November 2014 devolves powers and opportunities in a number of areas including; Housing, Skills, Work Programme, Business Support and Health. The Trafford Leader and Chief Executive are the GM leads for Skills, Employment and Worklessness. The programme includes the redesign of the Further Education System for GM; the co-design and co-commissioning of the Work Programme to be renewed in 2017; up-scaling of the Working Well Pilot from 5,000 to 50,000, including the Mental Health to Work Programme and devolution of responsibility for the Apprenticeship Grant for Employers.</p> <p>The Chief Executive also co-Chairs the Learning Disability Fast Track</p>	<p>During 2015/16 further Devolution activity has continued with the Health and Social Care Memorandum of Understanding in April 2015, the Summer Budget of 2015 and additional powers in the November 2015 Spending Review and Autumn Statement. This latter agreement identified a number of areas for further joint work including, housing, employment support, apprenticeships and energy. A fourth devolution agreement was then agreed in the March 2016 Budget.</p> <p>The November 2015 and March 2016 devolution agreements gave further powers around the full devolvement of Adult Education Budget by 2018.</p> <p>The final draft of the ‘Taking Charge of our Health and Social Care in Greater</p>	<p>In April 2016 details of the consultation into the new legal powers for Greater Manchester Combined Authority (GMCA) were released and responses are due from all key stakeholders during May 2016 followed by a period of analysis.</p> <p>The GM Work and Skills programme focuses on ten priorities and an action plan has been developed for each of the priorities which detail short, medium and long term actions. Many of these priorities can be progressed in the short term via a range of deliverables that GM is already committed to pursuing to implement the November 2014 and November 2015 Devolution Agreements. These include:</p> <ul style="list-style-type: none"> <li>• Approving and initial implementation of the Area Based</li> </ul>

2014/15 Significant Issues	Action Taken 2015/16	Further Work Planned 2016/17
<p>Programme.</p> <p>Other elements of the Devolution Agreement include devolving the total health economy of £6bn to GM from April 2016. (See CFW Transformation work).</p> <p>Trafford Council have been working with Greater Manchester's regeneration team to maximise the benefits from the devolved £300m housing fund, designed to get stalled housing developments moving through providing low cost loans to developers.</p>	<p>Manchester' was endorsed by the Health and Social Care Strategic Partnership Board in December 2015. It detailed the collective ambition for the region over the next five years.</p> <p>On 1 April 2016 GM took control of the long-term health and social care spending, a budget of around £6 billion. The governance arrangements underpinning GM and locality Section 75 agreements were all put in place. The joint commissioning board consists of Local Authorities, Clinical Commissioning Groups and NHS England.</p> <p>The Trafford Leader and Chief Executive continue to be the GM leads for Skills, Employment and Worklessness and are playing a leading role in the delivery of the Work and Skills agenda for GM. There has been significant activity on this portfolio including the commencement of the redesign of the Further Education System for GM with the Area Based Review, which commenced in September 2015, and will ensure a sustainable post 16 sector to support learners and employers across GM and the Working Well Pilot, supporting almost 5,000 people is on track to</p>	<p>Review conclusions;</p> <ul style="list-style-type: none"> <li>• Developing an outcomes framework influencing commissioning of the Adult Skills Budget;</li> <li>• Expanding Working Well up to 2017;</li> <li>• Recommissioning the Work &amp; Health programme from 2017;</li> <li>• Developing a GM approach to the Apprenticeship Levy;</li> <li>• Working with Jobcentre Plus to review and rationalise their estate; and</li> <li>• Working with the Department for Business Innovation and Skills, Department for Education and the Department for Work and Pensions to establish a common approach to commissioning post 16 work and skills provision.</li> </ul> <p>In May 2017 a new mayor will be elected by the region's voters.</p> <p><b>Devolution will continue to be reported as a significant governance issue for 2016/17.</b></p>

2014/15 Significant Issues	Action Taken 2015/16	Further Work Planned 2016/17
	<p>achieve 20% into work and 15% sustained. An expansion of this pilot was launched to support a further 15,000 people, incorporating an innovative Mental Health &amp; Employment Trailblazer.</p>	
<p><b>6. Budget Monitoring</b></p> <p>Work is continuing in 2015/16 to ensure that revised budget monitoring arrangements are maintained and there continues to be ongoing improvements.</p> <p>Within the CFW Directorate, work is ongoing in fully implementing the new Adult Social Care system (Liquid Logic/ContrOCC) with functionality for financial commitments, monitoring and reporting.</p> <p>Across the Council, a package of measures has been introduced to support budget holders, including an updated budget holder guide and the roll out in 2015/16 of a comprehensive training programme. To complement the training programmes a new Council intranet page is to be finalised.</p> <p>Actions will continue to be progressed to provide further support to managers</p>	<p>Council wide improvements to budget monitoring processes have been delivered including:</p> <ul style="list-style-type: none"> <li>• New budget monitoring timelines established to ensure sufficient time for robust scrutiny and challenge</li> <li>• All budgets across the council have been risk assessed and assigned a Red/Amber/Green status to increase visibility of high risk areas and enable resource to be targeted</li> <li>• A comprehensive list of budget holders established and mandatory financial management training delivered</li> <li>• To supplement training, a reference guide for budget holders detailing their financial responsibilities has been cascaded to relevant staff.</li> </ul> <p>Within the CFW Directorate, the Adult Social Care (Liquid Logic / ContrOCC)</p>	<p>All recommendations from the 2014/15 budget investigation report have been addressed. The outcomes were reported to Accounts and Audit Committee in September 2015.</p> <p>Whilst this area will not be reported within the Annual Governance Statement as a significant governance issue for 2016/17, continued monitoring and review will take place to evaluate the effectiveness of changes and to embed technical, behavioural and cultural changes.</p>

2014/15 Significant Issues	Action Taken 2015/16	Further Work Planned 2016/17
<p>as identified in the agreed Organisational Development Recovery Action Plan including management guidance and a mandatory e-learning module for budget holders.</p>	<p>system functionality continues to be developed and will be rolled out across Children's' Services during 2016/17.</p>	
<p><b>7. Leisure Services</b>  The contract with Trafford Community Leisure Trust will come to an end and cease trading on 30<sup>th</sup> September 2015.  Due to procurement requirements and to enable access to VAT exemption and business rates relief, it is considered the only viable option is to create a new company operating from 1<sup>st</sup> October as a Community Interest Company (CIC) with Trafford Council as the sole shareholder.</p> <p>Existing management and staff will transfer in to the company and assets to transfer for no consideration, under an 'asset lock'. The Council will appoint a board of directors responsible for the governance of the company.</p> <p>An interim business plan is being developed for the first year of operation and the Council if required to provide working capital, will be on a</p>	<p>Following the expiry of the Trafford Leisure Trust delivery contract on 30 Sept 2015, the Council has set up a wholly owned community interest company, Trafford Leisure Community Interest Company Ltd from 1<sup>st</sup> Oct 2015 to deliver leisure services across the borough.</p> <p>A Board of Directors has been appointed responsible for compliance with general company law and CIC regulatory requirements. Monthly board meetings take place and alternate between operational matters and strategic development.</p> <p>As the Council will no longer fund the annual management fee, any short term cash flow requirements will be provided on a commercial basis as an interest bearing loan. The company is currently managing cash flow well and has sufficient cash to sustain the business within the foreseeable future</p>	<p>Whilst this area will not be reported as a significant governance issue for 2016/17, developments will continue with delivery of the business plan being the main focus for the company in 2016/17.</p> <p>This will be developed into a borough wide strategy for sport and leisure and an implementation plan will result formulated on the strategy adopted. This will include a playing pitch strategy that will support clubs to gain sport related funding.</p>

2014/15 Significant Issues	Action Taken 2015/16	Further Work Planned 2016/17
<p>commercial basis through an interest bearing loan.</p> <p>Work is required to develop a vision and blueprint for leisure in the borough and determine appropriate routes to access investment to support the physical infrastructure.</p>	<p>Supply and demand analysis has been undertaken to inform the development of a Leisure Strategy which will form the basis of future provision and set out the long term requirements for built leisure facilities in the borough. A commercial prospectus is also being developed to establish the level of investment required and future viability of the CIC.</p>	

5.3 Based on the above, the following are identified as significant governance issues in 2016/17:

- 1) Reshaping Trafford
- 2) Information Governance
- 3) Locality Working
- 4) Public Service Reform
- 5) Devolution.

In addition to the above, other significant governance issues for 2016/17 are highlighted below and action will be taken through the year to address these:

<p><b>6) Medium Term financial position / savings</b></p>	<p>As stated in Section 3.2 (Principle 1), the medium term outlook is that the Council will still need to make savings in excess of £30m over the three years from 2017/18 to 2019/20, a significant proportion of this being in 2017/18. Continued action will be required by the Council to address these budget challenges.</p>
<p><b>7) Business Continuity</b></p>	<p>As stated in Section 3.2 (Principle 4), improvements are required in Council processes in relation to business continuity both in respect of service procedures and central IT disaster recovery processes. This is to ensure the Council's services have robust continuity arrangements in place in the event of disruptions occurring. Action is taking</p>

	place to improve arrangements and will continue to progress during 2016/17.
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- 5.4 The Council is committed to achieving its objectives through good governance and continuous improvement. Going forward, the Council will continue to transform service delivery arrangements, to ensure the Council effectively delivers its objectives and manages its resources to meet the ongoing financial challenges being faced.
- 5.5 We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

**Councillor Sean Anstee**  
**Leader of the Council**  
**September 2016**

**Theresa Grant**  
**Chief Executive**  
**September 2016**



## TRAFFORD COUNCIL

**Report to:** Accounts and Audit Committee  
**Date:** 28 June 2016  
**Report for:** Approval  
**Report of:** Audit and Assurance Manager

### **Report Title**

Corporate Governance Code (Updated June 2016)

### **Summary**

Trafford Council maintains a local code of corporate governance which sets out the key systems, policies and procedures that comprise the Authority's governance framework. This document is reviewed and updated regularly as required, and approved by the Corporate Management Team and Accounts and Audit Committee, to reflect any changes in governance arrangements.

The Council's Annual Governance Statement is prepared each year (in accordance with the Accounts and Audit Regulations 2015) and reflects an annual review against the commitments set out in the Council's Corporate Governance Code.

Trafford Council's Code of Corporate Governance is consistent with the principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government'. A copy of the existing Code is on the Council's website alongside the Council's Annual Governance Statement. <http://www.trafford.gov.uk/about-your-council/budgets-and-accounts/docs/annual-governance-statement-2014-15.pdf>

This report sets out updates to the Corporate Governance Code. In compiling the Annual Governance Statement for 2015/16, a number of updates have been made to the Code which CMT has reviewed. The updates either reflect recent developments or are included to reflect detail that has previously been included in the Annual Governance Statement but is considered more appropriate to include in the Code, reflecting existing governance arrangements expected to be in place. Where sections of the Code have been updated, the text is highlighted (See Section 4 and 7 of the Code).

The updated Corporate Governance Code will be included on the Council's website.

### **Recommendation**

There are no fundamental changes to the Code and the Accounts and Audit Committee is asked to review the updated information in Section 7 highlighting how the Council meets key governance principles.

### **Contact person for access to background papers and further information:**

Name: Mark Foster – Audit and Assurance Manager  
Extension: 1323  
Name: Paula Liew – Principal Audit & Assurance Officer  
Extension: 1232

**Background Papers:** Trafford Council Corporate Governance Code (updated June 2015).



# TRAFFORD COUNCIL

## CORPORATE GOVERNANCE CODE

June 2016

# Trafford Council Corporate Governance Code

## 1. What do we mean by governance?

Governance is about how local government bodies ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.

It comprises the systems and processes, and cultures and values, by which local government bodies are directed and controlled and through which they account to, engage with, and where appropriate, lead their communities.

## 2. Trafford's commitment

Trafford Council, as a public organisation, is committed to ensuring the highest possible standards of governance in order to fulfil its responsibilities:

1. To engage in effective partnerships and provide leadership for and with the community.
2. To ensure the delivery of high quality local services whether directly or in partnership or by commissioning.
3. To perform a stewardship role which protects the interests of local people and makes the best use of resources.
4. To develop citizenship and local democracy.

Openness, inclusion, integrity and accountability are fundamental principles by which the Council operates.

## 3. The Governance Framework

In order to ensure the fulfilment of its commitment, the Council operates a governance framework which provides a structure to support the Council's approach to governance.

Trafford Council has based its governance framework on the guidance produced in the publication 'Delivering Good Governance in Local Government' produced by the Chartered Institute of Public Finance & Accountancy (CIPFA) and the Society of Local Authority Chief Executives & Senior Managers (SOLACE). In addition, further related guidance documents issued by CIPFA such as "the Role of the Chief Financial Officer" and the "Role of the Head of Internal Audit" are also applied.

The CIPFA / SOLACE framework sets out 6 core principles for good governance.

- Focusing on the purpose of the authority and on the outcomes for the community and creating and implementing a vision for the local area.
- Members and officers working together to achieve a common purpose with clearly defined functions and roles.
- Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.

- Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.
- Developing the capacity and capability of members and officers to be effective.
- Engaging with local people and other stakeholders to ensure robust public accountability.

Section 7 of the Code sets out in detail how the Authority is committed to meet the requirements of this framework.

#### **4. How we will ensure that we deliver on these principles of good governance**

##### **Maintain a local code of corporate governance**

In accordance with best practice requirements Trafford Council maintains a local code of corporate governance which sets out the key systems, policies and procedures that comprise the Authority's governance framework. This document will be reviewed and updated regularly as required, and approved by the Corporate Management Team and Accounts and Audit Committee, to reflect any changes in governance arrangements.

##### **Undertake an annual review of governance arrangements**

The Audit and Assurance Service is responsible for undertaking an annual review to evaluate the position against the commitments set out in the Council's Corporate Governance Code, the effectiveness of governance arrangements and to ensure continuing compliance with best practice.

Where appropriate, action plans will be produced to ensure any significant weaknesses identified are addressed and there is continuous improvement in the system of corporate governance.

Findings and recommendations from this exercise will be reported via the Corporate Management Team. This will be used to inform the production of the Annual Governance Statement, with significant issues reported publicly through this process.

##### **Report publicly on compliance with governance arrangements in the Annual Governance Statement**

The Authority will produce an Annual Governance Statement (AGS) **in accordance with the Accounts and Audit Regulations 2015**. This will be published and will accompany the Council's Annual Statement of Accounts. It will state what arrangements the Council has in place to ensure the effectiveness of its governance framework and how the Council has followed its stated governance principles. It will also highlight any areas the Council considers to require significant improvement; and outline the actions planned to address them.

The Accounts and Audit Committee (through an appointed working group) will review the robustness of the AGS. The Chief Executive and the Leader are required to sign off the AGS.

## **5. Responsibilities**

Every Council officer and member has a responsibility to ensure their personal conduct and the organisation's governance arrangements are always of the highest standard possible.

Senior managers have a responsibility for reviewing governance standards in their areas of responsibility and for identifying and implementing any necessary improvement actions. Improvement actions should be reflected in the appropriate business plans.

The Chief Executive and Leader will ensure that an annual review is completed of corporate governance arrangements and give assurances on their adequacy in the published Annual Governance Statement, accompanying the Statement of Accounts.

The Corporate Management Team will ensure that the Corporate Governance Code is reviewed regularly to reflect ongoing developments and planned improvements to the framework; and authorise any amendments. Significant changes will be referred to the Council's Executive for approval.

## **6. Communication**

The Corporate Governance Code and Annual Governance Statement will be reported publicly with a copy available on the Authority's website.

## 7. Trafford Council's Governance Framework

Principle 1 Focusing on the purpose of the authority and on the outcomes for the community and creating and implementing a vision for the local area.	
Supporting Principle	How the Council meets the requirements
<p><i>1.1 Exercising strategic leadership by developing and clearly communicating the authority's purpose and vision and its intended outcome for citizens and service users</i></p>	<p>The Council, as the lead partner in the Trafford Partnership, has supported the development of the long term vision for Trafford as set out in the <b>Sustainable Community Strategy "Vision 2021: a blueprint</b>. This document describes the key objectives which underpin the work of the partnership.</p> <p><b>Reshaping Trafford 2014-17: a Blueprint</b> sets out the Council's vision and aims to have a new operating model by 2017 to enable the delivery of minimum statutory requirements, ensure directly funded services are monitored for quality and performance whilst continuing to provide a place shaping role for the borough.</p> <p>The Council's corporate priorities are reviewed annually and incorporated within the <b>Annual Delivery Plan</b>.</p> <p>The Council publishes details of its strategy, financial position and performance on its website <b>trafford.gov.uk</b>. Information in relation to partnership activity and performance is reported through the Trafford Partnership website <b>traffordpartnership.org.uk</b></p>

<p><i>1.2 Ensuring that users receive a high quality of service whether directly, in partnership, or by commissioning.</i></p>	<p>The Authority has put arrangements in place to measure and review the quality of service for users including mechanisms to identify and deal with failure in service delivery. Robust management information is available to enable monitoring of service quality effectively and regularly.</p> <p>The Council operates a defined <b>Performance Management Framework</b>. The <b>Annual Delivery Plan</b> sets out the key deliverables for the coming year supported by individual Directorate and Service business plans, which connect service objectives and associated actions to the community vision and corporate priorities.</p> <p>The <b>Corporate Management Team (CMT)</b> and <b>Executive</b> receive regular monitoring and exception reports on the achievement of corporate objectives. In addition, a monthly performance report is issued to Corporate Directors and Executive Portfolio holders containing performance data specific to their remit.</p> <p>The Transformation Programme is monitored by the <b>Transformation Board</b> on a monthly basis; this board also receives regular monitoring and exception reports relating to the achievement of project deliverables and benefits.</p> <p>The Council has implemented a <b>Customer Strategy 2013-17</b> which describes its approach to delivering customer services, sets out the reasons and basis for change and proposes how current and future needs will be managed. The Council has an approved <b>Corporate Complaints Policy</b> and guidance.</p> <p>The Council's <b>Contract Procedure Rules</b> set out the agreed protocols for procurement and tendering for contracts including post contract arrangements. <b>The Contract Procedure Rules are harmonised across the three Councils participating in STAR Procurement, the shared procurement service for Stockport, Trafford and Rochdale Councils.</b></p>
<p><i>1.3 Ensuring that the authority makes best use of resources</i></p>	<p><b>Low Council Tax and Value For Money</b> is one of the Council's Corporate priorities.</p>

*and that tax payers and service users receive excellent value for money.*

The Authority consults annually on its budget proposals and these are subject to scrutiny review. The budget setting process takes into consideration the assessment by the Chief Finance Officer of the robustness of the budget estimates and adequacy of the general reserve, Executive responses to the scrutiny review, outcome of staff and Trade Union consultation and Equality Impact Assessment in relation to each proposal.

The Council has implemented a **Transformation Programme** which is supporting the organisation to review and re-design existing functions and service areas to improve service delivery, achieve savings and establish the infrastructure required to manage the future financial challenges. The Transformation Board and the Executive have monitored the development of the Reshaping Trafford Council Programme business cases and will continue to do so as implementation of these progresses.

There are defined governance arrangements in place. Significant projects for the Council have a Corporate Management Team lead, and all have a Senior Responsible Officer (SRO), Project Manager (PM) and steering group/project board. Benefits realisation tracking and a summary of project delivery is reported monthly to the Transformation Board.

The Council hosts the Association of Greater Manchester (AGMA) **Procurement Hub** and has established a collaborative Procurement shared service organisation with Stockport and Rochdale Councils (STAR Procurement), with the aim to reduce overheads, increase economies of scale and provide collective expertise and resilience.

The Authority has agreed a **Procurement Strategy** which is harmonised across the three councils that participate in STAR Procurement. It establishes how the councils can use procurement to focus activity on delivery of outcomes and realise corporate priorities during a period of local government reform. It highlights the importance of the procurement function throughout the lifecycle of service delivery, from initial inception through to contract management.

The Authority has defined **Budgetary Control Procedures** in place. **Revenue Budget**

	<p><b>Monitoring</b> reports are reported to the Corporate Management Team and the Executive on a monthly basis to enable monitoring of income and expenditure levels, to ensure that commitments are within available resource levels and corrective action is taken when necessary. The Accounts and Audit Committee also receives the budget monitoring reports at its meetings through the year.</p> <p>The Council's financial framework keeps its commitments in balance with available resources. There are arrangements in place to ensure compliance with <b>CIPFA's Prudential Code for Capital Finance in Local Authorities</b> and <b>CIPFA's Treasury Management Code</b>. The Council has a clearly defined <b>Capital Programme</b> and <b>Treasury Management Strategy</b>. The capital budget is monitored and reported to the CMT and Executive each quarter.</p>
<p><b>Principle 2</b>  <b>Members and officers working together to achieve a common purpose with clearly defined functions and roles.</b></p>	
Supporting Principle	How the Council meets the requirements
<p><i>2.1 Ensuring effective leadership throughout the authority and being clear about the executive and non-executive functions and the roles and responsibilities of the scrutiny function.</i></p>	<p>The Council has adopted a <b>Constitution</b> which provides a clear statement of how it operates, defining the respective roles and responsibilities of the Executive and non-Executive members.</p> <p>Article 15 of this document sets out the protocols and the role of the Monitoring Officer to monitor and review the operation of the constitution. The Council reviews elements of the Constitution each year at its annual meeting.</p>
<p><i>2.2 Ensuring a constructive working relationship exists between elected members and officers and that the responsibilities of authority</i></p>	<p>Part 3 of the <b>Constitution</b> sets out responsibility for carrying out the Council's functions, at committee level and delegation to individual executive members. Part 4 sets out the Scheme of Delegation to Officers. The sections on delegated authority are reviewed and approved annually.</p>

<p><i>members and officers are carried out to a high standard.</i></p>	<p>The Council has appointed a <b>Chief Executive</b> responsible and accountable to the Authority for all aspects of operational management. The functions of the <b>Head of Paid Service</b>, <b>Monitoring Officer</b> and <b>Chief Financial Officer</b> are set out in the Constitution.</p> <p>The Council has designated a <b>Chief Finance Officer</b>, in accordance with Section 151 of the Local Government Act 1972, who is a member of the Corporate Management Team. Periodic assessment is undertaken to ensure compliance with the governance standards as set out in the <b>CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010)</b>.</p> <p>The Council’s Director of Legal &amp; Democratic Services is designated as “<b>Monitoring Officer</b>”. It is the function of the Monitoring Officer to oversee and monitor compliance with legislation and the Council’s established policies and procedures.</p>
<p><i>2.3 Ensuring relationships between the authority and its partners and the public are clear so that each know what to expect of each other.</i></p>	<p>The Authority has adopted <b>Member Officer Relations Protocols</b> which provide guidance to help build good working relations between members and officers.</p> <p>The <b>Officer Employment Procedure Rules</b> set out the terms and conditions for remuneration of employees. A <b>Pay Policy Statement</b> has been published which provides transparency regarding the Council’s approach to setting pay for its employees.</p> <p>The Council has agreed a <b>Members Allowance Scheme</b> setting out the level of financial allowance that members may receive.</p> <p>When working in partnership, members are clear about their roles and responsibilities individually and collectively in relation to the partnership and the authority. The Council Leader is the Chair of the <b>Trafford Partnership Board</b> which following a comprehensive review of the Partnership refreshed its Terms of Reference in January 2016.</p> <p>Our four <b>Locality Partnerships</b> have opened up to become wider engagement networks for all stakeholders including residents and community groups. Each Locality has co-produced a</p>

	<p>set of locality priorities. We have established four smaller Enabling Groups with a core membership of Councillors, Service Providers and Community Ambassadors to oversee engagement events and locality projects and to ensure the work of the Locality Partnerships are aligned to the strategic priorities of the borough. Each has its own Terms of Reference and The Locality Partnership Chairs sit on the Trafford Partnership <b>Strong Communities Board</b>. In accordance with the requirements of the Health &amp; Social Care Act 2012, a <b>Health &amp; Wellbeing Board</b> has been established. Supporting this, the Council has in place a number of strategic partnership arrangements governed through <b>Section 75 Partnership Agreements</b>.</p>
<p><b>Principle 3</b>  <b>Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.</b></p>	
<p>Supporting Principle</p>	<p>How the Council meets the requirements</p>
<p><i>3.1 Ensuring authority members and officers exercise leadership by behaving in ways that exemplify high standards of conduct and effective governance.</i></p>	<p>In accordance with requirements of the Localism Act 2011, the Council has reviewed and adopted its <b>Members Code of Conduct</b> incorporating procedures for notification of disclosable pecuniary interests and hearing procedures. Protocols set out the arrangements for dealing with complaints about the code of conduct for members.</p> <p>All staff are required to abide by an <b>Employee Code of Conduct</b>. It is a requirement for all new employees to read and sign up to this as part of the staff induction procedure.</p> <p>Responsibility for the regulation of employee conduct is set out in the Council's <b>Disciplinary Policy</b>. A range of <b>Human Resource policies</b> in place are designed to help ensure the proper conduct of staff and to ensure the workforce is appropriately skilled to deliver the Council's aims and objectives.</p> <p>Arrangements are in place requiring members and employees of the Authority to not be influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders.</p> <p>The authority has an <b>Anti-Fraud &amp; Corruption Strategy</b> and procedures for the reporting of</p>

	<p>suspected fraudulent activities.</p> <p>To ensure the Authority meets best practice and legislative requirements, an <b>Information Security Governance Board</b> has been established. A <b>Senior Risk Information Officer</b> is assigned to oversee and review information governance issues and risk.</p> <p>Users of the Trafford ICT network are required to sign up to the authority’s <b>Acceptable Use Policy</b> to confirm acceptance of agreed responsibilities and standards to prevent misuse of equipment or networks.</p> <p>To ensure compliance with <b>Data Protection and Freedom of Information</b> legislation, the Council has adopted a policy, procedures and a dedicated Information Governance team to provide support and guidance to employees.</p>
<p><i>3.2 Ensuring that organisational values are put into practice and are effective.</i></p>	<p>The Council has adopted a set of <b>Corporate Values</b> embedded within its policies, procedures and strategies. The Council’s competency framework outlines the organisation’s values and the behaviours expected of employees when fulfilling their roles.</p> <p>The <b>Supporting Change to Happen Strategy 2014-17</b> sets out the additional set of values to support the Reshaping Trafford programme underpinned by a set of competencies to enable change to be delivered, and to complement and strengthen the Council’s Core values</p> <p>The organisation’s shared values act as a guide for decision making and as a basis for developing positive and trusting relationships within the Authority.</p> <p>The Authority has implemented arrangements to ensure that systems and processes are designed in conformity with appropriate ethical standards, and for monitoring their continuing effectiveness in practice.</p> <p>The Council has adopted a “<b>Local Code of Corporate Governance</b>” in accordance with the CIPFA/SOLACE framework for Corporate Governance. The Council undertakes an annual</p>

	<p>review of the Code of Corporate Governance and associated arrangements.</p> <p>The <b>Standards Committee</b> has within its role, the promotion and maintenance of high standards of conduct of Members and the responsibility to oversee the effective operation of <b>the Code of Conduct for Members</b>.</p> <p>The financial management of the Council is conducted in accordance with the <b>Financial Procedure Rules</b> and <b>Contract Procedure Rules</b> incorporated within Part 4 of the Constitution.</p> <p>Systems and processes for financial administration, financial control and protection of the Authority's resources and assets are designed in conformity with appropriate ethical standards and monitor their continuing effectiveness in practice.</p>
<p><b>Principle 4</b>  <b>Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.</b></p>	
Supporting Principle	How the Council meets the requirements
<p><i>4.1 Being rigorous and transparent about how decisions are taken and acting on the outcome of constructive scrutiny.</i></p>	<p>The Council has developed detailed <b>procedures for political decision making</b>. There are clear processes for recording and monitoring executive decisions in order to ensure compliance with legislation, internal policies and procedures, and that expenditure is lawful. The Executive has to make decisions in line with the Council's overall policies and budget. Any decisions to be made outside this framework must be referred to full Council.</p> <p>The <b>Scrutiny Committees</b> provide the scrutiny of decisions made, policy development and implementation and can "call in" decisions made by the Executive, or on their behalf with delegated authority, to challenge whether the decision has been made appropriately and ask the Executive to reconsider it if necessary.</p> <p>The Council has an <b>Internal Audit</b> function which is required to operate in conformance with</p>

	<p>the Public Sector Internal Audit Standards. The Internal Audit function is responsible for monitoring the quality and effectiveness of systems of internal control. <b>The Internal Audit Plan is approved each year by the Corporate Management Team and Accounts &amp; Audit Committee and there is regular reporting through the year, including the Annual Internal Audit Report.</b></p> <p>The Council has an <b>Accounts and Audit Committee</b> whose terms of reference require it to monitor and evaluate the Council's corporate governance and internal control arrangements. The Committee operates in accordance with CIPFA guidance for Audit Committees.</p> <p><b>The Council is subject to external audit. The External Auditor's Annual Governance Report and Annual Audit Letter report on the annual audit of the Council's accounts and also provide a value for money conclusion.</b></p>
<p><i>4.2 Having good quality information, advice and support to ensure that services are delivered effectively and are what the community wants / needs.</i></p>	<p>Part 4 of the Constitution sets out the <b>Access to Information Procedure Rules</b> including the rights to attend meetings and access summons, agenda and reports. Where major 'key' decisions are to be discussed or made, these are set out in a notice published at least 28 days before a decision is made.</p> <p>Those making decisions, whether for the Authority or in partnership, are provided with information that is fit for purpose – clear, timely, relevant, accurate and complete and gives clear explanations of issues and implications on both a financial and non-financial basis.</p> <p>The Authority seeks timely professional advice on matters that have legal or financial implications, which is recorded in advance of decision making and used appropriately.</p>
<p><i>4.3 Ensuring that an effective risk management system is in place.</i></p>	<p>Risk management is embedded into the culture of the organisation. The Council has a <b>Risk Management Policy Statement, Strategy and protocol</b> for monitoring and reporting risk. These explain the methodology which provides a comprehensive framework for the</p>

	<p>management of risk throughout the Council.</p> <p>The <b>Council's Strategic Risk Register</b> sets out the key risks the Council is likely to face in achieving its high level corporate objectives. In accordance with the Council's Risk Management Policy Statement, <b>Corporate Directors and the Accounts and Audit Committee</b> review the associated arrangements in place for improving control and mitigating risks faced by the Council. Quarterly strategic risks monitoring is reported to the Transformation, Performance and Resources Group, Corporate Management Team and the Accounts &amp; Audit Committee.</p> <p>The Council has adopted a <b>Confidential Reporting Code</b> and supporting guidance, which sets out the whistle blowing protocols for reporting, responding to and monitoring of issues of concern.</p> <p><b>The Council's Health and Safety Unit</b> provide regular updates to the Corporate Management Team and produce six monthly updates for the Executive.</p>
<p><i>4.4 Using their legal powers to the full benefit of the citizens and communities in their area.</i></p>	<p>The <b>Constitution</b> sets out how the Council will operate to deliver services and perform its functions within the wider legal framework. Part 3 sets out Responsibility for Functions at committee and executive portfolio level. It also sets out the proper officer arrangements for delivering specific legislative requirements.</p> <p>The Authority actively recognises the limits of lawful activity placed on it but also strives to utilise powers to the full benefit of communities. It recognises the limits of lawful action and observes both the specific requirements of legislation and the general responsibilities placed on authorities by public law.</p> <p>The <b>Monitoring Officer</b> will, after consulting with the Head of Paid Service and the Chief Finance Officer, report to the full Council or to the Executive, in relation to an Executive function, if she considers that any proposal, decision or omission would give rise to</p>

	<p>unlawfulness or has given rise to maladministration. Such a report will have the effect of stopping the proposal or decision being implemented until the report has been considered.</p> <p>The Council's <b>Chief Finance Officer</b>, has responsibility for the legality of the Council's financial transactions.</p> <p>Directors and Heads of Service are responsible for ensuring that they establish and maintain effective standards of governance, complying with legislation, the Council's Constitution, Standing Orders and Financial Procedure Rules.</p>
<p><b>Principle 5</b>  <b>Developing the capacity and capability of members and officers to be effective.</b></p>	
<p>Supporting Principle</p>	<p>How the Council meets the requirements</p>
<p><i>5.1 Making sure that members and officers have the skills, knowledge, experience and resources they need to perform well in their role.</i></p>	<p>The Authority provides induction programmes tailored to individual needs and opportunities for members and officers to update their knowledge on a regular basis.</p> <p><b>Member Induction Training</b> is undertaken each year. Member training needs are regularly reviewed and a <b>Training &amp; Development Plan for Members</b> is in place. The Council continues to demonstrate compliance with Level 1 of the North West Employers Organisation Members Charter for Elected Member Development.</p> <p>All new employees are required to complete a <b>Corporate Induction Module</b> which includes a number of mandatory elements such as the employees' code of conduct, fraud awareness and the Acceptable Use Policy.</p> <p>The <b>Supporting Change to Happen Strategy 2014-17</b> sets out the additional set of values to support the Reshaping Trafford programme underpinned by a set of competencies to enable change to be delivered, and to complement and strengthen the Council's Core values. It is supported by a programme of learning &amp; development interventions for Members and staff so</p>

	<p>that they can adapt successfully to new ways of working and changed delivery models.</p> <p>Trafford Council is the lead authority on the AGMA training procurement framework and a partner in the AGMA e-learning framework. The Council has developed Directorate and cross-council <b>Training &amp; Development Plans</b>, which are refreshed and updated annually, supported by a suite of e-learning solutions available to meet the organisational skills development needs.</p> <p>The Authority puts arrangements in place to ensure that statutory officers have the skills, resources and support necessary to perform effectively in their roles and that these roles are properly understood throughout the organisation.</p> <p>The ongoing <b>Transformation Programme</b> is also taking into account consideration of training and development needs across the Council and individual service areas for change management and adopts a skills transfer approach to support colleagues to develop project management and business analysis skills.</p>
<p><i>5.2 Developing the capability of people with governance responsibilities and evaluating their performance as individuals and as a group.</i></p>	<p>The Authority assesses the skills required by members and officers and makes the commitment to develop these skills to enable roles to be carried out effectively. Skills are developed on a continuing basis to improve performance, including the ability to scrutinise and challenge and to recognise when outside expert advice is needed.</p> <p>There is a behavioural based competency framework and staff appraisal process in place which supports the cascade of corporate objectives and values through to individual employee targets. All staff are required to complete a <b>Personal Development Review</b> annually.</p> <p>Members are requested to complete a <b>Personal Development Review</b> which is used to inform the development of their training plan.</p> <p>The Council has taken a strategic approach to <b>Absence Management</b>. Ongoing performance is monitored as part of the Authority's Annual Delivery Plan.</p>

<p><i>5.3 Encouraging new talent for membership of the authority so that best use can be made of the individual's skills and resources in balancing continuity and renewal.</i></p>	<p>The Council operates an <b>Internal Apprenticeship Scheme</b> providing training and mentoring opportunities for Trafford residents.</p> <p>There are effective arrangements in place designed to encourage individuals from all sections of the community to engage with, contribute to and participate in the work of the Authority through the Locality Partnership networks and involvement in co-produced locality projects which provide innovative solutions to local issues.</p>
<p><b>Principle 6</b> <b>Engaging with local people and other stakeholders to ensure robust public accountability.</b></p>	
<p>Supporting Principle</p>	<p>How the Council meets the requirements</p>
<p><i>6.1 Exercising leadership through a robust scrutiny function which effectively engages local people and local institutional stakeholders, including partnerships and developing constructive accountability relationships.</i></p>	<p>The <b>Constitution</b> sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people. The public have a number of rights in their dealings with the Council. These are set out in more detail in Article 3.</p> <p>The Council has implemented detailed guidance and procedures for staff to ensure that an <b>Equality Impact Assessment</b> is undertaken in relation to all proposed changes in policy, strategy, functions and internal structures.</p> <p><b>Scrutiny Function</b> – See supporting principle 4.1</p>
<p><i>6.2 Taking an active and planned approach to dialogue with and accountability to the public to ensure effective and appropriate service delivery whether directly by the authority, in partnership or by commissioning.</i></p>	<p>The Authority as a whole is open and accessible to the community, service users and its staff and has made a commitment to openness and transparency in all its dealings, subject only to those specific circumstances where it is proper and appropriate to do so.</p> <p>Council decisions are based on public <b>consultation</b> including annual review of the budget proposals. Meetings where key decisions are made and scrutinised are open to the public, except where exempt information is disclosed.</p>

There are clear channels of communication in place with all sections of the community and other stakeholders e.g. through the **Council website, social media channels** and press releases. The Council has a corporate **Marketing & Communications function** in place to oversee internal and external communication and ensure these arrangements are operating effectively.

The Council is the lead organisation of the **Trafford Partnership**, which provides a key role engaging with residents and the community to ensure that priorities and actions at strategic level reflect the needs of local people.

The Council has led a new **Locality Working** model on behalf of the **Trafford Partnership** which brings together everyone who lives and works in an area, as equal partners, to develop and deliver innovative ideas. Our four **Locality Partnerships** provide innovative spaces and events which encourage effective engagement of local communities in decision making, empower residents to take action and help co-produce and deliver locality projects, increasing community ownership of issues and developing innovative solutions.

The **Strategy for Building Strong Communities** provides a strategic 'home' for the **Locality Working** programme, clearly demonstrating how **Locality Working** is intrinsically linked with other key strategic agendas, providing a practical way of delivering **Early Help and Prevention, Public Service Reform, Shaping Demand, Community Action and Third Sector Infrastructure Support**.

The Council has policies and procedures in place to support compliance with the **Freedom of Information Act 2000** requirements and has a **Publication Scheme** in place. In accordance with the government's **Open Data** requirements, details of all invoice payments to suppliers, senior officer salaries and details of members' expense claims are published online.

Since its launch in October 2014 the **Trafford Partnership Data Innovation and Intelligence Lab** has developed as a multi-agency, multi-discipline, co-located service which currently has seconded staff time from **Trafford Council, Trafford Housing Trust and Public Health**. The lab

	<p>is well established and has access to data from the Police, Leisure Trust, Greater Manchester Fire and Rescue Service, the CCG and Trafford College as well as Trafford Council services. The overarching objectives of the Lab are to support the (re)design of services, reduction and reshaping of demand on services, informing people and organisations in Trafford and attracting investment into the Borough.</p> <p>The <b>InfoTrafford</b> website provides free public access to view statistical data about the borough with the aim to provide a tool for community empowerment, decision making, and service redesign and policy development.</p>
<p>6.3 <i>Making best use of human resources by taking an active and planned approach to meet responsibilities to staff.</i></p>	<p>The Council has in place <b>Joint Consultative Committee</b> arrangements to establish a regular method of consultation between the Council and the Trade Unions enabling input into human resource issues including proposed organisational and policy changes.</p> <p>The Council operates an <b>Employment Committee</b> responsible for determining collective and corporate terms and conditions of employment and approving any changes in human resources policies.</p> <p>As part of the Reshaping Programme, the <b>Supporting Change to Happen Strategy 2014-17</b> sets out how the Council will support employees to understand, adapt and successfully move to the new operating arrangements. The Authority has produced a toolkit for employees and managers in <b>Managing Organisational Change</b>, which provides guidance for restructuring and review in accordance with statutory requirements and current best practice.</p> <p>There are a range of consultation mechanism in place for Council employees including an online forum, network events, focus group and surveys.</p>



## TRAFFORD BOROUGH COUNCIL

**Report to:** Executive 20 June 2016  
Accounts & Audit Committee 28 June 2016  
Council Meeting 27 July 2016

**Report for:** Information

**Report of:** The Executive Member for Finance and the Chief  
Finance Officer

### Treasury Management Annual Performance 2015/16 Report

#### Summary

In accordance with the CIPFA Code of Practice, as adopted by the Council this report outlines the treasury management activities undertaken in 2015/16 and during which:

- there was full compliance with all legislative and regulatory requirements, including all treasury management prudential indicators;
- the average level of external debt and interest rate payable for 2015/16 was £95.3m and 6.02% respectively, this compares to 2014/15 when the respective figures were £96.1m & 6.07%. Interest payable for 2015/16 was in line with budget;
- the average level of investments for 2015/16 was £106.6m with a rate of return of 0.84%, for 2014/15 this was £79.3m and 0.70% respectively. Interest received in 2015/16 was £(0.3)m above budget.

#### Recommendations

That the Accounts & Audit Committee and Executive advise the Council:

1. of the Treasury Management activities undertaken in 2015/16;
2. that no prudential limits were breached during 2015/16;
3. that there was full compliance with both the CIPFA Code of Practice on Treasury Management and CIPFA Prudential Code for Capital Finance.

Contact person for background papers:  
Graham Perkins – Technical Accountant - Extension: 4017

Background papers: None

Relationship to Policy Framework/Corporate Priorities	Value for Money
Financial	In 2015/16 the Council paid loan interest of £5.7m which was in line with that budgeted for and received £(0.9)m from money market investments, which was £(0.3)m above budget.
Legal Implications:	All actions undertaken during the year were in accordance with legislation, CLG Guidance, CIPFA Prudential Code and CIPFA Treasury Management Code of Practice.
Equality/Diversity Implications	Not applicable
Sustainability Implications	Not applicable
Resources Implications e.g. Staffing/ICT/Assets	Not applicable
Risk Management Implications	The monitoring and control of risk underpins all treasury management activities. The Council's in-house treasury management team continually monitor to ensure that the main risks associated with this function of adverse or unforeseen fluctuations in interest rates are avoided and security of capital sums are maintained at all times.
Health & Wellbeing Implications	Not applicable
Health and Safety Implications	Not applicable

## **1. INTRODUCTION AND BACKGROUND**

- 1.1 The Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2015/16. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).
- 1.2 During 2015/16, the minimum reporting requirements were that the Accounts & Audit Committee together with the Executive and Full Council should receive the following reports:
- annual treasury strategy for the year ahead (issued February 2015);
  - mid-year update report (issued November 2015);
  - annual outturn report describing the activity undertaken (June 2016 i.e. this report).
- 1.3 The regulatory environment places responsibility on Members for the review and scrutiny of treasury management policy and activities. This report is therefore important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by Members.
- 1.4 The figures in this report are based on the actual amounts borrowed and invested and as such will differ from those stated in the final accounts which are shown in compliance with International Financial Reporting Standards.
- 1.5 The report comprises of the following sections:
- Major Economic Headlines 2015/16 (Section 2);
  - Treasury Position (Section 3);
  - Borrowing Position (Section 4);
  - Minimum Revenue Provision (Section 5);
  - Investment Position (Section 6);
  - Related Treasury Issues (Section 7);
  - Prudential and Performance indicators (Section 8);
  - Appendices.

## **2. MAJOR ECONOMIC HEADLINES 2015/16**

- 2.1 A brief summary of the main events which occurred during the year and into 2016/17 are highlighted below for reference;

### **General: -**

- Worldwide money market investment rates continued at low levels;
- Concerns that the UK would enter a period of deflation have subsided;
- China's slowing economy continues to give cause for concern;
- Oil prices fell to their lowest levels for 13 years;
- Continuing uncertainty with Eurozone growth remain;
- Despite Greece implementing a programme of austerity cuts to meet EU demands, concerns still remain that a Greek exit from the Euro will occur;
- US economy continues to grow healthily in response to consumer demand and in December 2015, the Central bank implemented the first increase in the central rate since December 2008 of 0.25% to 0.50%;

- Japan continues to suffer disappointing growth with an annual average of 0.5% despite a huge programme of quantitative easing;
- Russia and Brazil are both in recession.

**UK: -**

- Market expectations for the first increase in Bank Rate moved considerably during 2015/16, starting at quarter 3 2015 but by the end of the year this had moved back to quarter 4 2016.
- Gross Domestic Product Annual Growth Rate continued to register positive growth at an average of 2.2%;
- No additional quantitative easing was undertaken by the Bank of England;
- Bank Rate ended the year unchanged for the seventh successive year at 0.5%,
- Consumer Price Index inflation grew from -0.1% in April 2015 to 0.5% by March 2016;
- Unemployment rate continued to fall from the April 2015 opening position of 5.6% to close in March 2016 at 5.1% with the position for Trafford moving from 5.4% in April 2015 to 4.0% in March 2016;
- A majority Conservative Government was elected in May 2015 and as a result of this, a referendum on the UK remaining as part of the EU is set to take place on 23 June 2016.

2.2 The actual movement in interest rates when compared to the expectations in the strategy are shown below and a more detailed analysis detailing how investment rates moved during the course of the year is provided at Appendix A;

	<b>2015/16</b>	<b>1 April 2015</b>	<b>31 March 2016</b>	<b>2015/16</b>
	<b>Forecast Average</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual Average</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
UK Bank Rate	0.63	0.50	0.50	0.50
Investment Rates				
3 month	0.70	0.44	0.46	0.46
1 Year	1.20	0.84	0.88	0.90
Loan Rates				
5 Year	2.40	1.90	1.60	2.00
25 Year	3.75	3.15	3.11	3.35

**3. TREASURY POSITION**

- 3.1 The Council's debt and investment position is controlled by the Council's Treasury Management team to ensure that security of funds, adequate liquidity for revenue and capital activities are maintained at all times and risks connected with these activities are managed effectively.
- 3.2 Procedures and controls to achieve these objectives are well established both through Member reporting and officer activity and this was highlighted in November 2015 when the Council's Audit & Assurance Service issued its annual report on treasury management with a High Level of Assurance for the 10<sup>th</sup> consecutive year.

- 3.3 At the beginning and end of 2015/16 the Council's treasury position was as follows:

	31 March 2016			31 March 2015		
	Principal	Total	Interest Rate	Principal	Total	Interest Rate
<b>DEBT</b>						
<b>Fixed rate:</b>						
-PWLB	£47.2m			£39.0m		
-Market	£6.0m	£53.2m	5.84%	£5.0m	£44.0m	6.67%
<b>Variable rate:</b>						
-PWLB	£0m			£0m		
-Market	£51.0m	£51.0m	5.73%	£51.0m	£51.0m	5.50%
<b>Total debt</b>		<b>£104.2m</b>	<b>5.79%</b>		<b>£95.0m</b>	<b>6.05%</b>
<b>Capital Financing Requirement (to finance past capital expenditure)</b>		<b>£134.8m</b>			<b>£138.2m</b>	
<b>Over/ (under) borrowing</b>		<b>(£30.6m)</b>			<b>(£43.2m)</b>	
<b>INVESTMENTS</b>						
- Fixed rate	£39.3m			£39.9m		
- Variable rate	£42.5m			£37.7m		
<b>Total investments</b>		<b>£81.8m</b>	<b>0.98%</b>		<b>£77.6m</b>	<b>0.71%</b>

Note - The above interest rates reflect the actual position as at 31 March.

- 3.4 Whilst the above table details the position as at the beginning and end of 2015/16, the average position for 2015/16 & 2014/15 was as follows:

	2015/16		2014/15	
	Principal	Interest Rate	Principal	Interest Rate
<b>Average Debt</b>	£95.3m	6.02%	£96.1m	6.07%
<b>Average Investment</b>	£106.6m	0.84%	£79.3m	0.70%

#### 4. BORROWING POSITION

- 4.1 The Council's underlying need to borrow for capital expenditure is termed the Capital Financing Requirement (CFR) and is a gauge of the Council's indebtedness. The CFR results from the capital activity of the Council and resources used to pay for the capital spend. It represents the 2015/16 and prior years' net or unfinanced capital expenditure which has not yet been paid for by revenue or other resources.
- 4.2 Part of the Council's treasury activities is to address the funding requirements for this borrowing need and this may be sourced through borrowing from external bodies (such as the Government, through the Public Works Loan Board [PWLB] or the money markets), or utilising temporary cash resources within the Council.
- 4.3 From the table at paragraph 3.3 it can be seen that the level of external debt increased during 2015/16 from the opening position of £95.0m to close at £104.2m as a result of the following transactions;

<b>Lender</b>	<b>Principal – (Repayment) / New</b>	<b>Average Interest rate</b>	<b>Reason</b>
PWLB	£(1,769,025)	6.825%	Natural maturity
PWLB	£10,000,000	2.94%	Funds taken at low levels of interest to protect the Council's reserves & provisions and to reduce but not eradicate the under borrowing position. All associated costs were contained within the MTFP.
SALIX Finance	£1,000,000	0%	First tranche of a £3.8m loan agreement to be used on the Council's Street Lighting Replacement Programme

- 4.4 Of the debt outstanding of £104.2m, £0.9m is administered on behalf of Greater Manchester Probation Service which leaves £103.3m in respect of the Council's own long term requirement.
- 4.5 A maturity profile of the Council's debt can be found at Appendix B & C for reference.
- 4.6 No rescheduling of the Council's existing debt was undertaken during the year as the average 1% differential between PWLB new borrowing rates and premature repayment rates made this unviable due to the high breakage costs (premium) payable.

## **5. MINIMUM REVENUE PROVISION**

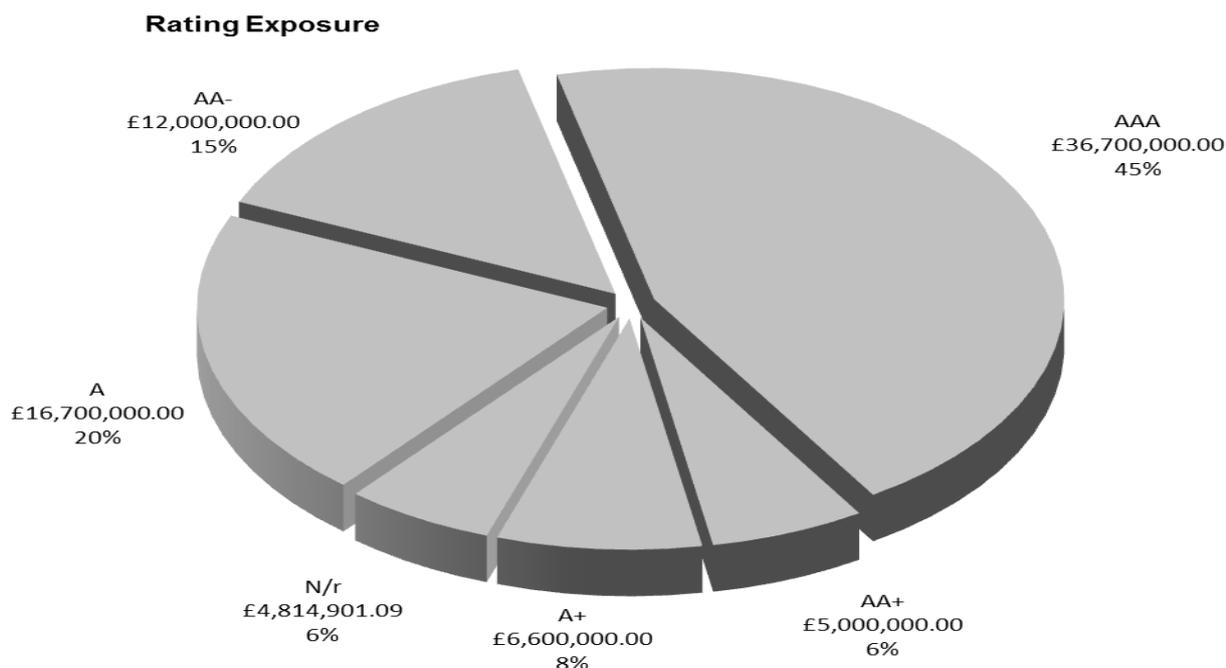
- 5.1 The Minimum Revenue Provision (MRP) is an annual charge to the revenue account for the repayment of debt incurred in respect of capital expenditure financed by borrowing.
- 5.2 During 2015/16 a review was undertaken on that element of the Council's debt incurred prior to 2008 (known as Supported Borrowing) which was charged at a rate of 4% of the Capital Financing Requirement (CFR) and therefore was never completely extinguished. Debt incurred after 2008 is charged on an equal instalment basis based on the life of the asset and was not subject to this review.
- 5.3 The basis of the review was to establish a process seeking a fairer and simpler approach for current and future council tax payers together with generating revenue savings and a report was presented and agreed by Members at the November 2015 Council meeting revising the methodology to be adopted for calculating this charge as shown below;

<b>Previous method</b>	<b>New method</b>
Capital expenditure incurred prior to 2008 was charged at a rate of 4% of the Capital Financing Requirement (CFR) and therefore was never completely extinguished.	Capital expenditure incurred prior to 2008 held within the CFR is to be written down over a period of 50yrs (this being the average life of the Council's assets over which they are depreciated).

5.4 The amendments to this policy remain fully compliant with Department for Communities & Local Government (DCLG) regulations on this issue, which permits costs to be calculated evenly over the useful life of an asset and maintains a stable and prudent charge to the revenue budget.

## 6. INVESTMENT POSITION

6.1 The Council's investment policy is governed by DCLG guidance issued in March 2010 and which was implemented in the annual investment strategy approved by Council on 18 February 2015. This policy sets out the approach for choosing investment counterparties, and is based on credit ratings provided by the three main credit rating agencies supplemented by additional market data (such as rating outlooks, credit default swaps, bank share prices etc.). The graph below provides a breakdown of the Council's investments placed as at 31 March 2016 by long term credit rating and further information detailing the make-up of this can be found at Appendix C & D;



6.2 The in-house treasury management team manages the investments using the institutions listed in the Council's approved lending list and funds can be invested for a range of periods from overnight to 3 years dependant on cash flow requirements, duration and counterparty limits set out in the approved investment strategy, its interest rate view and the interest rates on offer. Investment activity during the year conformed to the approved strategy, and the Council had no liquidity difficulties.

6.3 The in-house team also continually monitors the markets and during the year there was very little movement in both credit ratings and interest rates highlighting the continuing movement by financial institutions to realign their balance sheets following the economic downturn.

6.4 The Council's main bank account with Barclays, is non-interest bearing and consequently if no investments were undertaken by the Council's in house treasury management team, the Council would miss the opportunity to generate a substantial amount of income.

- 6.5 Bank Rate remained throughout the year at its historic low level since March 2008, of 0.5% with market expectations as to when the first increase in rates will now occur being set for quarter 4 2016 at the earliest.
- 6.6 The Council maintained an average balance of £106.6m during 2015/16 with an investment rate of return of 0.84% being achieved through proactive investment management, generating £(0.9m) of interest.
- 6.7 Whilst the level of return achieved in 2015/16 of 0.84% was slightly below that originally budgeted for of 0.85%, it was 0.51% or £(0.5m) above the comparable performance indicator of the average 7-day London Interbank BID (LIBID) rate, of 0.36% and £(0.3)m above budget.
- 6.8 The amount of interest earned was above that originally budgeted due to the level of balances invested being higher than originally forecasted as a result of external grants & contributions being received ahead of spend requirement and re-phasing of projects within the capital programme.
- 6.9 A maturity profile of the Council's temporary investments can be found at Appendix C together with a further breakdown at Appendix D which details the historic risk of default.
- 6.10 The ability to generate a satisfactory level of return without exposing the Council to high levels of risk during the continuing climate of low interest rates remains challenging and new ways of being able to do this are constantly being sought.
- 6.11 At the July 2015 Council meeting, Members approved a report for the inclusion onto the list of approved Investment institutions and instruments to be used of The Local Authority Property Investment fund, which is managed by the Church Commissioners Local Authority.
- 6.12 This fund is only available to Local Authorities and the objective of it is to generate long-term growth in the original amount invested whilst generating returns in the form of annual dividends by investing in commercial property throughout the UK.
- 6.13 On 29 September 2015, £5m was placed into this fund for an expected minimum period of 5 years and after entry costs had been deducted of £0.3m, it enabled 1,643,872 units in the fund to be purchased which at 31 March 2016 were worth £4.8m. The annualised return this investment generated for the Council in 2015/16 was 4.85% and based on the current forecasted property growth rates, it is expected that the value of the Council's units will reach the level originally invested of £5m in 2018/19.

## **7. RELATED TREASURY ISSUES**

- 7.1 Local Authority Mortgage Scheme – the Council participated in the national Local Authority Mortgage Scheme using the cash backed option with Lloyds bank by advancing £2m in 2012/13 at an interest rate of 4.41% and due to the success of this scheme, a further £1m was also advanced in 2013/14 at an interest rate of 2.7%, both for periods of 5 years. These are classified as being service investments, rather than a treasury management investment, and are therefore outside of the specified / non specified investment categories.

## **8. PRUDENTIAL AND PERFORMANCE INDICATORS**

- 8.1 Within the Treasury Management Strategy for 2015/16, approval was given to the treasury management prudential & performance indicators for the period 2015/16 – 2018/19. All indicators and benchmarks set for 2015/16 were complied with and details of these are shown in Appendix E.

### **Other Options**

This report has been produced in order to comply with Finance Procedure Rules and relevant legislation and provides an overview of the treasury management transactions undertaken during 2015/16.

### **Consultation**

Advice has been obtained from Capita, the Council's external advisors.

### **Reasons for Recommendation**

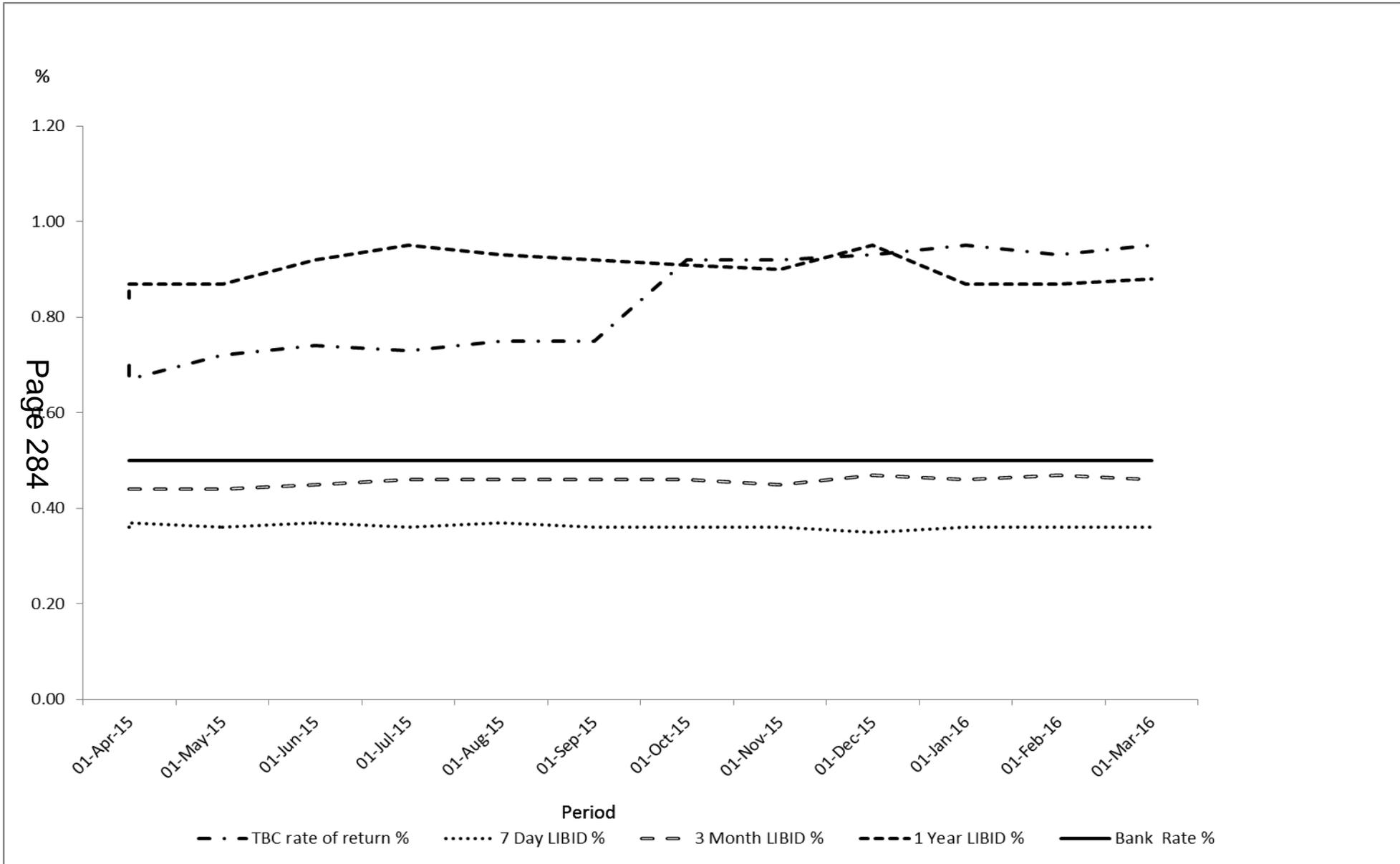
The report has been produced in order to meet the requirements of the Council's Financial Procedure Rules which incorporate the requirements of both the CIPFA Prudential Code and the CIPFA Treasury Management Code.

**Finance Officer Clearance**     ... GB...

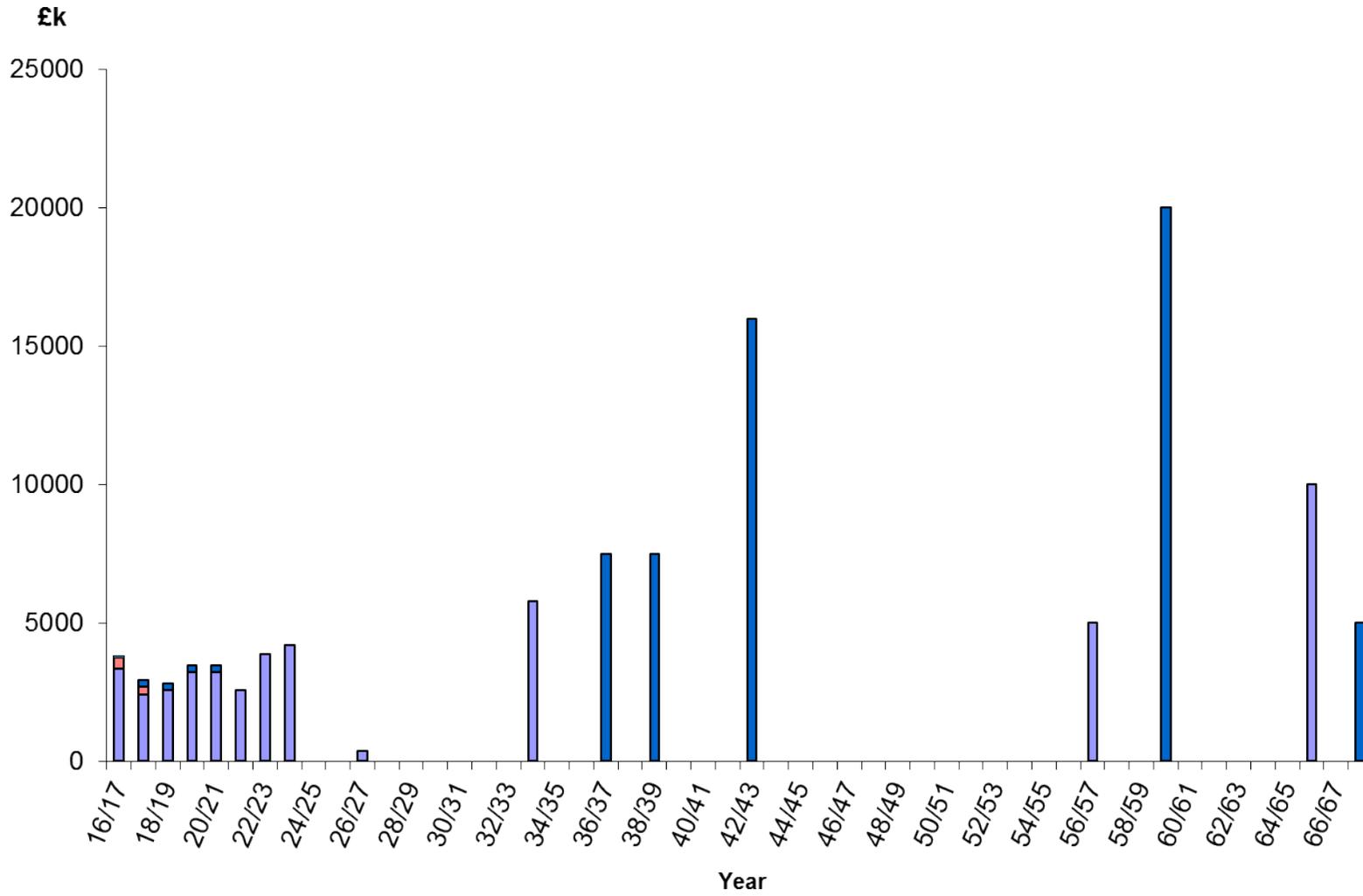
**Legal Officer Clearance**     .....MRJ.....

**DIRECTOR'S SIGNATURE**     ..... 

### Investment Interest rate movements in 2015-16



Profile of debt outstanding as at 31.03.2016



### Maturity Profile

#### Debt portfolio:

	31 March 2016 Actual	31 March 2015 Actual
Under 12 months	£3.7m	£1.8m
12 months and within 24 months	£2.9m	£3.7m
24 months and within 5 years	£9.8m	£8.5m
5 years and within 10 years	£10.6m	£13.9m
10 years and above	£77.2m	£67.1m
<b>Total</b>	<b>£104.2m</b>	<b>£95.0m</b>

#### Investment portfolio:

	31 March 2016 Actual	31 March 2015 Actual
Instant Access	£37.7m	£37.7m
Up to 3 Months	£5.5m	£4.0m
3 to 6 Months	£16.7m	£9.5m
6 to 9 Months	£9.5m	£0.0m
9 to 12 months	£7.6m	£21.4m
Over 1 year	£4.8m	£5.0m
<b>Total</b>	<b>£81.8m</b>	<b>£77.6m</b>

## Breakdown of Investments as at 31 March 2016

Counterparty	Amount £	Interest rate	Lowest Long Term Credit Rating*
Church Commissioners Local Authority	4,814,901	4.77%	Not rated
Close Brothers Bank	2,500,000	0.90%	A
Close Brothers Bank	2,500,000	1.05%	A
Federated Investors – Money Market Fund	19,410,000	0.54%	AAA
Goldman Sachs Bank	2,500,000	0.94%	A
Goldman Sachs Bank	2,000,000	0.77%	A
Greater Manchester Waste Disposal Authority	5,000,000	1.60%	AA+
Legal & General – Money Market Fund	2,290,000	0.49%	AAA
Lloyds Bank	1,500,000	1.00%	A+
Lloyds Bank	2,100,000	1.05%	A+
Lloyds Bank	3,000,000	1.05%	A+
Nationwide BS	2,200,000	0.82%	A
Santander UK Bank	3,000,000	0.69%	A
Santander UK Bank	2,000,000	1.00%	A
Standard Life – Money Market fund	15,000,000	0.50%	AAA
<b>Total UK</b>	<b>69,814,901</b>	<b>1.03%</b>	
Development Bank of Singapore	3,000,000	0.61%	AA-
National Bank of Abu Dhabi	2,000,000	1.00%	AA-
National Bank of Abu Dhabi	1,000,000	0.91%	AA-
National Bank of Abu Dhabi	2,000,000	0.80%	AA-
National Bank of Abu Dhabi	3,000,000	0.74%	AA-
Svenska Handelbanken – call account	1,000,000	0.45%	AA-
<b>Total Non UK</b>	<b>12,000,000</b>	<b>0.75%</b>	
<b>Grand Total</b>	<b>81,814,901</b>	<b>0.98%</b>	

## Prudential Indicators for 2015/16

Figures are for the financial year	2015/16 Indicator set by Council	2015/16 Actual
<p><b>Authorised Borrowing Limit</b> Maximum level of external debt, including other long term liabilities (PFI &amp; leases) undertaken by the authority including any temporary borrowing - this is a statutory limit under Section 3(1) of the Local Government Act 2003.</p>	£146m	£110m
<p><b>Operational Boundary</b> Calculated on a similar basis as the authorised limit but represents the expected level of external debt &amp; other long term liabilities (PFI &amp; leases) excluding any temporary borrowing – this is not a limit.</p>	£131m	£110m
<p><b>Upper limits on fixed interest rates</b> (Maximum limit of net fixed interest rate exposure - debt less investment)</p>	£2.7m	£2.4m
<p><b>Upper limits on variable interest rates</b> (Maximum limit of net variable interest rate exposure – debt less investment)</p>	£3.2m	£2.8m
<p><b>Gross debt and Capital Financing Requirement</b> (This highlights all gross external borrowing, including PFI &amp; leases) is prudent, for capital purposes and does not exceed the capital financing requirement. Figures reflect amount capital financing requirement which exceeds gross external borrowing).</p>	£4.4m	£24.8m
<p><b>Maturity structure of fixed rate borrowing</b> (These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing – these are required for upper, as shown and lower limits which were set at 0%).</p>		
Under 1 year (this includes the next call date for Market loans)	70%	53%
1 year to 2 years	25%	3%
2 years to 5 years	25%	9%
5 years to 10 years	25%	10%
10 years to 20 years	25%	6%
20 years to 30 years	25%	0%
30 years to 40 years	25%	0%
40 years and above	25%	19%
<p><b>Maximum principal funds invested exceeding 364 days (including Manchester International Airport shares)</b> - (These limits are set to reduce the need for early sale of an investment)</p>	£70m	£44.6m

### Performance Indicators for 2015/16

Indicator	Target	Actual
<b>Security</b> – potential default rate of the Council's investment portfolio based on default rates from the 3 main credit rating agencies – inclusion is recommended by CIPFA.	Max 0.09%	Max 0.01%
<b>Liquidity</b> – investments available within 1 week notice	£15m min.	Achieved
<b>Liquidity</b> – Weighted Average Life of investments	6 months	6 months at 31 March 2016
<b>Yield</b> – Investment interest return to exceed 7 day London Interbank <b>BID</b> rate	0.36% (Avg. 7 day LIBID)	0.84%
<b>Origin of investments placed</b> - maximum investments to be directly placed with non-UK counterparties.	UK institutions 100% Non UK institutions 40%	Min 69% Max 31%

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## TRAFFORD COUNCIL

**Report to:** Accounts & Audit Committee  
**Date:** 28 June 2016  
**Report for:** Information  
**Report of:** Chief Finance Officer

### Report Title

**Insurance Performance Report 2015/16**

### Summary

This report provides a summary of insurance performance for 2015/16.

The gross cost of the insurance activity (excluding schools) for 2015/16 was £1.321m (£0.752m in 2014/15); comprising £0.422m of premium costs and £0.899m provision for liability claims. The main reason for the increase was the reassessment that took place of the provision for outstanding liability claims.

The provision for outstanding liability claims was £3.968m as at 31 March 2016, compared to £3.624m at 31 March 2015.

Overall liability claim numbers saw a slight increase in 2015/16 with 315 new claims compared to 305 in 2014/15; the number of liability claims paid saw a decrease with 93 claims paid in 2015/16 compared to 102 in 2014/15. There has been an improvement in the overall repudiation rates on settled claims in year from 62% in 2014/15 to 69% in 2015/16, the underlying repudiation rates across insurance policy years remains consistently high **(See Annex 2)**.

### Recommendations

That the report be noted.

Contact person for access to background papers and further information:

Name: Graeme Bentley  
Extension: 4336  
Background Papers: None

## 1. Introduction

- 1.1 This report updates the Committee on the Council's non-schools insurance activities for 2015/16 and the purpose is to update Members on:

**Section 2** - Current insurance programme;

**Section 3** - Performance Update

**Section 4** - The Current Budget Position;

**Section 5** - Other Issues

- 1.2 Insurance services are provided to a number of schools under a service level agreement. The cost of insurance support, insurance premiums and provisions for liability claims and buildings cover are recovered through charges to those schools who buy-back the service.

## 2. Current Insurance Programme

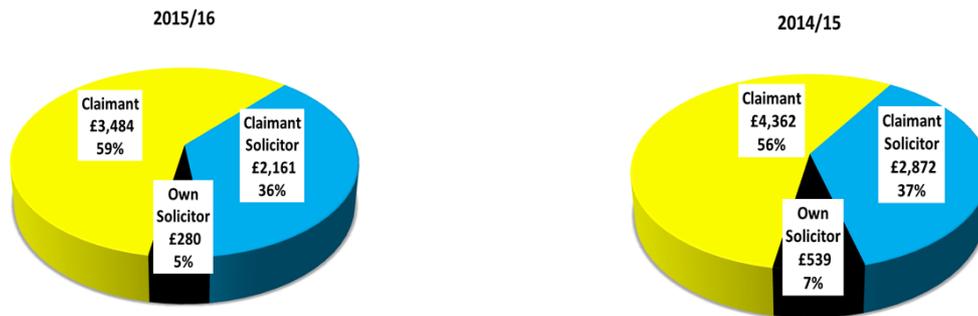
- 2.1 The Council's insurance programme covers a number of areas including property, public and employer's liability and a detailed summary of covers and providers is shown in **Annex 1**. Like most local authorities, in order to control premium costs, a number of the policy areas include higher excess levels than normal types of policy and it is therefore imperative that the Council maintains adequate insurance and risk management procedures.
- 2.2 The area where we can exert some financial control is in managing and monitoring risk as well as the handling and defending of claims. The following sections provide an overview of performance and a detailed look at the major classes of claims.

## 3. Performance Update

- 3.1 In 2015/16 the Council received 315 new liability claims compared to 305 in 2014/15, an increase of 3%. The majority of these, 78%, were highway related claims. **Annex 2** provides information on the level of activity in 2015/16 compared to the previous year across the major insurance areas. It also provides information on the cost of claims settled in the year regardless of policy year.
- 3.2 A provision is included within the Council's accounts to cover the anticipated cost of all outstanding claims (**See Section 4**).

	2015/16	2014/15
<b>Live Claims at the Beginning of Year</b>	376	336
<b>New Claims Received in Year</b>	315	305
<b>Settled Claims in Year</b>	303	265
<b>Live Claims at the End of Year</b>	388	376

- 3.3 The average cost of settled claims in 2015/16 is £5,925, compared to £7,773 in 2014/15. A significant proportion of each claim is third party legal fees and as the majority of claims are now being settled under the fixed costs regime introduced by the Ministry of Justice in 2013 (**see Section 5**), it is expected that these will fall further.



3.4 **Repudiation rates** have seen an increase from 62% in 2014/15 to 69% in 2015/16. The insurers settled more historic claims in 2015/16 (303) than 2014/15 (265) which had a positive effect on the repudiation rate (**See Annex 2**).

The overall trend on repudiation remains good when viewed across policy years.

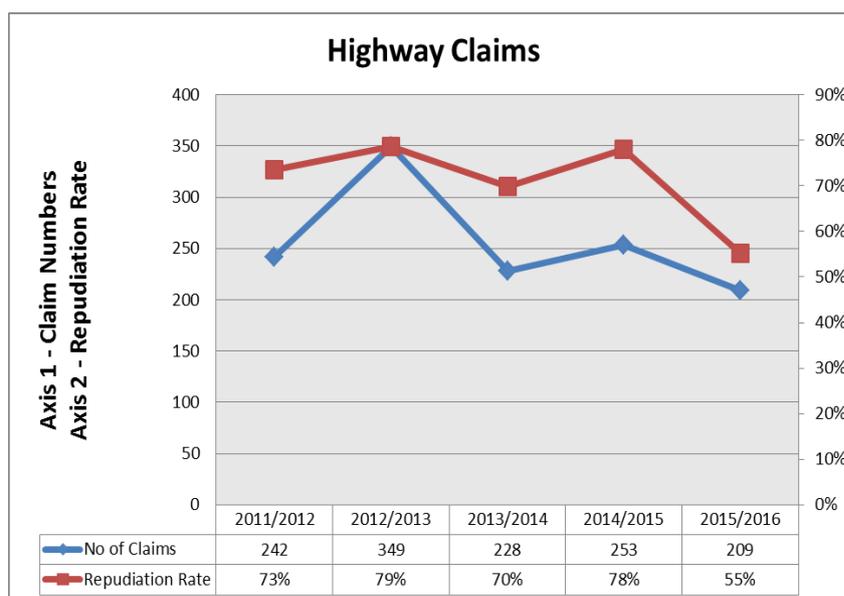
3.5 **High value claims** are defined as claims that carry a reserve of £50,000 and above. As at 31 March 2016 the Council had 12 outstanding high value claims with an estimated total value of £1,305,897 and this is reflected within the current insurance provision. This compares to 9 outstanding claims as at 31 March 2015 with an estimated total value of £854,259. In the last 12 months three claims with a total reserve of £238,859 have been successfully defended, (**See Section 3.9, and 3.10**). The claims range across a number of policy years and are managed by specialist claim handlers / solicitors and monitored by the insurance team.

3.6 In July 2015 we received a high value claim where the claimant suffered spinal injuries due to a fall. The reserve (estimated cost of claim) for this claim was set by our insurers and is currently £500,000; after the combined efforts of the insurance team, highway officers and our external solicitors we were able to present a robust defence to the allegations made by the claimant's solicitor. As a consequence they have recently confirmed they are no longer pursuing the claim and this will mean we will be able to close the file, remove the reserve from our experience and ultimately reduce the amount set aside in the insurance provision.

3.7 In the last few years awareness of historic abuse cases have come to national attention. We have received one such claim in 2015/16 dating back to abuse which occurred in the 1970's, because of the nature of the claim specialist solicitors were appointed. They have advised us that due to the specific circumstances of this case they were able to re-direct the claim to the alleged perpetrator.

3.8 Detailed within **Annex 3** is the summary claims information relating to policy years for the main classes of insurance for the last five years which show the trends in claim costs and claim numbers. The following paragraphs provide a commentary for the major insurance classes.

### 3.9 Public Liability – Highway Claims.



- Highway claim numbers have been relatively consistent for the last five years apart from a spike in 2012/13 when we experienced a particularly bad winter. Repudiation rates average at 75% over the five years, although 2015/16 is an immature year and it is expected that repudiation rates will rise as more claims are settled for this year.
- Highway claims continue to represent the largest risk to the Council both in terms of cost and volume. Over the five year period to 2015/16 the average annual cost of claims was £592,376. This figure is inflated due to 2014/15 and 2015/16 being immature years due to the number of outstanding claims which all carry a reserve (**See Annex 3**).
- We are continuing to work closely with our insurers and highways officers to ensure the majority of these claims will be repudiated and our repudiation rates remain at a continually high level.

#### Claims Commentary

- There are 14 outstanding claims for 2011/12 and 2012/13 with a reserve of £186,830; these claims have been litigated and are with the Council's appointed solicitors. Our robust inspection system has enabled our appointed solicitors to have one of the claims discontinued; this will reduce the provision required by £25,500. The medical report of a further outstanding claim in 2012/13 was challenged leading to a claim with a high reserve of £175,000 being settled at £58,520.
- In 2015/16 we successfully defended a highway tripping claim which carried a total reserve of £50,000. Whilst we admitted liability, we did not make an offer of settlement until the claimant was able to prove the severity of their injuries, no evidence was provided so the claim was discontinued.
- The Law relating to highway maintenance is governed by the Highways Act 1980. In particular, Section 41 of this Act imposes a duty on the Council to maintain the highway network for which it has responsibility. For there to be a

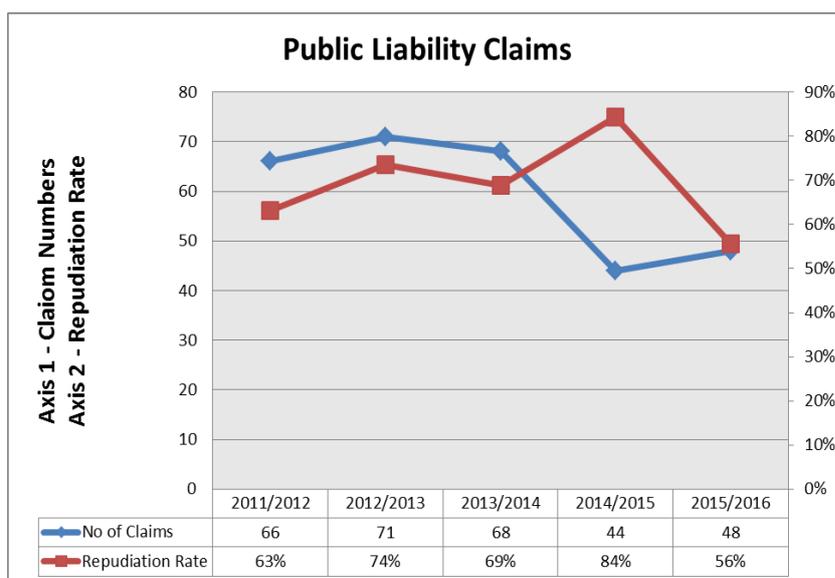
breach of Section 41, there must have been a failure to maintain or a failure to repair the highway or footway.

- A defence to claims against the Council is provided by Section 58 of the Act. This may be used to defend claims where the Council can demonstrate that it took all reasonable steps to ensure the highway was safe, for example by means of a scheduled inspection and repair system. Therefore, if the Council can prove that it has adequate policies and procedures to maintain the highway and that these are being performed, a claim can be repudiated.
- The table below shows the reasons why claims were settled in 2015/16 compared to 2014/15.

Reason for Settlement	Number of Claims:	
	2015/16	2014/15
<b>Defect not picked up in carriageway</b>	7	8
<b>Defect not picked up in footway</b>	8	7
<b>Failure to repair carriageway</b>	23	22
<b>Failure to repair footway</b>	6	3
<b>No inspection of carriageway</b>	9	15
<b>No inspection of footway</b>	1	4
<b>Tree damage</b>	16	10

- In 2014/15 the Highway Inspection team were experiencing temporary staffing issues which now appear to be resolved. The decrease in claims where no inspections took place reflects this as the numbers have reduced almost by half.
- The Highway Damage Claim Form introduced by the Insurance Team in the summer of 2013 continues to serve as a defence against potential spurious claims. The form seeks full documentation in support of a claim. It also sets out the Council's claims procedures and our legal duty in maintaining the highway under the Highways Act 1980. In 2015/16, 225 forms were sent out and 104 have been returned. This represents a "drop-out" rate of 54%.
- Reports providing reasons for settlement on individual claims is fed back to Highways on a quarterly basis in order that Highways can understand why claims are settled and adjust their inspection and maintenance systems accordingly.

### 3.10 Public Liability – Other Claims

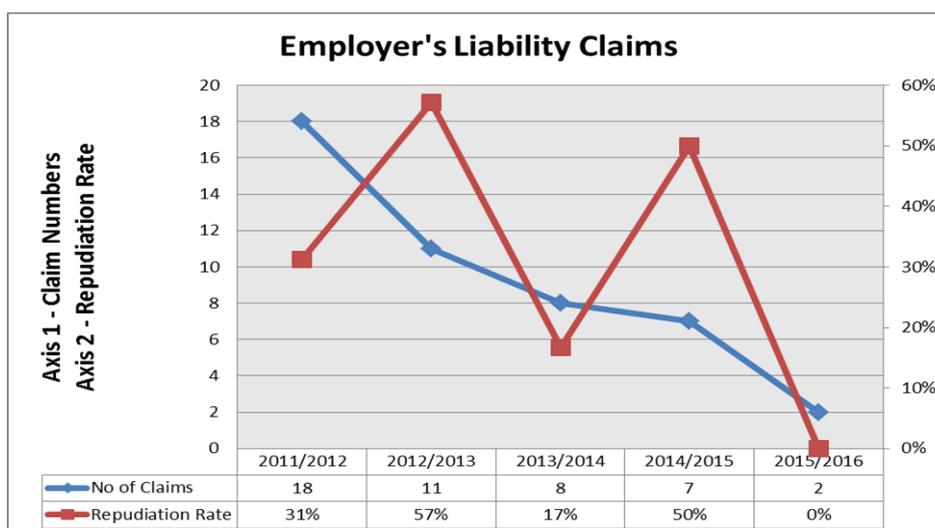


- Public liability claims come from across all other services in the Council and whilst not as numerous as highway claims they represent a significant cost. Examples of these claims are incidents in parks, libraries and other community buildings or involving social services.
- Risk management initiatives have helped towards the reduction in claim numbers over the last two years. For example, we produced an insurance handbook for schools which received positive feedback, and as a result we now receive fewer claims against schools.

#### Claims Commentary

- A high value claim with a reserve of £95,824 was successfully repudiated in 2015/16. It relates to an incident which occurred on school grounds. The Council was able to demonstrate that the event was in no way down to negligence on the part of the school.
- In 2015/16 another claim relating to Environmental Health was successfully repudiated by the co-ordinated efforts of the Insurance Team, Environmental Health and our appointed solicitors. This claim had a reserve of £93,000 and our combined efforts resulted in protecting the Council against this large loss.
- Where appropriate, a member of the team will accompany the Insurer's claims investigator and meet with the relevant service to investigate and discuss liability issues.
- The Insurance Team continue to provide feedback at the claim settlement stage to inform the relevant department of the outcome of the claim along with risk management advice to prevent future claims occurring.

## 1.11 Employer's Liability Claims



- Employer's Liability claims represent the smallest claims in terms of volume but represent a significant cost to the Council. Employers Liability claims relate to injuries sustained by an employee, during the course of their duties. Claims can be received up to three years after the incident occurred. As a result, these claims are usually more time consuming and complex to handle as they may require retrospective investigation.
- The Reshaping Trafford Programme has changed the dynamic of our workforce to predominately office based staff which represent a significantly reduced risk when compared to manual staff and this is reflected in the falling number of claims.
- All Employers Liability claims are investigated by the Insurer's Claims Investigator and a member of the insurance team. We meet with the appropriate service to discuss the merits of the claim and our stance on liability. Any concerns in respect of health and safety procedures are fed back to our Health and Safety Unit for further review.

## 1.12 Motor Vehicle (Fleet) Claims

- The Joint Venture with Amey came into effect in July 2015; this has seen extensive changes to the Council's motor profile as the majority of the fleet now falls under Amey's responsibility.
- At the beginning of 2014/2015 we had a fleet of 124 vehicles and by the end of the year, this had reduced to just 12 vehicles. These changes are reflected in the improved claims experience (**See Annex 3**).
- In 2013/2014, our loss ratio (premium against cost of claims) was at 31%, as a result we were able to successfully negotiate a low claims rebate of £12,276 from our insurers. Likewise, the good performance of the fleet in 2014/2015 continues, therefore, we will be seeking another rebate for this policy period in the coming months.

#### 4. The Current Budget Position

1.1 The cost of non-schools insurance in 2015/16 is £1.321m, compared to a revised budget of £1.323m, comprising premiums of £0.422m and provision for the cost of liability claims of £0.899m. Whilst the variation to the budget is minimal there was:-

- Net increase in provision for claims £0.053m.
- This is offset by a decrease in premiums of £(0.055)m due to a reduction in the fleet and property portfolio.

	2014/15 Actual £000	2015/16 Projected £000	2015/16 Actual £000	2015/16 Variance £000
<b>Premiums:</b>	<b>397</b>	<b>477</b>	<b>422</b>	<b>(55)</b>
Casualty	190	208	233	25
Property	50	104	89	(15)
Fleet	142	148	78	(70)
Money, Fraud	15	17	22	5
<b>Provision:</b>	<b>355</b>	<b>846</b>	<b>899</b>	<b>53</b>
Liability Highway	528	548	467	(81)
Liability Other	207	298	148	(150)
Year End Reassessment	(380)		284	284
<b>Gross Expenditure:</b>	<b>752</b>	<b>1,323</b>	<b>1,321</b>	<b>(2)</b>
Less Income (Non Schools DSG and DSO)	(239)	(75)	(87)	(12)
Contribution (from)/to reserve	262	(373)	(359)	14
<b>Net Expenditure</b>	<b>775</b>	<b>875</b>	<b>875</b>	<b>0</b>

1.2 The Council maintains both an insurance provision to cover the cost of outstanding liability claims and an insurance reserve.

Provision	£000:	Insurance Reserve	£000:
<b>Balance as at 01/04/2015</b>	<b>(3,624)</b>	Balance as at 01/04/2015	<b>(3,065)</b>
<b>Additional Contribution from Revenue(*)</b>	<b>(1,011)</b>	MMI Levy	282
<b>Less Claims Paid</b>	951	Contribution to Insurance Budget	359
<b>Reassessed Provision</b>	<b>(284)</b>		
<b>Balance as at 31/03/2016</b>	<b>(3,968)</b>	Balance as at 31/03/2016	<b>(2,424)</b>

(\*) Includes provision for school claims

- **Insurance Provision:** the provision exists to cover the cost of outstanding liability claims. The year-end balance is confirmed by an external actuary who also advises on the level of contribution which should be made each year to the provision which is included with the insurance budget. The increase in year is, in part, attributable to a high value claim (see 3.6) which has recently been defended.

- **Insurance Reserve:** the reserve is maintained in the event of a catastrophe where the Council is required to cover the first £250,000 on any building claim. It is also used to balance any fluctuation that might be required in the overall provision level or additional costs associated with historic Municipal Mutual Insurance Claims.

## 5. Other Issues

### ➤ Ministry of Justice Reforms

- The Ministry of Justice (MOJ) reforms introduced to control third party legal costs for claims (with a value less than £25,000), came into effect on 1st August 2013. We are now beginning to see the savings these controls have for the Council.
- To date, we have paid 28 claims under these fixed costs rules and the average third party legal costs for these claims were £2,492. This compares with an average third party legal cost of £7,917 for fast track claims which occurred and were settled in the three year period prior to the reforms.
- Whilst the reforms are still in their infancy the above comparison provides an indication of costs we are likely to see going forward.
- Whilst the Ministry of Justice reforms represent a positive step forward in controlling third party legal costs, the best control we have is the ability to provide a robust defence. This is a constant focus of the insurance team as they work with the various departments when investigating claims and monitoring the claims experience.

### ➤ Update on the Joint Venture with Amey

- The responsibility of highways inspections, repairs and maintenance functions was transferred to Amey on the 4th July 2015. The responsibility for claims handling was kept in-house to allow us to efficiently manage claims, maintain reputation with our tax payers and allows us to monitor the performance of Amey. Failure to comply with claims handling timescales could result in additional cost to the Council and failure to benefit from the MOJ reforms above.

### ➤ Insurance Market Overview

- The Public Sector Insurance Market suffers from lack of competition when compared with the commercial market. However, we are hearing of new insurers and initiatives entering the market in the next 12 months which is positive news.
- As these products are currently in their infancy, we will seek feedback on the success and longevity of these market entries via our Insurance Brokers.
- On the Casualty front, Insurers continue to have serious concerns over the long-tail development of child sexual exploitation claims, children's services claims generally and highways claims which form a significant part of our claims experience.
- These concerns have put considerable pressure on Public and Employers liability rates and we have been advised by our peers, which form the North West Insurance Officers Group (NWIOG), that these rate increases have impacted on many and some more significantly than others, depending on their current claims experience.

- As per renewal this year, we will continue to review our claims experience periodically, liaise with internal departments to strengthen our risk management approach and seek renewal terms well ahead of time.
- Our continued aim is to actively contribute to the Council's overall budget position by reducing insurance costs where possible. We will continue to challenge insurer's rationale for increases and continually review cover and new products that enter the market to ensure adequate levels of cover are in place and all our premiums are competitive.

➤ **Renewal 2016/17**

- As detailed in the Market Overview, insurer's views on historical claims have put pressure on Public and Employers liability rates and we have seen rate increases as a result. Insurers were initially proposing a 20% increase on our Public Liability policy; however, we managed to mitigate this increase by seeking full rationale and using our claims experience as leverage.
- We know from discussions within the NWIOG that many other authorities were seeing substantially higher increases compared to us and we feel that by continually reviewing our risk in line with our claims experience was the main factor that we were able to reduce the proposed increase to 15%.
- The Insurance Team worked hard to review all insurable risks on the lead up to renewal, together with evaluating our programme structure as we committed to do in our 2014/15 report. This work resulted in revised property portfolios, sums insured which accurately reflects our current structure and ultimately helped us achieve a premium saving overall, which is undoubtedly a positive outcome given the hardening market we are currently working in.
- We are pleased to report that, despite these market pressures, not only have we successfully negotiated our 2016/17 renewal within budget, but we also achieved a saving of £19,818.

➤ **Corporate Fraud Initiative**

- Since November 2015, The Insurance and Corporate Fraud teams have started working in collaboration to detect insurance and benefit fraud.
- Regular monitoring meetings have been established and monthly reports of claims that may require further investigation are provided to the Corporate Fraud Team. We engage the use of social media to carry out background checks of those whom seem intent in making a spurious claim against the Council and we have also implemented an in-house fraud checklist which acts as the first trigger point for investigation.
- The intention of this work is not only to act as a deterrent in respect of fraudulent insurance claims, but also to help identify whether benefits are being given appropriately, for example single person council tax discount. If it is found that a claimant is also in Council Tax arrears, then future consideration is being given to how to recover these from any potential insurance award.
- This is a new initiative for us and whilst it may take some time to quantify results in monetary terms, we feel that the results in respect of reputation are

paramount. We are continually striving to look for new and innovative ways of protecting the insurance provision and reputation of Trafford.

➤ **Future Issues and Plan**

- In 2014, we undertook an insurance tender and entered into a long term agreement with our current provider on a 3 year contract with an option to extend for a further 2 years. The initial 3 year period is due to expire on 31/03/2017, and we will be seeking advice from our insurance broker to assess if the optimum time to re-tender is now or whether we should extend the contract for a further 2 year period.
- In light of some much publicised cases of cyber (data) theft, such as Talk Talk and Morrisons, whose customers and staff suffered security breaches to their personal and banking details, we intend to carry out a review of our current cover to ensure that the Council is adequately protected in the event of such a breach.
- Following changes brought about by the Amey transfer we are refreshing the Insurance Guide for Managers. This is timely as the Insurance Act 2015 comes into effect in August 2016 which places a new duty on a policyholder to disclose material circumstances that they ought to know. The Act clarifies that information must be obtained from the policyholder's senior management. Failure to demonstrate that a fair presentation of risk has been disclosed at renewal can have an adverse effect on the insurer's willingness to pay claims.
- We are also looking at options for a new claims management system as the current system is no longer being supported by the developer.

## Trafford Council Current Insurance Programme

Limit of Indemnity	Sum Insured			Unlimited TP Injury £20m TP Damage	Accidental bodily injury, death, disablement or the incurring of Medical Expenses	Various Physical loss of money	£5m Financial loss sustained as a result of a criminal act	£5m
	BI Max Indemnity Period 36 months	£50m EL	£50m PL					
Policy	Property Damage / Business Interruption	Employers' Liability / Officials Indemnity	Public Liability	Motor	Personal Accident	Money	Crime / Fidelity Guarantee	Professional Negligence
Insurer	Zurich Municipal	Zurich Municipal	Zurich Municipal	Amlin	Zurich Municipal	Zurich Municipal	Zurich Municipal	Zurich Municipal
Deductibles	£250,000	£275,000	£275,000	£1,000	Nil	£250	£10,000	£100,000
Stop Loss	Aggregate £1M	Aggregate £2M	Aggregate £2M					

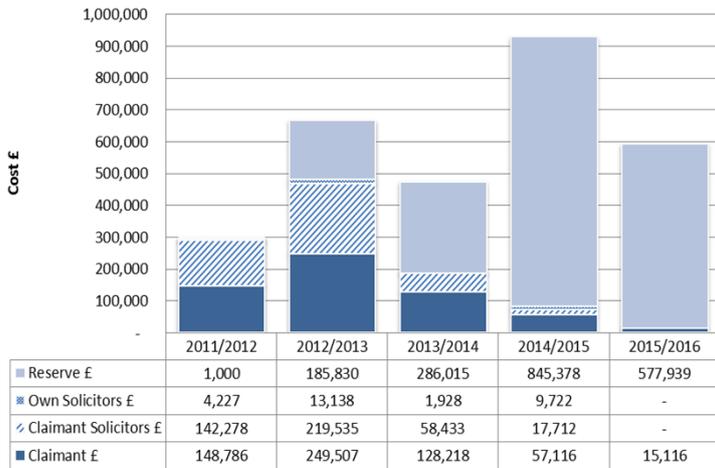
## Claims Activity Report

Claim Numbers	2015/2016						2014/2015					
	Highway	PL	EL	Liability Total	Motor	Total	Highway	PL	EL	Liability Total	Motor	Total
Live Claims b/f	270	64	42	376		376	229	73	34	336	68	404
New Claims Received	245	59	11	315		315	234	53	18	305	27	332
Settled Claims	237	52	14	303		303	193	62	10	265	12	277
Claims c/f	278	71	39	388	0	388	270	64	42	376	83	459
Net Change in Claim Numbers	8	7	(3)	12	0	12	41	(9)	8	40	15	55
<b>Cost of Settled Claims</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>			<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>		
Claimant Costs £	247	27	50	324			216	129	100	445		
Claimant Solicitor Costs £	135	11	55	201			119	123	51	293		
Own Solicitor Costs £	15	7	4	26			6	45	4	55		
<b>Total</b>	<b>397</b>	<b>45</b>	<b>109</b>	<b>551</b>			<b>341</b>	<b>297</b>	<b>155</b>	<b>793</b>		
No of Claims Settled at Nil	167	35	8	210			124	36	3	163		
Rejection Rate of Settled Claims	70%	67%	57%	69%			64%	58%	30%	62%		
Average Cost of Settled Claims	5,671.43	2,647.06	18,166.67	5,924.73			4,942.03	11,423.08	22,142.86	7,774.51		

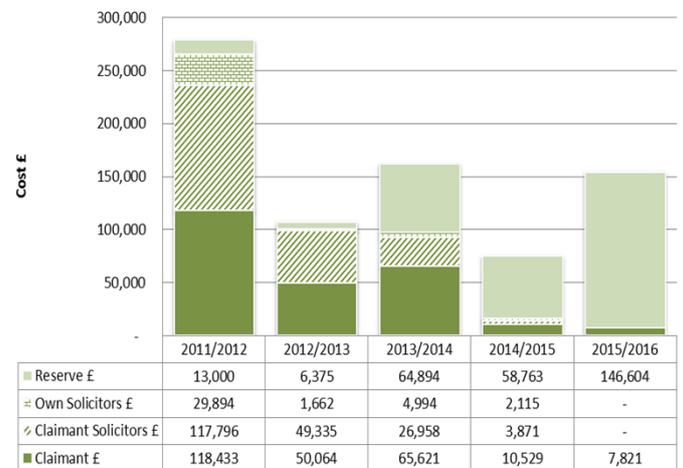
- This table represents the on-going claims activity carried out within the year, irrespective of when the claim occurred.
- The costs and key statistics relate only to claims settled within the relevant financial year.
- Does not include for a small number of property and other claims.

# Claims Activity Report by Policy Year

## Highway Claims



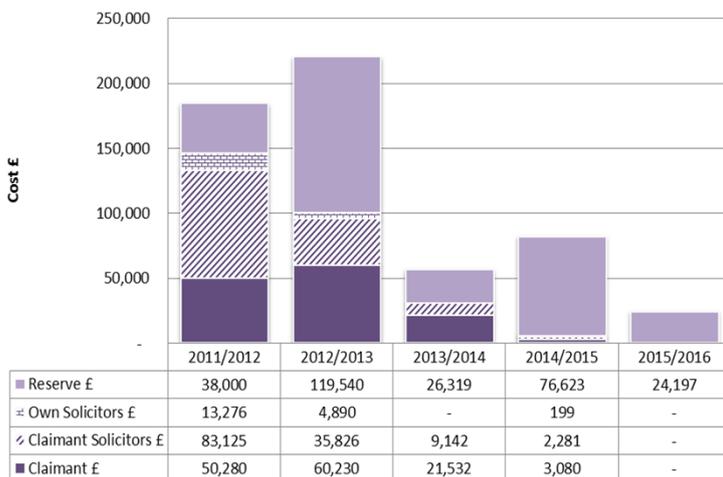
## Public Liability Claims



Policy Year	No of Claims	Open	Closed	No Settled at Nil	No of Claims Paid	Rep Rate
2011/12	242	1	241	177	64	73%
2012/13	349	13	336	264	72	79%
2013/14	228	15	213	149	64	70%
2014/15	253	57	196	153	43	78%
2015/16	209	180	29	16	13	55%

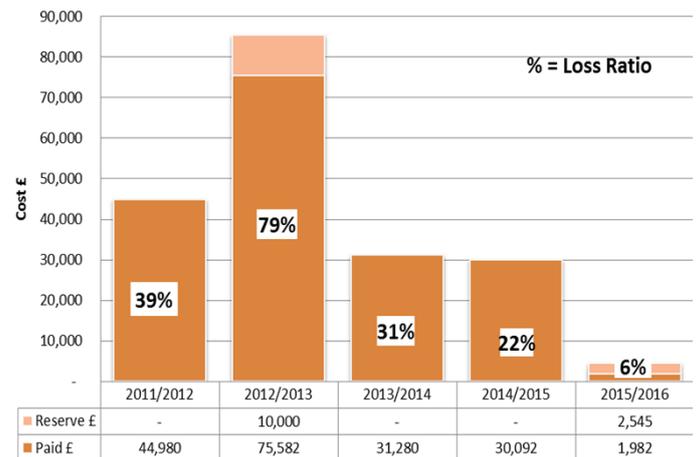
Policy Year	No of Claims	Open	Closed	No Settled at Nil	No of Claims Paid	Rep Rate
2011/12	66	1	65	41	24	63%
2012/13	71	3	68	50	18	74%
2013/14	68	7	61	42	19	69%
2014/15	44	12	32	27	5	84%
2015/16	48	30	18	10	8	56%

## Employers' Liability Claims



Policy Year	No of Claims	Open	Closed	No Settled at Nil	No of Claims Paid	Rep Rate
2011/12	18	2	16	5	11	31%
2012/13	11	4	7	4	3	57%
2013/14	8	2	6	1	5	17%
2014/15	7	5	2	1	1	50%
2015/16	2	2	0	0	0	0%

## Motor Claims



Policy Year	No of Claims	Paid £	Reserve £	Total Incurred £
2011/12	30	44,980	-	44,980
2012/13	23	75,582	10,000	85,582
2013/14	24	31,280	-	31,280
2014/15	21	30,092	-	30,092
2015/16	9	1,982	2,545	4,527

## TRAFFORD COUNCIL

**Report to:** Accounts and Audit Committee  
**Date:** 28 June 2016  
**Report for:** Information  
**Report of:** Audit and Assurance Manager

### **Report Title**

**Annual Report of the Head of Internal Audit 2015/16**

### **Summary**

The purpose of the report is:

- To provide an opinion on the standard of internal controls during 2015/16
- To provide a summary of the work of the Audit and Assurance Service during 2015/16.

### **Recommendation**

The Accounts and Audit Committee is asked to note the report.

### **Contact person for access to background papers and further information:**

Name: Mark Foster – Audit and Assurance Manager  
Extension: 1323

### **Background Papers:**

None





**TRAFFORD**  
**COUNCIL**

## **Audit & Assurance Service**

# **Annual Report of the Head of Internal Audit 2015/16**

**June 2016**

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- D : Client Survey Responses 2015/16

## **SUMMARY AND OVERALL OPINION**

The Annual Report of the Head of Internal Audit sets out details of the work of the Audit and Assurance Service during 2015/16. The most important aspect of the Annual Audit Report is to give an Opinion as to the overall adequacy and effectiveness of the Council's control environment during 2015/16, which encompasses internal control, risk management and governance.

Internal Audit is a statutory function and the Audit and Assurance Service carried out its work in 2015/16 in general conformance with the Public Sector Internal Audit Standards.

Through its work, the Audit and Assurance Service aims to provide support to the organisation in its aim to maintain effective governance arrangements and a sound control environment. There continues to be ongoing financial pressures for local authorities to achieve savings and transform service delivery arrangements and, as part of this, councils need to ensure effective governance arrangements, systems and controls are in place to ensure value for money is achieved and the risk of fraud or error is minimised.

Recommendations made in internal audit reports and guidance/advice provided are key mechanisms for identifying improvement actions required by the organisation. The Audit and Assurance Service ensures that its coverage remains broad to maximise impact and also follows up the implementation of recommendations to ensure that improvements are actually occurring.

The Audit Opinion is based on internal audit work undertaken during the year. It is an important component of the Council's Annual Governance Statement which will accompany the Council's Annual Accounts for 2015/16. It should be noted that the report relates to areas reviewed by Internal Audit up to 31 March 2016. Any further issues relating to work undertaken after that time are covered in future updates including quarterly reports to the Corporate Management Team and the Accounts and Audit Committee.

**Based on internal audit review work undertaken and other sources of assurance for 2015/16, the Internal Audit Opinion is that overall, the control environment is operating to a satisfactory standard.**

**Follow up work in areas previously reviewed demonstrates that continuing improvements in controls are being made to address risks previously identified.**

**There were, however, some areas where significant improvements in controls were required and in such instances, recommendations were made to improve the controls in place. Particular areas identified include required improvements in Council processes in relation to business continuity both in respect of service and central IT disaster recovery processes. Areas identified for improvement will be further followed up in 2016/17.**

## **1. INTRODUCTION AND BACKGROUND**

- 1.1 The purpose of the Annual Report of the Head of Internal Audit is to detail the work of the Audit and Assurance Service during 2015/16. The Annual Audit Report provides an Opinion as to the overall adequacy and effectiveness of the Council's control environment during 2015/16.
- 1.2 Internal Audit is a statutory function and must undertake its work in accordance with the Public Sector Internal Audit Standards (PSIAS) which came into effect from 1 April 2013. It is a requirement of PSIAS that an Annual Internal Audit Report is written and presented to the organisation.
- 1.3 The Audit and Assurance Service is within Financial Services in the Transformation and Resources Directorate. The Audit and Assurance Manager reports to the Chief Finance Officer (Section 151 Officer).
- 1.4 The establishment of the Audit and Assurance Service comprised 7.83 full time equivalent (FTE) staff at the start of 2015/16. As at 1 April 2015, there were 2 vacancies which were both filled later in 2015. An Audit and Assurance Officer retired during the year and the post was subsequently filled by the year-end with the new officer commencing in April 2016. (It should be noted that 2 further officers retired at the end of March / early April 2016 respectively. A recruitment process is currently underway for one of these posts whilst the other post is subject to review).
- 1.5 In addition to in house resources, as in previous years, Salford Audit Services provided support in respect of elements of the ICT Internal Audit Plan. The Service also works with other Internal Audit providers where appropriate such as Stockport and Rochdale Councils in respect of the STAR Shared Procurement Service.
- 1.6 The approach to internal audit work adopted at Trafford is set out in the Internal Audit Charter and Strategy which was updated in March 2016 and approved by CMT and the Accounts and Audit Committee. The Internal Audit Charter describes the purpose, authority and principal responsibilities of the Internal Audit function provided by the Audit and Assurance Service. The Internal Audit Strategy describes the arrangements in place to deliver internal audit so as to ensure that the objectives and scope of the Service are met, thereby enabling Internal Audit to provide an opinion on the operation of the control environment. The Strategy covers audit resources, planning, service delivery and reporting.
- 1.7 The Head of Internal Audit Opinion is based on internal audit work undertaken during the year. It is an important component of the Council's Annual Governance Statement which will accompany the Council's Annual Accounts for 2015/16.

## **2. INTERNAL AUDIT OPINION FOR 2015/16**

- 2.1 The Head of Internal Audit is required to give an annual Opinion on the adequacy and effectiveness of the Council's internal control environment which encompasses internal control, risk management and governance. The opinion supports the Annual Governance Statement. The Opinion for 2015/16 is as follows.

**Based on internal audit review work undertaken and other sources of assurance for 2015/16, the Internal Audit Opinion is that overall, the control environment is operating to a satisfactory standard.**

**Follow up work in areas previously reviewed demonstrates that continuing improvements in controls are being made to address risks previously identified.**

**There were, however, some areas where significant improvements in controls were required and in such instances, recommendations were made to improve the controls in place. Particular areas identified include required improvements in Council processes in relation to business continuity both in respect of service and central IT disaster recovery processes. Areas identified for improvement will be further followed up in 2016/17.**

- 2.2 Factors determining the opinion are as follows

- Audit Opinion reports were issued through the year covering a range of services, functions, systems and processes including financial system audits, ICT Audits, Schools and establishment reviews, service reviews and contracts related reviews (See Section 4 and Appendix C). Of the 32 opinion reports issued during the year (which included 10 schools), 88 % of opinions stated that at least an adequate level of control was in place. Excluding schools, 86% of opinions in reports were at least adequate (See 3.5 & 3.6). Where less than adequate opinions have been given, an agreed action plan is in place and recommendations will be further followed up (See 3.7). In forming the opinion, account was also taken of ongoing audit work in progress at the year-end which is referred to through Section 4 of the report.
- For all final reports issued, an action plan has been agreed to implement recommendations made with the aim of improving arrangements for governance, risk management and internal control. Most recommendations made (93%) have been agreed by management (See 5.3).
- A number of areas identified in the previous year as requiring improved standards of control were followed up by Audit in 2015/16 and significant progress had been made in implementing recommendations. Follow up review work undertaken during the year has identified that, overall, 86% of recommendations previously made had been either fully or partially implemented (see 5.4 for an analysis of follow ups reviews both for Council and schools related reviews).

- Key strategic risks have continued to be monitored through the year. Audit and Assurance has contributed to the review and update of the Strategic Risk Register which has been reported to the Corporate Management Team and the Accounts and Audit Committee (See 4.2).
- The Audit and Assurance Service continues to co-ordinate the production of the Council's Annual Governance Statement and has liaised with managers to ensure that there has been reporting of progress through 2015/16 in addressing significant governance issues highlighted in the previous Annual Governance Statement. This included reporting of continued developments in budget monitoring arrangements in line with the Corporate Action Plan established in the previous year (See 4.1.).
- The Audit and Assurance Service has continued to investigate suspected cases of fraud and theft. Where applicable, associated review work has included reporting on recommended control improvements. The Service has also, in liaison with other services, co-ordinated work in relation to the National Fraud Initiative (See 4.5).

2.3 A detailed analysis of the internal audit work undertaken by the Audit and Assurance Service during 2015/16 is provided in this report.

### **3. WORK PLANNED AND COMPLETED**

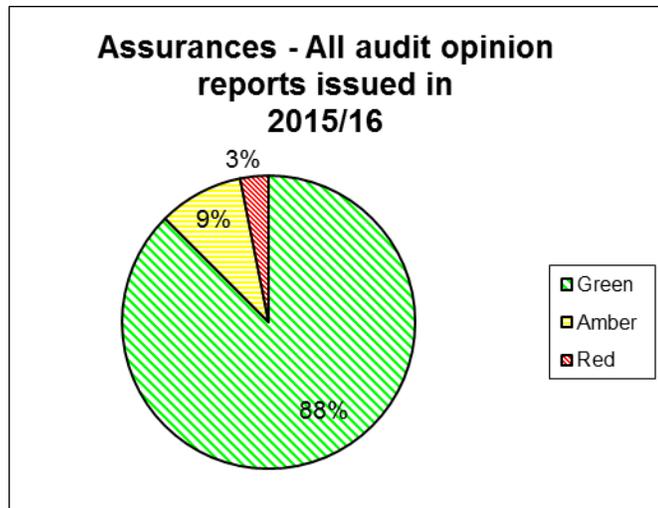
- 3.1 Total time allocated to carry out the Operational Plan was originally set at 910 days for 2015/16. This was calculated by subtracting overheads, e.g. leave, sickness, training etc, from the time available to each auditor. See Appendix B for a breakdown of days across categories of internal audit work. The actual number of days spent delivering the 2015/16 Annual Audit Plan was 882. Details of planned work against actual are discussed further in section 6. (It should be noted that in addition to the 882 actual days, there is additional time taken for other activities that are not attributable to one particular category of work but support the audit process. Activities undertaken through 2015/16 included continued support to the Accounts and Audit Committee, liaison with the External Auditor (Grant Thornton), networking with other North West Internal Audit groups to share good practice, and liaison with services to gather information in support of the production of the audit plan).
- 3.2 Details of the internal audit reports issued in each quarter of 2015/16 are shown in Appendix C, providing a description of the review, audit opinion given and comments on the respective findings. The relevant Corporate Directorate for each audit review is also shown.
- 3.3 For each audit report issued, one of five possible Opinions is given as shown in the following table. The five opinions are also denoted as Red/Amber/Green:

<b>High Level of Assurance (Very Good)</b>	Green	Controls operating effectively to address all the major business risks identified at the time of the audit.
<b>Medium / High (Good)</b>	Green	Most business risks controlled effectively. However, there is need to improve controls in respect of a small number of high risk areas as well as for other risk areas.
<b>Medium Level of Assurance (Adequate)</b>	Green	Most risk areas controlled effectively but control improvements required for some high risk areas as well as for other areas.
<b>Low / Medium (Marginal)</b>	Amber	Some business risks are controlled effectively. However, improvements are necessary to control a significant number of high risk areas.
<b>Low Level of Assurance (Unsatisfactory)</b>	Red	Very high risk of fraud and error because a significant number of major business risks are not adequately controlled.

### Analysis of Audit Opinions

3.4 The chart below provides an analysis of audit opinions in respect of internal audit reports issued in 2015/16.

#### All Reports issued in 2015/16 – (27 final and 5 draft reports)



3.5 Overall, the above shows that in 2015/16, an adequate or above (“Green”) level of control was found to be in place for 88% of the 32 reviews that took place where an opinion was given. (This compares to 65% in 2014/15 and 80% in 2013/14).

3.6 It should be noted that the above analysis includes 10 school reports of which 9 reports are Green and 1 is Amber. Excluding schools from the analysis, 86% of opinion reports for the Council were stated as Green, 9% Amber and 5% Red.

- 3.7 Opinions provided during 2015/16 where a less than adequate audit opinion was given relate to the following:
- Business Continuity: The review highlighted the need to ensure business continuity arrangements across the Council were updated. This required input from all Council services, initially to update their Business Impact Analyses and for higher priority services and functions, ensuring that up to date business continuity plans are in place. The Council is reviewing arrangements, in collaboration with other parties, to consider its IT disaster recovery arrangements. It is important that these arrangements are aligned with priorities across services in terms of prioritising the restoration of IT systems (This issue was also noted in other IT Audit reports issued during the year as referred to in 4.6).
  - Let Estates: The review was completed prior to the commencement of the One Trafford Partnership with Amey. It identified the need for Council property database records to be brought up to date in order to provide adequate assurance that lettings income from properties is collected promptly and in its entirety. It was agreed in the Report Action Plan that Amey, working with the Council, would agree an approach and produce an action plan in 2015/16 to address the issues raised.
  - Schools Catering: The review covered processes operated by the Schools Catering Service, including monitoring of expenditure, income and stock records. It identified a number of recommendations to improve existing controls. These were made to ensure adequate evidence is retained that income is fully accounted for and improved processes are in place to monitor and control food costs. Since the Audit review the service has implemented a new pricing and charging structure which should address the issues raised.
  - School Audit: An audit of Springfield Primary School resulted in a Low/Medium opinion. This reflected that, as identified by the follow up audit undertaken, there were a number of agreed actions and recommendations which remained outstanding from the previous review.
- 3.8 All the above reviews are included in the 2016/17 Internal Audit Plan for further follow up to assess progress in implementing recommendations.
- 3.9 It should be noted that whilst shown as “Green”, where opinions of Medium or Medium/High have been given, a number of control improvements to manage risks have been identified and it is important that associated recommendations are addressed.
- 3.10 It is also noted that in the Annual Audit Letter from External Audit, Grant Thornton referred to their review of IT controls within the Council’s SAP Financial system. Their findings highlighted the need for the Council to review IT access controls within the system. These findings are to be followed up by Internal Audit in quarter one of 2016/17.

### **Other Assurance Provided Across the Council**

- 3.11 A significant proportion of time spent does not result in the issue of formal internal audit reports. This is because the Audit and Assurance Service has a role in a number of activities such as:
- Risk management (including updating the Council's strategic risk register)
  - Anti-fraud and corruption (including co-ordinating the Council's work in supporting the National Fraud Initiative)
  - Compiling the Council's Annual Governance Statement
  - Contributing to project and working groups across the Council
  - Reviewing a number of grant claims through the year as required
  - Providing guidance (which included updating of the dedicated site on the intranet for the Audit and Assurance Service which provides information and guidance).
- <http://intranet.trafford.gov.uk/yourtrafford/Audit/default.asp>

### **Breadth of Stakeholders**

- 3.12 The Audit and Assurance Service liaises and shares internal audit reports with a wide group of stakeholders within the organisation including the Accounts and Audit Committee, Corporate Management Team, managers across the Authority and External Audit.

## Part Two – Detailed Findings

### 4. DETAILED ANALYSIS OF WORK COMPLETED

Section 2 gave the overall Internal Audit Opinion on the operation of the control environment during 2015/16, and provided a summary of internal audit work undertaken on which the opinion is based. This section provides a more detailed analysis.

#### 4.1 Governance

- 4.1.1 The Audit and Assurance Service has a key role in promoting good governance and providing assurance on the standards of governance and internal control in the Authority.
- 4.1.2 The requirement to produce an Annual Governance Statement is set out in the Accounts and Audit Regulations (2015). The Service co-ordinated the production of the 2014/15 Annual Governance Statement in liaison with Officers and Members as set out in the approach / timetable agreed by the Accounts and Audit Committee. In order to complete this, the Service reviewed Corporate Governance arrangements with reference to the CIPFA/SOLACE Framework for Corporate Governance in Local Government. The review includes identifying sources of assurance to provide evidence that the Council's governance arrangements comply with the CIPFA/SOLACE framework. The framework consists of a set of six principles relating to the Council's purpose/vision, the defining of functions and responsibilities, standards of conduct, management of risk, capacity and capability of members and officers, and engagement with the community and other stakeholders.
- 4.1.3 The 2014/15 Annual Governance Statement was approved in September 2015. In addition, the Service reviewed and updated the Council's Corporate Governance Code in accordance with the CIPFA / SOLACE guidance. The Code was approved by the Accounts and Audit Committee in June 2015.
- 4.1.4 Through 2015/16, the Audit and Assurance Service has liaised with relevant managers to ensure the Accounts and Audit Committee have been provided with updates on progress through the year on significant governance issues highlighted in the 2014/15 Annual Governance Statement. These include updates in relation to Budget Monitoring, Locality Partnerships, Information Governance, the Reshaping Trafford programme and the Trafford Leisure Community Interest Company. Audit and Assurance is currently co-ordinating the production of the 2015/16 Annual Governance Statement (the final version to be approved by September 2016).
- 4.1.5 As part of discussions in the year with management in the CFW Directorate, it was agreed that given the introduction of the new Health and Social Care Section 75 agreement coming into effect from April 2016, Audit work in this area would focus initially on liaising with the Directorate to consider developments in governance arrangements established with a view to considering audit input including possible future audit reviews.

## 4.2 **Risk Management**

- 4.2.1 The Audit and Assurance Service continued to facilitate the review and update of the Council's strategic risk register through liaison with the Transformation, Performance and Resources Group (TPR) and the Corporate Management Team (CMT). This ensures that the Council identifies and monitors the key risks to the achievement of Council objectives.
- 4.2.2 Reports detailing the risk register and key developments in the management of risks have been submitted to TPR and CMT on a quarterly basis. The Accounts and Audit Committee were provided with updates in September 2015 and March 2016.
- 4.2.3 Supporting risk management guidance was further updated by the Audit and Assurance Service and is available on the intranet under <http://intranet.trafford.gov.uk/aboutus/guidelines/RiskManagement/default.asp> . This link has also been included in the Council's recently updated Business Continuity Guidance.

## 4.3 **Fundamental Financial Systems**

- 4.3.1 This is a key area of internal audit work providing assurance regarding the controls in place for the Authority's key financial systems.
- 4.3.2 The systems reviewed where reports were issued during 2015/16 are shown under the category 'Financial System' in Appendix C.
- 4.3.3 Final audit reports issued included Treasury Management (High Opinion), Income Control (High), Works Management (Medium) and Let Estates (Low).
- 4.3.4 In respect of the Let Estates review where a Low Opinion was issued, this related to reviewing processes in relation to managing the collection of rental income from Council properties. The review identified the need for the property database to be brought up to date. The review was completed prior to the commencement of the Council's One Trafford Partnership with Amey. In the management response to the audit findings, Audit was advised that Amey were to compile a plan which an agreed approach to ensure records are brought up to date which will be agreed with client officers from the Council. Progress against recommendations made in the review will be followed up in 2016.
- 4.3.5 Draft reports were issued by the end of March 2016 for the following: Council Tax (High Opinion, with the subsequent final report issued in April 2016); Cash Expenditure Control (Medium, with the subsequent final report issued in May 2016); and Payroll (Medium/High, with the final report due to be issued in quarter one of 2016/17).
- 4.3.6 In respect of the review of Cash Expenditure Control, this was undertaken as part of a series of audits in areas where there is a significant element of cash expenditure and/or

significant levels of cash held. It was recommended that Audit guidance on cash holding is circulated to all account holders. It was acknowledged that progress continues to be made in reducing levels of cash held and alternative arrangements continue to be considered where possible.

- 4.3.7 A number of reviews were in progress at the year-end with reports issued in early 2016/17. An audit of Business Rates was in progress with the final report issued in April 2016 (High Opinion). An authority wide review of cash income procedures was also completed with a draft report to be shared in June 2016 (Medium opinion expected).
- 4.3.8 A number of other reviews were in progress or at planning stage with reports to be issued in 2016/17. These relate to the following: Housing Benefits and Council Tax Reduction; Accounts Payable; Accounts Receivable/Debt Recovery; Liquid Logic/ContrOCC Adult Social Care system; and Insurance. Draft or final reports issued from April 2016 will be included in the Audit and Assurance quarterly updates later in 2016.
- 4.3.9 During the first half of the year, Audit and Assurance continued to contribute to reviewing ongoing progress by the Council against the Budget Monitoring Action Plan with regular reporting to CMT (It is also noted that a corporate update on progress regarding the Action Plan was reported to the Accounts and Audit Committee in September 2015). Budget monitoring procedures are included within the 2016/17 Internal Audit Plan.

#### **4.4 Schools**

- 4.4.1 Summary details of each school audit are in Appendix C, indicated by the "Schools" Category. Areas covered in audit reviews include governance arrangements such as the role of the Governing Body and senior staff; budgetary control; purchasing; payroll processes; income collection, security of cash and other assets; school fund and ICT security.
- 4.4.2 Within the Internal Audit Plan it was planned that at least 15 school audit opinion reports would be issued in 2015/16. 10 school audit reports were actually issued by the end of March 2016 and a further 3 reviews were in progress. There was one review rescheduled due to Audit resources and planned to commence by July 2016. A further review was delayed until later in the year in agreement with the CFW Directorate.
- 4.4.3 Of the 10 audit reports issued, 9 provided at least adequate opinions (Medium or above). For the other review where a Low/Medium Opinion was given (Springfield Primary School), a further follow up audit will be completed later in 2016 to assess progress in implementing outstanding recommendations. A number of school reviews included follow up of previous audit recommendations made and good progress in implementing recommendations is highlighted by the analysis regarding follow up audits (See 5.4 to 5.8).
- 4.4.4 As part of the Schools Financial Value Standard (SFVS), schools are required to submit evidence to support adherence to the Standard on an annual basis. It is noted at the time of

reporting that in accordance with SFVS, all schools have submitted a self-assessment for the 2015/16 financial year as required. Information submitted is utilised by Audit and Assurance to assist in planning and undertaking future school audits.

- 4.4.5 Audit and Assurance continued to liaise with the Schools Finance team and the Children, Families and Wellbeing Directorate to identify and provide advice on areas for development for schools to address. A presentation was given by Audit on cash and banking controls as part of a Finance Services training/awareness raising session to schools' finance staff in September 2015.
- 4.4.6 In addition to the work above, reference is also made in section 4.6.4 to further schools related audit work completed in relation to reviews of ICT controls.

#### 4.5 **Anti-Fraud and Corruption**

- 4.5.1 Audit work in this area relates to undertaking investigative work; reviewing measures in place to reduce the risk of fraud and corruption and raising awareness across the Council. This work forms an important part of the Council's approach to ensuring high standards of conduct are in place.

#### **Investigations**

- 4.5.2 During 2015/16, Audit and Assurance staff have contributed to work in relation to four new investigations. Work included investigations in relation to allegations of IT misuse, discrepancies in stock levels and losses of cash. Audit also concluded two other investigations which were ongoing from 2014/15. The first was in relation to non-payment of statutory pay deductions as a result of a community school making direct payments to staff outside of payroll. The second was in relation to discrepancies in a Service cash imprest account. Reference to these investigations including outcomes were included within an update on Anti-Fraud and Corruption work provided to CMT and the Accounts and Audit Committee in March 2016.

#### **National Fraud Initiative**

- 4.5.3 The Audit and Assurance Service continued to co-ordinate the Council's participation in the National Fraud Initiative, a nationwide data matching exercise designed to help participating bodies identify possible cases of error or fraud and detect and correct any consequential under or overpayments from the public purse.
- 4.5.4 In respect of the most recent exercise, the Audit and Assurance Service originally co-ordinated the submission of Council data to the Audit Commission in October 2014 and the subsequent matches were received in January 2015. The Service then liaised with other services including the Council's Fraud Investigation team to ensure key data matches were reviewed. As at the end of March 2016, a total of 4,638 matches had been reviewed which resulted in the identification and correction of 28

errors and the detection of 1 fraud totalling £76k. Total benefit overpayments being recovered as a result of the exercise amounted to £23k with an on-going reduction in payments of approximately £25k per annum.

- 4.5.5 The other main source of error identified as part of the NFI exercise was in connection with creditor overpayments, primarily duplicate payments. As at the end of March 2016, investigations revealed 15 instances of duplicate payments with £42k in the process of being recovered as a result. The “No Purchase Order, no pay” policy in respect of creditor invoice payments was introduced from 1<sup>st</sup> December 2015. The policy requires all creditor invoices to quote a valid Council purchase order number. Failure to raise, or quote, purchase order numbers is one of the causes of duplicate invoice payments. Further steps are being taken in this area to reduce risks and Audit will continue to liaise with Finance staff on this issue.

### **Other Work undertaken and Planned**

- 4.5.6 In terms of work in relation to existing Council policies, in December 2014 the Audit and Assurance Service published a reminder on the intranet of guidance on the Council’s policies on registering offers of gifts and hospitality. In addition, the Service drafted comments for updates to the Council’s Whistleblowing Policy and shared with Human Resources to agree any proposed amendments going forward.
- 4.5.7 As stated in the 2016/17 Internal Audit Plan, time has been set aside to work with other services through 2016/17 to review existing Anti-Fraud policies and procedures, particularly in light of recent changes with the transfer of benefit fraud investigation staff to the Department of Work and Pensions as part of the national Single Fraud Investigation Service.

### **4.6 ICT Audit / Information Governance**

- 4.6.1 Audit work was undertaken to cover a range of issues in relation to IT procedures, processes and controls. Work was also undertaken in respect of wider information governance issues. Some of this work is completed by Salford Internal Audit Services who provide specialist IT Audit Services for a number of authorities.
- 4.6.2 It was previously agreed that an annual review of cyber security risks is undertaken and an audit was completed in February 2016. Whilst the report highlighted that some risks relating to the management and control of cyber security are currently being well managed, there are a number of areas requiring action. This includes the need to continue to progress the ongoing review of IT disaster recovery processes (as referred to in 4.6.3); ensure the inventory of information assets and owners is up to date; and ensure policies in relation to cyber security are reviewed and up to date to ensure roles and responsibilities are clearly defined. (The Council is working on a number of actions in respect of IT security with a view to resubmitting its submission to the Cabinet Office by August 2016 in respect of its

compliance with requirements established as part of the Public Sector Network accreditation process).

- 4.6.3 An audit was previously undertaken of the Council's IT Data Centre to assess the physical security and environmental controls in place to protect the Council's core data and equipment. A follow up review was recently completed. It was noted that the majority of recommendations had been implemented or progressed. A key action is to establish adequate IT disaster recovery arrangements and the Council is in discussions with other organisations to progress this.
- 4.6.4 An audit review had previously been undertaken of IT Governance and Security in Schools which included visits to a number of schools. A follow up audit was undertaken during the year which highlighted good progress had been made in improving procedures such as in relation to the secure transmission of data. The Council had provided further IT security guidance to schools during the year (A final report issued was issued in May 2016 which will be reported on as part of the Quarter One Audit and Assurance update).
- 4.6.5 The External Auditors, Grant Thornton, completed a review of IT controls within the Council's SAP Financial system. A number of findings highlighted the need for the Council to review IT access controls within the system, particularly in respect of considering the segregation of duties. These findings are to be followed up by Salford Internal Audit Services, with the work commencing in quarter one of 2016/17.
- 4.6.6 Audit has contributed to ongoing developments in relation to the Council's approach to Information Governance. This has included input to the Information Security Governance Board (ISGB) (see 4.10.3). It is noted that the Council is continuing to review its Information Governance arrangements as part of the ISGB Work Plan.
- 4.6.7 Audit completed an independent check of the Council's Information Governance Toolkit submission to the Department of Health in March 2016. The Toolkit is an online system which enables organisations to assess themselves or be assessed against Information Governance policies and standards. Any feedback on the submission is expected later in 2016.
- 4.6.8 There were two further reviews within the 2015/16 Internal Audit Plan where work is to be completed in 2016/17. A review of IT Change Management processes was rescheduled to 2016/17 in agreement with the ICT Service. In addition, planning for an IT based review of the Adult Social Care system, Liquid Logic and supporting ContrOCC system commenced during the year with the work to be reported later in 2016.

#### **4.7 Procurement / Contracts**

- 4.7.1 Audit and Assurance undertakes reviews of procurement arrangements and processes to ensure the Council strives to achieve value for money and undertakes

procurement in accordance with relevant legislation and the Contract Procedure Rules.

- 4.7.2 As part of internal audit planning, the Service has liaised with the STAR Shared Procurement Service and Internal Audit sections of the partner authorities (Stockport and Rochdale Councils). Audit plans were co-ordinated and relevant findings from work shared to ensure an efficient audit process.
- 4.7.3 Two audits referred to below were completed by Stockport Council, on behalf of all three Councils. Findings from both audits were followed up at the end of 2015/16 and details of these will be reported in the Quarter One 2016/17 Audit and Assurance update).
- 4.7.4 One review related to a review of STAR governance arrangements and a final report was issued in November 2015. It was acknowledged that significant progress has been made in developing the Shared Service with clearly defined governance arrangements, including the establishment of the STAR Board and STAR Joint Committee with clearly defined terms of reference and processes for decision making. Some recommendations were made regarding the benefits realisation framework including recommending improvements in processes for recording data on the savings register and processes for verifying data before it is reported to the STAR Joint Committee. An agreed action plan was completed to address all recommendations made and the follow up audit completed at the end of the year highlighted all recommendations had been implemented.
- 4.7.5 The other review was in respect of an audit of the contracts register maintained by STAR. Findings were that whilst overall adequate arrangements were in place for updating the register, it was acknowledged that work is ongoing to continue to improve processes. As part of the agreed action plan it was noted that planned work included reviewing the format and content of the register. The review was followed up with a report issued in quarter one of 2016/17 highlighting continued improvements to the maintenance of the register. (Further details of this review and the governance review are in Appendix C).
- 4.7.6 During the year, the Audit and Assurance Service liaised with the Council's EGEI Directorate in respect of developments in relation to the One Trafford Partnership between the Council and Amey which began operating in July 2015 for the provision of a range of Environmental, Highways, Street Lighting and Technical Services. Arrangements were made for an update to be provided to the Accounts and Audit Committee at its March 2016 meeting which set out governance arrangements, progress to date and future plans. An audit review of the One Trafford Partnership is included in the 2016/17 Internal Audit Plan.

- 4.7.7 At the request of the EGEI Directorate, an audit review was completed of contract arrangements in relation to outdoor advertising. Systems and controls were generally found to be adequate with a small number of recommendations made.
- 4.7.8 Further to a previous general review of procedures in relation to matchday parking contracts at schools around Old Trafford sports grounds, a follow up visit was made to one school where a less than adequate audit opinion had previously been provided. Improved arrangements had been established for monitoring income received from the contract.
- 4.7.9 During the year, Audit was requested to undertake work to assist the Council in monitoring arrangements in respect of the lease agreement in respect of Altrincham Market in terms of verifying income due to the Council from the Market Operator. Audit worked both with the EGEI Directorate and the Market and made recommendations to enable improved monitoring arrangements going forward and will review progress later in 2016/17.
- 4.7.10 As listed in Appendix B, some time was spent in relation to the financial vetting of contractors. In 2015/16, this included working with STAR to share Council processes for undertaking checks to assist in STAR agreeing a harmonised process across the Councils.
- 4.7.11 In terms of other planned work, a planned review of the corporate Car Parking enforcement contract was rescheduled in agreement with the relevant service and work commenced in quarter one of 2016/17. A review of contract monitoring arrangements in relation to Home to School Transport has also been rescheduled to be included in the 2016/17 Plan.
- 4.8 **Other Business Risks**
- 4.8.1 This comprises work that does not fall into one of the categories referred to above but represents areas of business risk. This includes authority-wide review work and reviews of specific services and establishments within individual Directorates. Risks reviewed encompassed a number of areas of control such as procedures and responsibilities, adherence to legislation and internal procedures, budgetary control, Payroll/HR related processes, risk management, security (of cash, assets and data), purchasing, income collection and recording and other areas of risk specific to the service under review.
- 4.8.2 There were 10 audit reports issued in this category (9 of which were final reports with 1 draft as at 31 March 2016). A summary of findings for each review is shown in Appendix C denoted by Business Risks. As shown below, adequate or above opinions (Medium or Medium/High) were given for eight of the ten reports issued and less than adequate opinions (Low/Medium) were given for two reports. The reviews completed to final or draft

report stage as at 31<sup>st</sup> March 2016 are listed below. The listing includes the relevant Corporate Directorate the review related to at the time of the audit.

**Reports issued:**

- Business Continuity (T&R/Authority-wide) : Low/Medium Opinion
- Sale Waterside Arts Centre (T&R): Medium
- Registration Service (T&R) : Medium/High
  
- Schools Catering (EGEI): Low/Medium
- Planning Control (EGEI): Medium/High
- Altrincham Crematorium (EGEI) : Medium/High
  
- Section 17 Payments (Children's Act) (CFW) : Medium
- Barge Project (CFW) : Medium
- Pathways Day Centre (CFW): Medium/High
- Client Finances (CFW): Medium (Draft report)

4.8.3 In respect of the two reviews where a less than adequate opinion was given:

- The review of business continuity identified the need to ensure business continuity arrangements across the Council were updated. Services needed to update their business impact analyses and where appropriate business continuity plans and in doing so ensure ICT considerations are accounted for. This is to enable priorities for ICT to be considered in terms of restoration of systems following an incident. This audit review will be followed up later in 2016.
- The review covering processes operated by the Schools Catering Service, including monitoring of expenditure, income and stocks identified a number of recommendations to improve existing controls. These were made to ensure adequate evidence is retained that income is fully accounted for and improved processes are in place to monitor and control food costs. A follow up review will be undertaken in 2016/17 to consider progress in implementing the recommendations made.

4.8.4 Other reviews, particularly where a Medium Opinion was given, also resulted in a number of recommendations as referred to in individual reviews in Appendix C. The audit of Sale Waterside Arts Centre highlighted the need for improved procedures for controlling bar stocks and following the initial audit, a further review was completed to make specific recommendations in this area which have been agreed in an Action Plan which will be followed up in 2016/17.

4.8.5 In respect of other reviews followed up in 2015/16:

- In respect of Taxi licensing, management completed a self-assessment highlighting progress to date in implementing previous recommendations and it was agreed that a follow up audit would be completed in 2016/17.

- In respect of Trafford Town Hall catering, follow up work has been undertaken as part of a wider audit review of cash income and any findings specific to this area will be shared with management in quarter one 2016/17.

4.8.6 In addition to planned work, Audit reviewed existing security arrangements in relation to the Trafford Town Hall post room and recommended revised arrangements in relation to room access which were agreed.

4.8.7 As stated in the 2016/17 Annual Internal Audit Plan report issued in March 2016, in agreement with respective Directorates, two reviews have been rescheduled from 2015/16 to be included in the 2016/17 Plan. These are as follows:

- Section 106 and the Community Infrastructure Levy (EGEI Directorate).
- Aids and Adaptations (CFW)

#### **4.9 Grant Claims**

4.9.1 Audit has been required to carry out checks to support information contained in a number of grant claims made during the year in line with national requirements in relation to funding received. In each case, based on the work undertaken, adequate supporting information had been retained to support claims made.

4.9.2 During 2015/16, work included internal audit checks of the following: Highways Capital Maintenance Grant 2014/15; Pothole Fund Grant 2014/15; Additional Local Highways Maintenance Grant 2014/15; Local Sustainable Transport Fund Grant; Disabled Facilities Grant 2014/15. In addition, Audit has completed sample checks to support claims made relating the Council's Stronger Families Programme.

#### **4.10 Project Groups / Boards**

4.10.1 The Audit and Assurance Service has contributed to project / working groups across the Authority.

4.10.2 This included in the early part of the year continued attendance at meetings for the implementation of the Adult Social Care software package 'Liquid Logic' and 'ContrOCC' its partner financial package.

4.10.3 Internal Audit has contributed in the latter part of the year to the Information Security and Governance Board with input to the refresh of a number of Council policies in respect of Information Governance.

## 5. MANAGEMENT RESPONSE TO INTERNAL AUDIT WORK

- 5.1 This section sets out the response to, and impact of, internal audit work during the year. Key indicators of Audit and Assurance's impact are :
- Acceptance of recommendations
  - Implementation of them.
- 5.2 Recommendations issued by the Audit and Assurance Service had one of three priority levels as follows:

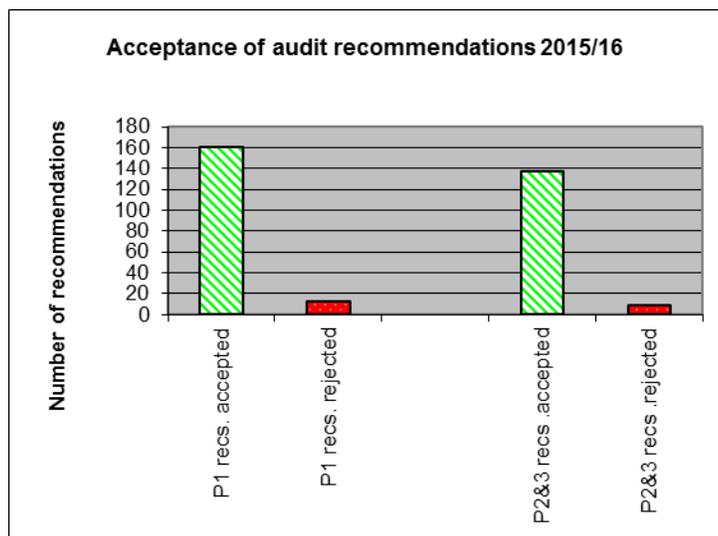
**Priority 1** These are recommendations considered by Internal Audit to be essential to address a high risk in order to maintain a minimum acceptable level of assurance. Priority should be given to addressing these recommendations as soon as possible.

**Priority 2** These are recommendations considered necessary to address a moderate risk in order to improve internal control. Action to implement these should be agreed with planned dates shown in the action plan but it is taken into account that Priority 1 recommendations would take priority.

**Priority 3** These are recommendations to either address a low risk or provide guidance or advice to further enhance existing practice.

### Acceptance of Recommendations

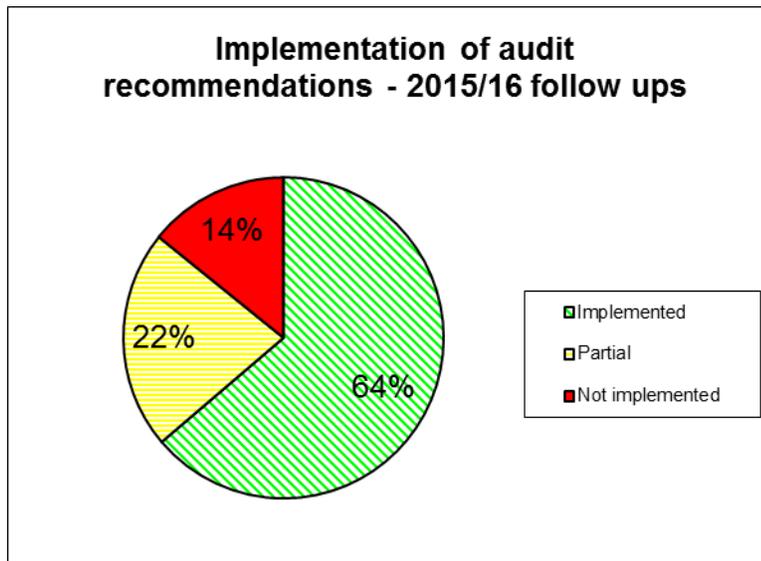
- 5.3 The table below shows levels of acceptance of recommendations made during 2015/16.



The majority of audit recommendations made during the year were accepted. Of the 174 Priority 1 recommendations made, 161 (93%) were accepted (service target is 95%). The acceptance rate for priority 2 or 3 recommendations was 94%, i.e. 137 of the 146 made. Overall, 93% of all recommendations were accepted (compared to 94% in 2014/15).

### Implementation of audit recommendations

- 5.4 A number of internal audit reviews are followed up approximately 12 months after the issue of the final report to ascertain what progress has been made in implementing recommendations. This may be either through a further audit review or through manager self- assessment.
- 5.5 In 2015/16 there was significant time spent in following up school audit recommendations following the issue of a number of Low/Medium Opinion reports for schools over the previous 12 months. There were 19 follow ups completed in 2015/16 (12 audit reviews of which 7 were schools and 7 self assessments, of which 5 were schools).
- 5.6 For all follow up work undertaken, an analysis of the percentage of recommendations implemented at the time of the respective follow up reviews is shown in the chart below.



- 5.7 From the reviews undertaken, of a total of 353 recommendations followed-up during 2015/16, it was reported that 225 (64%) had been implemented at the time of the follow up audit reviews (this compares to 57% reported in the previous year). A further 78 (22%) have been partially implemented or are in progress (17% reported in the previous year). 50 recommendations (14%) have not been implemented (compared to 26% in the previous year).

5.8 It should be noted that of the above 353 recommendations analysed above, these relate to the following in terms of recommendations excluding schools and recommendations specific to school audits.

<b>Recommendations Followed Up Excluding Schools</b>		<b>Recommendations followed up- School Audits</b>	
Total Number	99	Total Number	254
Recommendations Implemented or no longer applicable	44%	Recommendations Implemented or no longer applicable	71%
Recommendations Implemented in part/in progress	39%	Recommendations Implemented in part/in progress	16%
Recommendations not implemented	17%	Recommendations not implemented	13%

In Appendix C, \* denotes against the Audit opinion that the review is specifically a follow up audit. Where appropriate, revised opinions were given after each follow-up review had been completed.

**Client feedback**

- 5.9 A client questionnaire is sent out with each audit report canvassing managers' views on the audit review. The questionnaire covers the audit approach; audit report issued and usefulness of the audit as an aid to management.
- 5.10 The overall rating was good or very good for 97% of the responses (96% in 2014/15) against a service target of 85%. In terms of impact, 66.5% of respondents stated that following the audit review, it was expected that there would be a significant or very significant improvement in the standard of control. An analysis of the responses is shown in Appendix D.
- 5.11 The analyses of recommendations, follow-ups and client responses demonstrates an overall positive response to internal audit work which contributes to continued improvements in governance and control arrangements across the Council.

**6. PERFORMANCE AGAINST AUDIT PLAN**

- 6.1 Actual time spent delivering the Plan was 882 days (97% of the chargeable planned target of 910 allocated days). There was in addition a further 50 planned days for contingency. An analysis of planned time against actual work in 2015/16 is shown in appendix B.
- 6.2 Fewer days were completed than planned for the year due to the loss of audit days following the departure of one Audit and Assurance Officer during the course of the year. A recruitment process resulted in the post being filled after the year-end. This accounts both for the lower number of days against the planned allocated days and also accounts for the contingency days. (It should be noted that following the recent retirement of two staff, two vacancies existed by the end of April 2016 which has been taken into account as part of the 2016/17 Internal Audit Plan. Developments in relation to these posts will be reported in the Quarter One 2016/17 Audit and Assurance update).

- 6.3 Within each category, there are some variations between planned and actual days. The two categories where less than half the planned time was used related to the financial vetting of contractors and also work in respect of Corporate Governance. Less time was spent than planned on financial vetting of contractors given changes in processes with this task largely being undertaken by the STAR Procurement Service. In terms of Governance, national changes to the CIPFA/SOLACE framework and guidance were not issued until after the year-end so possible time set aside for reviewing processes against the new guidance was not required until 2016/17. Given reduced audit resources at the start of 2015/16, provisionally, less time had been planned in for financial systems work than in earlier years, but given the reduced actual time spent in some other categories, actual time spent in respect of financial systems work was brought back to a similar level of time spent in the previous year and time planned for 2016/17.
- 6.4 The majority of reviews have either been completed as planned or were in progress at the year-end providing coverage across all the different areas set out in the Audit Plan. As indicated in Section 4, there were a number of reviews rescheduled to 2016/17 in agreement with respective Directorates (See 4.4.2, 4.6.8, 4.7.11, 4.8.7). The 2016/17 Internal Audit Plan reported to CMT and the Accounts and Audit Committee in March 2015 took account of reviews carried forward from 2015/16.
- 6.5 A total of 32 opinion reports were issued during the year. Going forward, a target for numbers of audit opinion reports issued has been introduced (As per the 2016/17 Internal Audit Plan a target of 35 audit opinion reports to be issued has been set. In addition, a target has been set for issuing final reports following the issue of a draft of less than 5 weeks to take into account time for services to agree an action plan and for a finalised report to be completed.

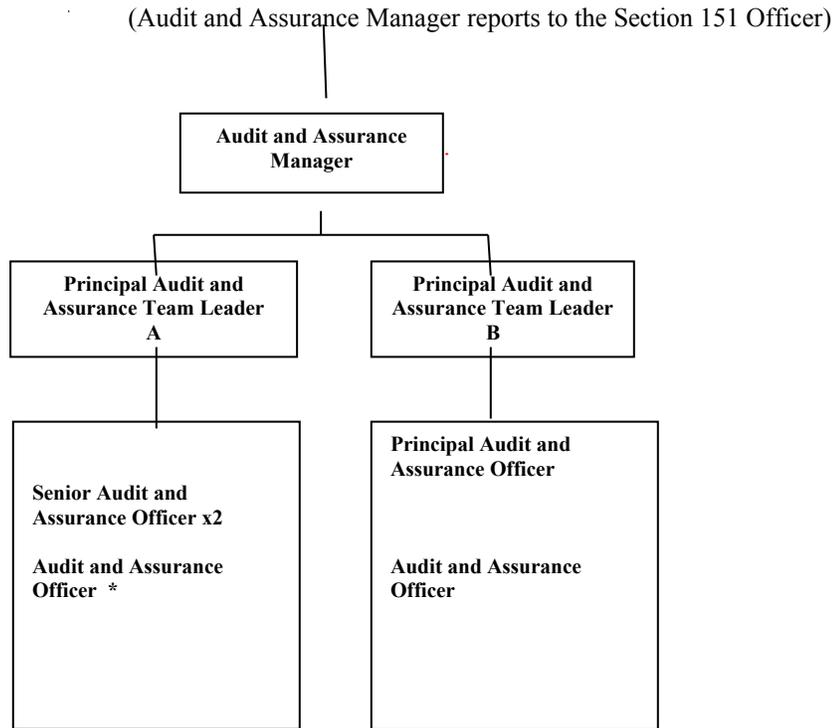
## **7. CONFORMANCE WITH THE PUBLIC SECTOR INTERNAL AUDIT STANDARDS**

- 7.1 It is a requirement that the Annual Internal Audit Report provides a statement on conformance with the Public Sector Internal Audit Standards (PSIAS). The Service undertakes its work, generally in conformance with the Standards.
- 7.2 The Standards incorporate a number of aspects including:
- Ethics (incorporating integrity, independence, objectivity, confidentiality and competency).
  - Purpose, authority and responsibility of Internal Audit.
  - Standards (including planning, undertaking and managing audit assignments, monitoring, communication, due professional care, quality assurance and improvement).
- 7.3 Key actions completed to support conformance include the review and update of the Internal Audit Charter and Strategy, which included the Service's Quality Assurance and Improvement Programme. As previously planned, a number of other documented

procedures within the Audit Manual were reviewed and updated including procedures for audit reporting.

- 7.4 The Service continued to report on its work through the year to both CMT and the Accounts and Audit Committee which included both updates on progress against the 2015/16 Plan and the Audit Plan for 2016/17.
- 7.5 All staff are required to sign a declaration to sign up each year to the Service Code of Conduct, Ethics and Values which includes the requirement to conform with requirements of PSIAS.
- 7.6 At the year-end, the Service completed a self- assessment exercise to review processes in place against details set out in PSIAS.
- 7.7 Based on the self-assessment undertaken by Audit and Assurance, a number of actions are planned with the relevant PSIAS reference shown in brackets. These include:
- As previously reported, the need for an external assessment to be completed by March 2018. Audit is currently working with other north west local authorities to agree timescales to achieve this. (PSIAS 1312 – External Assessments).
  - Liaison with other services to review and update anti-fraud policies and procedures to reflect recent changes, including the introduction of the new Counter Fraud and Enforcement team. (PSIAS 2110 – Governance).
  - Training for a counter fraud qualification by an auditor to help support the process above plus other training identified where necessary in respect of specialist areas of audit. (PSIAS 1210 - Proficiency).
  - Further review and updating of some sections of the Internal Audit Manual of Procedures and supporting processes in respect of the planning and management of audit assignments (PSIAS 2040 - Policies and Procedures, 2010 – Planning).
- 7.8 It is also noted that there continue to be a small number of standards where Local Authorities have commonly found it impractical to achieve full compliance given existing structures and reporting arrangements e.g. arrangements for performance appraisal in terms of particular Officer / Member roles in this process. Audit and Assurance continue to liaise with other north-west local authorities to share good practice and in respect of any future external review, the Service will consider any further actions identified through that process as part of ongoing development of the Service.

**AUDIT AND ASSURANCE SERVICE**



Note: During 2015/16 there was a significant overlap of responsibilities between the 2 teams. There were, however, some specialist areas of Audit that individual teams focussed on as follows:

- A - Risk Management, Schools Audit
- B – Governance, ICT; Fundamental Financial Systems

Principal Audit and Assurance Team Leader B had responsibility for liaising with the external IT Audit specialists, Salford Audit Services, in completing elements of the ICT Audit Plan.

\* Note: One Audit and Assurance Officer left the Council in May 2015 and the post remained vacant for the rest of 2015/16. (In 2016/17 the above vacancy was filled (April 2016).

(It should be noted that 2 staff have since retired (1 Senior Audit and Assurance Officer at the end of March 2016 and 1 Principal Audit and Assurance Team Leader in April 2016, the latter post being subject to a recruitment process which commenced in May 2016).

**APPENDIX B**

**2015/16 OPERATIONAL PLAN: PLANNED WORK AND ACTUAL DAYS SPENT**

	<u>Days Planned</u>	<u>Actual Days</u>
<b>Fundamental Financial Systems</b> Completion/progression of fundamental financial systems reviews.	160	239
<b>Governance / Annual Governance Statement (AGS)</b> Corporate / partnership governance review work and collation of supporting evidence and production of the 2014/15 AGS. Preparation for production of the 2015/16 AGS.	60	25
<b>Risk Management</b> Facilitating the updating of the Council's strategic risk register and other actions to support the Council's Risk Management Strategy.	25	24
<b>Anti-Fraud and Corruption</b> Investigation of referred cases. Work in co-ordinating the reporting of the Council's NFI data matching exercise. Work supporting the Anti- Fraud and Corruption Strategy, including raising awareness of supporting guidance to promote measures to prevent, deter or detect instances of fraud and corruption.	140	109
<b>Procurement / Value for Money</b> Review of procurement / contract management arrangements across the Council including systems in place and associated arrangements to secure value for money. (This includes liaison with the STAR Procurement Service and partner authority auditors).	50	31
<b>ICT Audit</b> ICT and Information Governance reviews to be completed in line with the ICT audit plan.	60	61
<b>Schools</b> School Audit reviews. Support the Council in raising awareness with schools of the DfE Schools Financial Value Standard (SFVS).	120	117
<b>Assurance – Other Business Risks</b> Selected on the basis of risk from a number of sources including senior managers' recommendations, risk registers and internal audit risk assessments. Reviews will include authority wide issues and areas relating to individual services, establishments and functions.	155	154
<b>Grant Claim Checks / Data Quality</b> Internal audit checks of grant claims / statutory returns as required. This includes verification checks of data submitted by the Council as part of its Stronger Families programme.	30	32

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	<u>Days Planned</u>	<u>Actual Days</u>
<b>Service Advice / Projects</b> General advice across all services. Support and advice to the organisation in carrying out key projects ensuring new systems, functions and procedures provide for adequate controls and good governance arrangements.	80	80
<b>Financial Appraisals</b> Financial Assessments of contractors and potential providers.	30	10
<b>Total Allocated Days</b>	910*	882

\* Note : A further 50 days was allocated in the Plan as a contingency.

**ALL AUDIT REPORTS ISSUED IN 2015/16 WHERE AN OPINION LEVEL IS GIVEN** **APPENDIX C**

**Points of Information**

**Audit Opinion Levels (RAG reporting) :**

**Opinion – General Audits**

<b>High – Very Good</b>	<b>Green (G)</b>
<b>Medium / High – Good</b>	<b>Green (G)</b>
<b>Medium – Adequate</b>	<b>Green (G)</b>
<b>Low / Medium - Marginal</b>	<b>Amber (A)</b>
<b>Low – Unsatisfactory</b>	<b>Red (R)</b>

\*Indicates this is a revised opinion given following a review of progress made in implementing recommendations made in the previous audit review. This opinion is based only on the areas tested and assumes the controls reviewed as part of the previous audit, that were not covered as part of this follow up audit, have been maintained.

**Report Status:**

**Draft reports:**

are issued to managers prior to the final report to provide comments and a response to audit recommendations.

**Final reports:**

incorporate management comments and responses to audit recommendations, including planned improvement actions.

**An opinion** is stated in each audit report / assessment to assess the standard of the control environment.

**Breadth of coverage of review (Levels 1 to 4)**

Provides an indication as to the nature / breadth of coverage of the review in terms of which aspects of the organisation's governance and control environment it relates to. Levels are as follows:

- **Level 4 : Key strategic risk or significant corporate / authority wide issue** - Area under review directly relates to a strategic risk or a significant corporate / authority wide issue or area of activity.
- **Level 3 : Directorate wide** - Area under review has a significant impact within a given Directorate.
- **Level 2 : Service wide** - Area under review relates to a particular service provided or service area which comprises for example a number of functions or establishments.
- **Level 1 : Establishment / function specific** - Area under review relates to a single area within the council such as an individual establishment.

REPORT NAME (DIRECTORATE) / (PORTFOLIO)	OPINION (R/A/G) (Issued)/ Category	COMMENTS
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**Final Reports –  
Quarter 1**

**Level 4 Reports:**

<b>Works Management System (EGEI/ Environment and Operations)</b>	<b>Medium (GREEN)</b> (8/6/15) <i>Financial System</i>	The Works Management System (WMS) was a key system used by a number of departments to request, record and charge for works undertaken. At the time of the review, given the future introduction of the One Trafford Partnership, the scope of the audit focussed on gaining assurance on the adequacy of information feeding in to the financial ledger through review of a sample of transactions, to ensure appropriate information was recorded on the WMS with consistent supporting information as an audit trail. The
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majority of transactions selected and sampled for this review were found to have sufficient supporting evidence available directly from interrogation of the WMS. However, a small number of works orders required examination of archived paper records in order to review the associated inputs and outputs. This prompted a recommendation to be made to be considered in light of the introduction of the Partnership with the aim that monitoring by the Council as the client is undertaken through ready access to systems without recourse to paper records or other archived material. In response to this recommendation, Audit was advised that the ability to have such access was included in the contract specification.

**Level 2 Reports:**

<b>School Catering (EGEI) / Environment and Operations)</b>	<b>Low/Medium (AMBER)</b> (17/6/15) <i>Business Risks</i>	The review covered processes operated by the Schools Catering Service, including monitoring of expenditure, income and stocks. A number of recommendations were made to improve existing controls including : <ul style="list-style-type: none"> <li>• Retaining evidence of regular reconciliation of income received to supporting records, including till receipts to ensure funds are fully accounted for.</li> <li>• The monitoring of invoices raised to schools to ensure payments are received promptly.</li> <li>• Considering the usage of available information to monitor and control direct costs, primarily food costs.</li> </ul> A follow up review will be undertaken in 2016/17 to consider progress in implementing the recommendations made.
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**Level 1 Reports:**

<b>Pathways Day Centre (CFW) / (Adult Social Services and Community Wellbeing)</b>	<b>Medium/High (GREEN)</b> (12/6/15) <i>Business Risks</i>	An audit of the Pathways Day Centre was completed. Overall, adequate and effective controls were found to be in place for most areas reviewed. A small number of recommendations were made. These included the need to ensure an up to date business continuity plan was in place. All recommendations made were agreed by the Service.
<b>Seymour Park Community Primary School (CFW) / (Children’s Services)</b>	<b>Medium (GREEN)</b> (18/6/15) <i>School</i>	Overall governance arrangements and the systems and controls for financial planning, budgetary control and income and banking were found to be effective. In respect of payroll arrangements, the school needs to ensure that all payments to staff are made through the payroll system to ensure the appropriate statutory deductions are made. A number of incorrect payments to staff had been made by the school relating to services provided to other schools. These have been identified and the Council’s Payroll Section has worked with the school to ensure the correct deductions are made. A subsequent follow up review took place in 2016.

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REPORT NAME (DIRECTORATE)	OPINION (R/A/G)/ (Issued)/ Category	COMMENTS
<b>Final Reports – Quarter 2</b>		
<b>Level 4 Reports :</b>		
<b>Business Continuity (T&amp;R &amp; Authority- wide) / (Transformation and Resources)</b>	<b>LOW/ MEDIUM (AMBER) *</b> (30/7/15) <i>Business Risks</i>	Progress had been made with implementing in part most recommendations previously made (10 out of 11). A key area to be addressed, however, is the need to ensure appropriate IT Disaster Recovery arrangements are in place, aligned to service needs and priorities. This includes ensuring Service Business Impact Analyses, which consider critical functions and activities, provide sufficient detail regarding key requirements in relation to IT systems to enable the recovery of systems to be prioritised. An Action Plan was agreed as part of the finalised audit report and developments made through the rest of the year in implementing recommendations will be followed up further in 2016.
<b>Income Control (T&amp;R &amp; Authority-wide) / (Finance)</b>	<b>MEDIUM/ HIGH (GREEN)</b> (21/9/15) <i>Financial System</i>	The review was undertaken to gain assurance that key controls relating to the receipting, allocation and reconciliation of income received by the Council were working effectively. In respect of corporate processes managed by Finance Services, overall, effective procedures were in place. It was acknowledged that the Council is working to achieve compliance with the Payment Card Industry Data Security Standard following recent changes in requirements. In addition, audit work has also been completed across a number of services/establishments in reviewing income control arrangements. As part of this audit, one of the recommendations made was to consider the addition of further details regarding income control within the Council's Financial Procedure Rules on their next review to ensure more detail is provided of standards expected of services across the Council.
<b>Let Estates (EGEI) / (Economic Growth and Planning)</b>	<b>LOW (RED)</b> (27/7/15) <i>Financial System</i>	Let estates income is generated from a number of properties across the Borough, with annual income received of over £2m. Audit testing found that property records were not up to date and a significant number of updates to the property database were required. Since the review work was undertaken, the Let Estates function is now managed by Amey as part of the One Trafford Partnership. In the management response to the audit findings, Audit has been advised that Amey are to compile a Technical Services Plan later in 2015/16. This will include an agreed approach to ensure records are brought up to date which will be agreed with client officers from the Council. Progress against recommendations made in this review will be followed up in 2016.
<b>Level 2 Reports:</b>		
<b>Planning Control (EGEI) / (Economic Growth and Planning)</b>	<b>MEDIUM/ HIGH (GREEN)</b> (7/9/15) <i>Business Risks</i>	Overall it was found that controls were adequate and effective at the time of the audit review to address most business risks reviewed. Some recommendations were made to improve existing systems and controls. These included ensuring observations from Planning site visits are consistently documented and also further checks are introduced to monitor income received with reference to both the Planning system and the Council's General Ledger.
<b>Level 1 Reports:</b>		

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<b>Sale Waterside Arts Centre (T&amp;R)/(Communities and Partnerships)</b>	<b>MEDIUM (GREEN)</b> (18/8/15) <i>Business Risks</i>	The purpose of this review was to evaluate the controls in place for the management of business risks in respect of the Box Office ticketing and Bar stocks and income. Whilst adequate procedures were in place across some areas reviewed, a number of recommendations were made which included improving existing systems and controls in respect of the security of cash and stocks. It should be noted that although a Medium opinion was given in relation to the work detailed in this report, Audit and Assurance continued to work with the Service to follow up outstanding queries from the review in relation to stock control and made further recommendations to the Service in a separate report.
<b>Springfield Primary School (CFW) / (Children's Services)</b>	<b>LOW/ MEDIUM (AMBER)*</b> (24/8/15) <i>School</i>	Progress has been made to implement or partially implement 16 of the 26 previous audit recommendations made. In addition to the recommendations which remain outstanding, which included actions relating to ordering and payment procedures and maintenance of the School Fund records, a couple of further recommendations were made in relation to updating certain procedures within the school's Finance Manual. The school will be contacted in 2016/17 for a further update to review progress made.

<b>REPORT NAME (DIRECTORATE)</b>	<b>OPINION (R/A/S)/ (Issued)/ Category</b>	<b>COMMENTS</b>
<b><u>Final Reports – Quarter 3</u></b>		
<b><u>Level 4 Reports :</u></b>		
<b>Treasury Management 2014/15 (T&amp;R) / (Finance)</b>	<b>High (GREEN)</b> (9/11/15) <i>Financial System</i>	A high level of assurance was given in last year's audit review and ongoing compliance with controls in place has resulted in a high level of assurance being maintained for this year. The results of audit testing concluded that no formal recommendations were required with only some minor issues highlighted in respect of levels of detail documented.
<b>STAR Shared Procurement Service (T&amp;R) / (Finance)</b>	<b>Moderate ** (GREEN)</b> (13/11/15) <i>Procurement/ Contracts</i>	The review was undertaken of the STAR Shared Procurement Service, which was established in February 2014. The review was led by Stockport Council Internal Audit on behalf of Stockport, Trafford and Rochdale Councils. The key objective of the audit was to review how effective the STAR Shared Procurement Service has been in achieving the primary objectives set out in the Business Case. The audit included reviewing a sample of procurement activities and their respective associated savings relating to 2014/15 and 2015/16.
		It was noted that the 2014/15 savings target for the STAR Service was £2.0m and the actual savings reported to the STAR Board and Joint Committee was £1.962m. It is acknowledged that significant progress has been made in developing the Service with clearly defined governance arrangements, including the establishment of the STAR Board and STAR Joint Committee with clearly defined terms of reference and processes for decision making. Some recommendations were made regarding the benefits realisation framework including recommending improvements in processes for

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		<p>recording data on the savings register and processes for verifying data before it is reported to the STAR Joint Committee. As part of the agreed action plan it was noted that planned work by STAR included reviewing the format of the savings register. The review was followed up later in the year and details will be reported in the Quarter One 2016/17 Audit and Assurance update.</p>
<p><b>Contracts register (T&amp;R and Authority Wide) / (Finance)</b></p>	<p><b>Moderate ** (GREEN)</b>  (13/11/15)  <i>Procurement /Contracts</i></p>	<p>The review was undertaken of the contracts register maintained by the STAR Shared Procurement Service. The review was led by Stockport Council Internal Audit on behalf of Stockport, Trafford and Rochdale Councils. Key objectives were to ensure that controls were in place to ensure the contracts register is complete, accurate and up to date with adequate supporting information held and roles and responsibilities for maintaining the register clearly defined.</p> <p>Findings were that whilst overall adequate arrangements were in place, it was acknowledged that work is ongoing to continue to improve processes for maintaining the register. The contracts register continues to be developed and over time gaps in information are being followed up. Recommendations made include adding further details within the register such as contact details for staff involved in commissioning new contracts; ensuring supporting documentation is filed in a consistent manner and services to regularly check contracts information held on the register. As part of the agreed action plan it was noted that planned work included reviewing the format and content of the register.</p>
<p><b><u>Level 2 Reports :</u></b></p>		
<p><b>Registration Service (T&amp;R) / (Transformation and Resources)</b></p>	<p><b>Medium/High (GREEN)</b>  (3/12/15)  <i>Business Risks</i></p>	<p>Overall, adequate and effective controls were in place in respect of risks reviewed as part of the audit of the Council's Registration Service. It was noted that control improvements implemented following the previous audit review had continued to be maintained. Recommendations made in this latest review included some improvements to security procedures both in relation to regular changing of keypad combinations to access secure areas and regular review of access rights to IT systems.</p>
<p><b>Section 17 payments – Children Act 1989 (CFW) / (Children's Services)</b></p>	<p><b>Medium * (GREEN)</b>  (16/12/15)  <i>Business Risks</i></p>	<p>A number of control improvements have been introduced since the previous audit review covering the administering of Section 17 monies used to support children in need and their families (under the Children's Act 1989). In addition to 11 previous recommendations previously implemented which was previously reported in October 2014, from the latest follow up audit review completed in 2015, a further 4 recommendations have been fully implemented and 1 in part. Five other recommendations remain to be fully implemented where progress has been made but there are still some improvements required in some service areas. In particular, it is important that there are adequate procedures across all areas to ensure the necessary approval is obtained and evidenced prior to making Section 17 payments. In addition, full reconciliations of the imprest accounts should take place on a regular basis to account for all monies held and spent.</p>
<p><b><u>Level 1 Reports:</u></b></p>		
<p><b>St. Anne's C of E Primary School</b></p>	<p><b>Medium * (GREEN)</b></p>	<p>Good progress has been made in implementing previous audit recommendations (18 out of 23 agreed recommendations have been</p>

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(CFW) / (Children's Services)	(1/12/15) <i>School</i>	implemented and 1 in part). The audit opinion has been revised to Medium from a Low/Medium opinion provided at the last review. An agreed action plan has been established for implementing both the remaining and new recommendations. New recommendations are in respect of the need to update the school's development plan and the other to formalise approval procedures for the disposal of assets.
St. Michael's C of E Primary School (CFW) / (Children's Services)	<b>Medium *</b> <b>(GREEN)</b> (7/12/15) <i>School</i>	Good progress has been made in implementing previous audit recommendations (23 out of 34 agreed recommendations have either been implemented or are no longer applicable and 6 have been implemented in part). The audit opinion has been revised to Medium from a Low/Medium opinion provided at the last review. An agreed action plan has been established for implementing both the remaining and new recommendations. These included the need to review costs associated with lettings to ensure these are taken into account when reviewing charges.
Cloverlea Primary School (CFW) / (Children's Services)	<b>Medium *</b> <b>(GREEN)</b> (7/12/15) <i>School</i>	Good progress has been made in implementing previous audit recommendations. (26 out of 32 agreed recommendations have been implemented and 2 in part). The audit opinion has now been revised to Medium from a Low/Medium opinion provided at the last review. An agreed action plan has been established for implementing both the remaining and new recommendations. New recommendations are in respect of formalising approval procedures for the disposal of assets and to improve record keeping for elements of the School Fund to ensure there is an adequate analysis of income and expenditure across each main category of activity.

REPORT NAME (DIRECTORATE)	OPINION (R/A/G) (Issued)	COMMENTS
<b>Final Reports – Quarter 4</b>		
<b>Level 4 Reports :</b>		
IT Data Centre (T&R) / (Transformation and Resources)	<b>Medium *</b> <b>(GREEN)</b> (13/1/16) <i>ICT Audit</i>	<p>The Council's ICT infrastructure moved in to the basement of the Town Hall in May 2013. An audit was previously undertaken by Salford Audit Services of the Council's IT Data Centre to assess the physical security and environmental controls in place to protect the Council's core data and equipment. A follow up review was recently completed.</p> <p>Out of the 14 recommendations originally made, eight have been implemented, four recommendations have been reiterated and two have been partially met or are ongoing. An action plan for the recommendations which remain outstanding which relate to some physical security aspects has been agreed. It is acknowledged that work is currently underway in considering future options for ensuring adequate disaster recovery arrangements are in place.</p>
Cyber Security (T&R) / (Transformation and Resources)	<b>Medium</b> <b>(GREEN)</b> (29/2/16) <i>ICT Audit</i>	Some of the risks relating to the management and control of cyber security are currently being well managed, There are, however, a number of areas requiring action that have been identified in the report. This includes the need to continue to progress the ongoing review of IT disaster recovery processes; ensure the inventory of information assets and owners is up to date; and ensure policies in relation to cyber security are reviewed and up to date to ensure roles

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and responsibilities are clearly defined.

**Level 2 Reports:**

<b>Outdoor Media (EGEI) / (Environment and Operations &amp; Economic Growth and Planning)</b>	<b>Medium/ High (GREEN)</b> (23/2/16) <i>(Procurement /Contracts)</i>	Systems and controls were found to be adequate across most areas reviewed in relation to the arrangements for outdoor advertising. A recommendation was made in respect of formally documenting meetings in relation to contract monitoring which would assist in terms of business continuity in the absence of key personnel.
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<b>Altrincham Crematorium (EGEI) / (Environment and Operations)</b>	<b>Medium /High * (GREEN)</b> (14/3/16) <i>Business Risks</i>	Testing revealed good progress in respect of previous recommendations and a satisfactory level of compliance with the controls covering most business risks. Particular developments made included improved processes in respect of income recording and reconciliation to banking records. Further agreed recommendations to implement include introducing a further year end process to reconcile activity levels of cremator usage to other records including income.
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**Level 1 Reports:**

<b>Barge Project (CFW) / (Children's Services)</b>	<b>Medium (GREEN)</b> (30/3/16) <i>Business Risks</i>	The Council owns two narrowboats, normally used to support youth groups and young parent groups but also used for hire to other groups. The Barge project currently receives lottery funding. At the request of the CFW Directorate, the audit was completed to provide assurance that controls in operation with regard to the management and operations of the Barge Project were sufficient to secure proper accounting records and security of the Council's assets whilst maximising the income receivable from grant providers and service users. Whilst overall procedures and controls were found to be adequate, recommendations included reviewing future charges, marketing opportunities and use of the boats to help achieve the sustainability of the project in the medium term.
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<b>St. Ann's RC Primary School (CFW) / (Children's Services)</b>	<b>Medium * (GREEN)</b> (14/1/16) <i>School</i>	Good progress has been made in implementing previous audit recommendations. (Of the 26 overarching recommendations made, 11 recommendations have been fully/substantially implemented and 13 implemented in part). The audit opinion was revised to Medium from a Low/Medium opinion provided at the last review. The school have completed an action plan to address the remaining recommendations from this review.
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<b>Broomwood Primary School (CFW) / (Children's Services)</b>	<b>Medium/High (GREEN)</b> (4/2/16) <i>School</i>	Systems and controls were found to be adequate across the majority of areas covered. A small number of recommendations were made including the need for the formal approval of policies in relation to Freedom of Information and also the disposal/write off of assets.
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<b>St Teresa's RC Primary School (CFW) / (Children's Services)</b>	<b>Medium /High * (GREEN)</b> (22/3/16) <i>School</i>	Good progress has been made in implementing previous audit recommendations (Of the 24 previous recommendations made, only 4 remain wholly outstanding). Agreed recommendations to implement include clearly linking the school's three development plan with budget information.
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<b>Seymour Park Community Primary School (CFW) / (Children's Services)</b>	<b>Medium /High * (GREEN)</b> (22/3/16) <i>School</i>	Good progress has been made in relation to all of the previous 14 recommendations made, including improvements in payroll-related procedures. Further work to complete includes the updating of the school's inventory of assets.
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REPORT NAME (DIRECTORATE)	OPINION (R/A/G) (Issued)	COMMENTS
<b><u>Draft Reports</u></b>		
<b><u>Level 4 Reports:</u></b>		
<b>Cash Expenditure Control – Imprest Accounts (Authority-Wide) / (Finance).</b>	<b>Medium (GREEN)</b> (19/11/15) <i>Financial System</i>	The review was undertaken as part of an on-going series of audits in areas where there is a significant element of cash expenditure and/or significant levels of cash held. Overall, based on the areas reviewed, procedures for operating petty cash imprest accounts were found to be satisfactory. It was recommended that Audit guidance on cash holding is circulated to all account holders. It was acknowledged that progress continues to be made in reducing levels of cash held and alternative arrangements continue to be considered where possible. The number of imprest accounts held across the Council has gradually continued to reduce (54 accounts with a value of £69k were held as at November 2015). A final report will be issued in quarter one of 2016/17 to confirm findings and agreed actions.
<b>Council tax (T&amp;R) / (Finance)</b>	<b>High (GREEN)</b> (22/3/16) <i>Financial System</i>	Based on the controls reviewed, a high level of assurance has been maintained with a good level of control found to be in place, with no recommendations made in this review.
<b>Payroll (T&amp;R) / (Transformation and Resources)</b>	<b>Medium/High (GREEN)</b> (24/3/16) <i>Financial System</i>	A draft report was issued at the year-end with a view to being finalised in quarter one of 2016/17. Agreed findings will be included in the Quarter One Audit and Assurance update.
<b><u>Level 2 Reports:</u></b>		
<b>Client Finances System (CFW) / (Finance&amp;Adult Social Services and Community Wellbeing)</b>	<b>Medium * (GREEN)</b> (17/3/16) <i>Business Risks</i>	A draft report was issued at the year-end with a view to being finalised in quarter one of 2016/17. Agreed findings will be included in the Quarter One Audit and Assurance update.
<b><u>Level 1 Reports :</u></b>		
<b>Moss Park Junior School (CFW) / (Children’s Services)</b>	<b>Medium/High (GREEN)</b> (30/3/16) <i>School</i>	Systems and controls were found to be adequate across most areas covered. A small number of recommendations were made such as the introduction of evidencing checks completed within a number of systems and procedures including the reconciliation of bank statements, petty cash balances and maintenance of the inventory.
*Denotes this is a follow up audit – i.e. the main focus of the review was a follow up of recommendations made as part of a previous audit review.		**Note: Audits completed by Stockport Council on behalf of Stockport, Trafford and Rochdale Councils. A “Moderate Opinion” was provided which is equivalent to an opinion of at least “Medium” per the Trafford Council framework and the opinion is therefore shown as “Green”.

**CLIENT SURVEY RESPONSES 2015/16**

**APPENDIX D**

	V.Good	Good	Satisfactory	Adequate	Poor
Consultation on audit process and audit coverage prior to commencement of the audit	6	6			
Feedback of findings and liaison during the audit	7	4	1		
Professionalism of auditors	12				
Helpfulness of auditors	11	1			
Timeliness of the review and the draft report	10	2			
Clarity of the report	9	3			
Accuracy of the report	8	3	1		
Practicality of the recommendations made	8	3	1		
Usefulness of the audit as an aid to management	9	3			
<b>Total</b>	<b>80</b>	<b>25</b>	<b>3</b>		
<b>%</b>	<b>74%</b>	<b>23%</b>	<b>3%</b>		
	<b>Very Significant</b>	<b>Significant</b>	<b>Moderate</b>	<b>Minor</b>	<b>None</b>
What level of improvement, in the standard of control and the management of risks, do you expect to see following the audit review?	1	7	2	1	1
<b>%</b>	<b>8.5%</b>	<b>58%</b>	<b>16.5%</b>	<b>8.5%</b>	<b>8.5%</b>

# Accounts and Audit Committee Progress and Update Report for Trafford Council

*Year ended 31 March 2016*

June 2016

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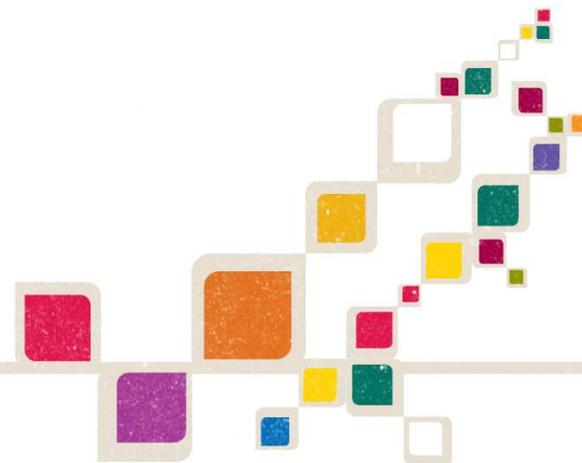
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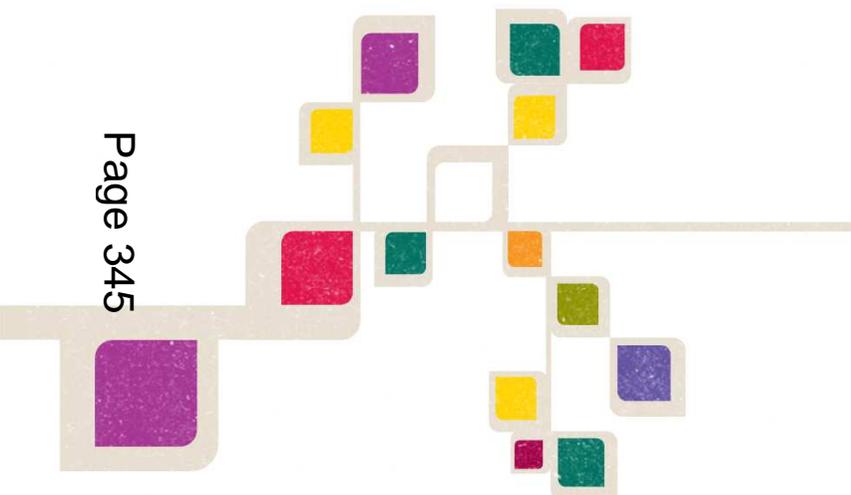


The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.



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Grant Thornton reports	7
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# Introduction

This paper provides the Accounts and Audit Committee with a report on progress in delivering our responsibilities as your external auditors.

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Members of the Accounts and Audit Committee can find further useful material on our website [www.grantthornton.co.uk](http://www.grantthornton.co.uk), where we have a section dedicated to our work in the public sector. Here you can download copies of our publications including:

- Better Together: Building a successful joint venture company;  
<http://www.grantthornton.co.uk/en/insights/building-a-successful-joint-venture-company/>
- Knowing the Ropes – Audit Committee; Effectiveness Review ;  
[www.grantthornton.co.uk/en/insights/knowing-the-ropes-audit-committee-effectiveness-review-2015/](http://www.grantthornton.co.uk/en/insights/knowing-the-ropes-audit-committee-effectiveness-review-2015/)
- Making devolution work: A practical guide for local leaders (October 2015)  
[www.grantthornton.co.uk/en/insights/making-devolution-work/](http://www.grantthornton.co.uk/en/insights/making-devolution-work/)

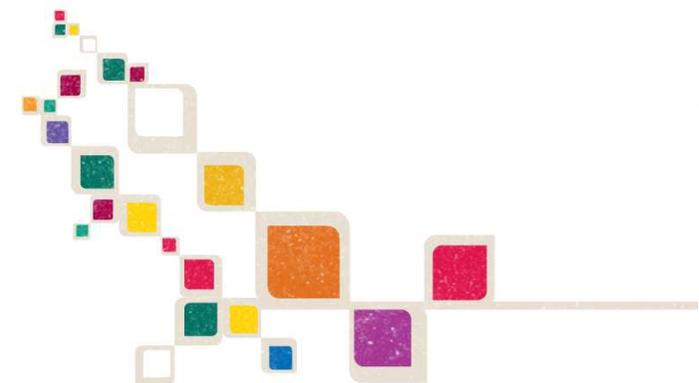
If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.

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# Progress at June 2016



## Progress against plan

On track



## Opinion and VfM conclusion

Plan to give before deadline of 30 September 2016

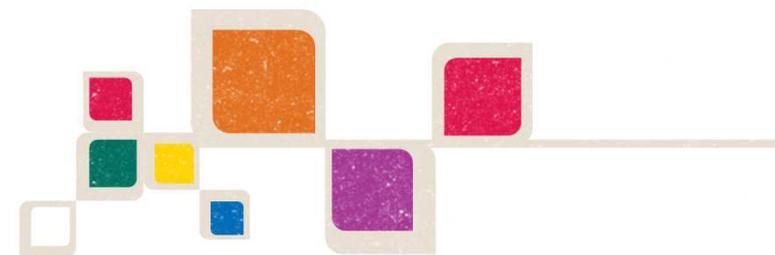


## Outputs delivered

Fee letter, Progress Reports, delivered to plan

2015/16 work	Expected Date of Completion	Comments
<p><b>Accounts Audit Plan</b>                      We are required to issue a detailed accounts audit plan to the Council setting out our proposed approach in order to give an opinion on the Council's 2015-16 financial statements.</p> <p>We also inform you of any subsequent changes to our audit approach.</p>	<p>March 2016</p>	<p>This was presented to the Accounts and Audit Committee in March.</p>
<p><b>Interim accounts audit</b>                      Our interim fieldwork visit includes:</p> <ul style="list-style-type: none"> <li>• updating our review of the Council's control environment</li> <li>• updating our understanding of financial systems</li> <li>• review of Internal Audit reports on core financial systems</li> <li>• early work on emerging accounting issues</li> <li>• early substantive testing</li> </ul>	<p>March 2016</p>	<p>We have completed our interim audit work on your financial systems and included our findings in our Audit Plan. This was presented to the Accounts and Audit Committee in March 2016</p>

# Progress at June 2016



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2015/16 work	Expected Date of Completion	Comments
<p><b>Final accounts audit</b></p> <p>Including:</p> <ul style="list-style-type: none"> <li>• Audit of the 2015-16 financial statements</li> <li>• Proposed opinion on the Council's accounts</li> </ul>	<p>Planned for July - September 2016</p>	<p>Our work will start with the receipt of the draft final accounts in June 2016.</p> <p>We will prepare an Audit Findings Report and present this to the Committee prior to issuing our audit report.</p>
<p><b>Value for Money (VfM) conclusion</b></p> <p>The scope of our work has changed and is set out in the final guidance issued by the National Audit Office in November 2015. The Code requires auditors to satisfy themselves that; "the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources".</p> <p>The guidance confirmed the overall criterion as; "in all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people".</p> <p>The three sub criteria for assessment to be able to give a conclusion overall are:</p> <ul style="list-style-type: none"> <li>• Informed decision making</li> <li>• Sustainable resource deployment</li> <li>• Working with partners and other third parties</li> </ul>	<p>Fieldwork in February – July, formal conclusion reported by 30 September 2016</p>	<p>We completed our initial risk assessment as part of our interim audit visit and reported our findings in our Audit Plan which was presented to the Accounts and Audit Committee in March 2016.</p> <p>We will review and update our risk assessment as part of our final accounts audit work. If any new issues are identified we will report these in our Audit Findings Report along with the results of our VfM audit work and the key messages arising.</p> <p>We will include our conclusion as part of our report on your financial statements which we will give by 30 September 2016.</p>

# Better Together: Building a successful joint venture company

Local government is evolving as it looks for ways to protect front-line services. These changes are picking up pace as more councils introduce alternative delivery models to generate additional income and savings.

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'Better together' is the next report in our series looking at alternative delivery models and focuses on the key areas to consider when deciding to set up a joint venture (JV), setting it up and making it successful.

JVs have been in use for many years in local government and remain a common means of delivering services differently. This report draws on our research across a range of JVs to provide inspiring ideas from those that have been a success and the lessons learnt from those that have encountered challenges.

Key findings from the report:

- JVs continue to be a viable option – Where they have been successful they have supported councils to improve service delivery, reduce costs, bring investment and expertise and generate income
- There is reason to be cautious – Our research found a number of JVs between public and private bodies had mixed success in achieving outcomes for councils
- There is a new breed of JVs between public sector bodies – These JVs can be more successful at working and staying together. There are an increasing number being set up between councils and wholly-owned commercial subsidiaries that can provide both the commercialism required and the understanding of the public sector culture.

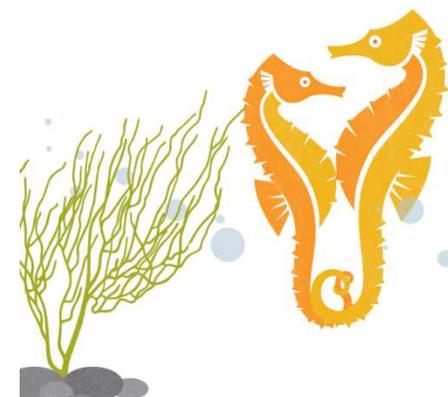
Our report, Better Together: Building a successful joint venture company, can be downloaded from our website: <http://www.grantthornton.co.uk/en/insights/building-a-successful-joint-venture-company/>

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ALTERNATIVE SERVICE DELIVERY MODELS IN LOCAL GOVERNMENT

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# Innovation in public financial management

Our research on international public financial management (PFM) shows it is evolving, from having a narrow focus on budgeting, towards a wider mandate as a key driver of policy and strategy across all levels of government, public services, state enterprises and public-private partnerships.

While the rate of this evolution differs by country, the research reveals a marked overall increase in innovation and highlights four major trends that, globally, will impact on the future of public financial management:

1. reform programs
2. infrastructure development, especially via public private partnerships (PPPs)
3. transparency, especially via digital channels
4. the impact of global economic uncertainty.

This report, published by Grant Thornton International in association with the International Consortium on Governmental Financial Management (ICGFM), draws on a recent survey of 278 PFM practitioners worldwide, as well as insights from experts at the ICGFM, the MIT Centre for Finance and Policy and Grant Thornton International.

Our report, Innovation in public financial management, can be downloaded from our website:

<http://www.grantthornton.co.uk/en/insights/innovation-in-public-financial-management/>



**Innovation in public financial management**  
*in an increasingly complex and uncertain global environment*

ICGFM Financial Management Markets Survey 2015



# Fighting Fraud and Corruption Locally

CIPFA publication

**Fighting Fraud and Corruption Locally** is a strategy for English local authorities that is the result of collaboration by local authorities and key stakeholders from across the counter fraud landscape .

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This strategy is the result of an intensive period of research, surveys, face-to-face meetings and workshops. Local authorities have spoken openly about risks, barriers and what they feel is required to help them improve and continue the fight against fraud and to tackle corruption locally.

Local authorities face a significant fraud challenge. Fraud costs local authorities an estimated £2.1bn a year. In addition to the scale of losses, there are further challenges arising from changes in the wider public sector landscape including budget reductions, service remodelling and integration, and government policy changes. Local authorities will need to work with new agencies in a new national counter fraud landscape.

The strategy:

- calls upon local authorities to continue to tackle fraud with the dedication they have shown so far and to step up the fight against fraud in a challenging and rapidly changing environment
- illustrates the financial benefits that can accrue from fighting fraud more effectively
- calls upon central government to promote counter fraud activity in local authorities by ensuring the right further financial incentives are in place and helping them break down barriers to improvement
- updates and builds upon Fighting Fraud Locally 2011 in the light of developments such as The Serious and Organised Crime Strategy and the first UK Anti-Corruption Plan
- sets out a new strategic approach that is designed to feed into other areas of counter fraud and corruption work and support and strengthen the ability of the wider public sector to protect itself from the harm that fraud can cause.

The strategy can be downloaded from

<http://www.cipfa.org/services/counter-fraud-centre/fighting-fraud-and-corruption-locally>





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## TRAFFORD COUNCIL

**Report to:** Accounts and Audit Committee  
**Date:** 28 June 2016  
**Report for:** Information  
**Report of:** Cllr Mitchell and Cllr Butt – Chair and Vice - Chair  
Accounts & Audit Committee (2015/16)

### Report Title

**Accounts and Audit Committee Annual Report to Council 2015/16.**

### Summary

**The report sets out the 2015/16 Annual Report of the Accounts and Audit Committee to be submitted to Council.**

### Recommendation

**The Accounts and Audit Committee is asked to note the report.**

### Contact person for access to background papers and further information:

**Name:** Mark Foster – Audit and Assurance Manager  
**Extension:** 1323

### **Background Papers:**

2015/16 Accounts and Audit Committee minutes



Accounts & Audit Committee  
Annual Report  
To Council

2015-2016



TRAFFORD  
COUNCIL

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**FOREWORD BY THE CHAIR AND VICE-CHAIR OF THE ACCOUNTS & AUDIT COMMITTEE**

*Continuing developments and challenges, including financial pressures, faced by local authorities highlight the need for the Council to ensure that there are effective governance, risk management and internal control arrangements in place in order that resources are managed effectively. The Accounts and Audit Committee is independent of the Executive and plays a key role in providing challenge across the organisation. It provides independent assurance to the Council and the public on how effectively the Council is being managed. We believe that the work of the Accounts and Audit Committee should be and is central to the provision of effective corporate governance.*

*The Committee has covered a broad range of work during the year. In addition to coverage of its work plan which was agreed at the start of the year, the Committee has sought assurance through the year as issues arise. This report sets out detail of how we have ensured the Committee has met its responsibilities through the year.*



**Councillor Alan Mitchell**  
**Chairman, Accounts & Audit Committee 2015-16**



**Councillor Dylan Butt**  
**Vice-Chair, Accounts & Audit Committee 2015-16**

## **INTRODUCTION**

### **Role of the Committee**

The role of the Accounts and Audit Committee is to:

- provide independent assurance on the adequacy of the risk management framework and the associated control environment,
- undertake independent scrutiny of the Authority’s financial and non financial performance to the extent that it affects the Authority’s exposure to risk and weakens the control environment, and
- oversee the financial reporting process.

Assurance is gathered by the Committee largely from the work of Finance Services (including Financial Management and the Audit and Assurance Service), and External Audit (provided by Grant Thornton in 2015/16). Relevant officers within these areas attended meetings through the year. This was supplemented by assurance from other sources where this was considered appropriate, for example direct from the Council’s managers.

### **Purpose of the Report**

The purpose of this report to Council is to:

- Summarise the work undertaken by the Accounts & Audit Committee during 2015/16 and the impact it has had.
- Provide assurance to the Council on the fulfilment of the Committee’s responsibilities.

### **Membership of the Committee**

The Accounts & Audit Committee’s terms of reference state that its membership shall comprise seven Members, be politically balanced within the Council’s current system, and shall not include any Members of the Executive.

<b>Accounts &amp; Audit Committee Membership</b>	
<b>2015/16</b>	<b>2016/17</b>
Cllr Alan Mitchell (Chair)	Cllr Jonathan Coupe (Chair)
Cllr Dylan Butt (Vice Chair)	Cllr Paul Lally (Vice Chair)
Cllr Tom Ross	Cllr Alan Mitchell
Cllr Barry Brotherton	Cllr Chris Boyes
Cllr Mrs Jane Baugh	Cllr Tom Ross
Cllr Chris Boyes	Cllr Mrs Jane Baugh
Cllr Nathan Evans	Cllr Barry Brotherton

## **ACCOUNTS & AUDIT COMMITTEE – SUMMARY OF WORK COMPLETED**

The Committee derives its independent assurance from a number of sources including the work of External Audit, Finance (including Internal Audit and Financial Management) and managers across the Council.

During the year, these sources of assurance were reported to the Committee on a regular basis encompassing all the themes identified in the Committee's Terms of Reference. The Committee received information at each meeting and provided challenge and feedback to officers and external auditors, therefore fulfilling its responsibilities during 2015/16.

Accounts & Audit Committee Members are very aware of the important role they have as the Council's Members charged with responsibility for governance. The need for the Council to achieve financial savings whilst ensuring effective service delivery highlights the need to ensure effective governance arrangements, systems and controls are in place.

Areas covered by the Committee during the year, in line with its remit, included:

- Internal and External Audit;
- Risk Management;
- Corporate Governance, Internal Control and the Annual Governance Statement;
- Anti-Fraud and Corruption, and
- The production of the Statement of Accounts.

An established arrangement is in place whereby a work programme is agreed by the Committee at the start of each year to ensure it met its responsibilities. For 2015/16, the work programme included reviewing regular updates on the work of external audit, internal audit, approval of draft and final accounts, updates of the Council's strategic risk register, review of anti-fraud and corruption arrangements, and updates on treasury management and insurance activity. The programme also covered consideration of training and awareness for Committee Members which included a workshop on the Council's accounts.

Further to the establishment of the agreed meeting timetable and work programme at the start of the year, the Committee reviewed the programme through the year and where needed, agenda items were added as required. This included a presentation on the One Trafford Partnership which was established during the year.

Assurance in terms of the outcome of the 2015/16 External Audit of the Council's Financial Statements and a conclusion on the Council's Value for Money arrangements will be reported later in 2016 to the Committee in the External Auditor's 2015/16 Annual Audit Letter. In November 2015, the Committee had gained assurance through the 2014/15 Annual Audit Letter that an unqualified opinion was given on the 2014/15 financial statements. The report also concluded that, in all significant respects, the Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

Details of the work undertaken by the Committee are set out in the rest of this report.

**Accounts and Audit Committee – Work Completed During 2015/16**

**Internal Audit**

Role of the Committee in relation to Internal Audit:

- Review and approve (but not direct) the Internal Audit Charter, Internal Audit Strategy and internal audit resourcing.
- Review and approve (but not direct) the annual Internal Audit work programme. Consider the proposed and actual audit coverage and whether this provides adequate assurance on the organisation’s main business risks. Review the performance of Internal Audit.
- Receive summary internal audit reports and seek assurance on the adequacy of management response to internal audit advice, recommendations and actions plans.
- Review arrangements for co-operation between Internal Audit, External Audit and other review bodies, and ensure that there are effective relationships which actively promote the value of the audit process.
- Receive the Annual Internal Audit report and opinion.

<b>Work Completed</b>	<b>Outcome/ Impact</b>
<p>The progress of internal audit work conducted by the Audit and Assurance Service was reported to the Committee on a quarterly basis. This included summary findings from individual audit reviews, responses to audit reports, progress in implementing the annual audit plan and performance of the Audit and Assurance Service. Update reports were presented in <b>September 2015, November 2015 and February 2016.</b></p> <p><b>June 2015</b> The Annual Internal Audit Report was submitted, providing an opinion on the standard of internal controls during 2014/15 based on Internal Audit work undertaken during the period.</p>	<p>The Committee maintained an overview of the control environment reviewed by Internal Audit and also obtained assurance in respect of Internal Audit performance.</p> <p>Updates included details of areas reviewed where controls were found to be operating to a satisfactory standard and others within the Council where improvements were identified and audit recommendations made accordingly.</p>

<b>(Internal Audit continued)</b>	
<b>Work Completed</b>	<b>Outcome/ Impact</b>
<p><b>March 2016</b>                      The Committee reviewed the updated Internal Audit Charter and Strategy. The Internal Audit Charter describes the purpose, authority and principal responsibilities of the Internal Audit function provided by the Audit and Assurance Service, and the Internal Audit Strategy describes the arrangements in place to deliver internal audit so as to ensure that the objectives and scope of the Service are met.</p> <p>A report was submitted incorporating the 2016/17 Annual Internal Audit Plan.</p>	<p>The Accounts and Audit Committee approved the updated Internal Audit Charter and Strategy.</p> <p>Assurance that Internal Audit coverage for the coming year covered a wide range of key business risks and plans were in place to make adequate internal audit resources available to complete the planned work.</p>

**External Audit**

The role of the Committee in relation to External Audit is:

- To review and consider proposed and actual External Audit coverage and its adequacy, and consider the reports of External Audit and other inspection agencies.
- To receive updates from External Audit on findings and opinions, and assurance as to the adequacy of management’s response to External Audit advice, recommendations and action plans.
- To review arrangements made for co-operation between External Audit, Internal Audit and other review bodies.

<b>Work Completed</b>	<b>Outcome/ Impact</b>
<p><b>June 2015</b> The Committee received a report from Grant Thornton on the progress made in delivering its responsibilities as the Authority’s external auditor. The report also highlighted key emerging national issues and developments. which could be of interest to members of the Committee. Other such updates were provided at meetings in <b>November 2015 and February 2016.</b></p>	<p>The Committee was able to monitor progress in respect of external audit work.</p>
<p><b>September 2015</b> The Committee receive a report on the findings to date from the External Auditor in respect of the audit of the Council’s accounts for the year ended 31 March 2015 and its work to provide a conclusion on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources (Value for Money conclusion).</p>	<p>Members were advised that it was anticipated that an unqualified opinion on the financial statements would be provided.</p> <p>Based on the Council’s arrangements to secure economy, efficiency and effectiveness in its use of resources, an unqualified Value for Money conclusion was proposed.</p>
<p><b>November 2015</b> The Committee received the Council’s Annual Audit Letter for the year ended 31 March 2015, summarising the key findings arising from the work of the External Auditor, Grant Thornton.</p>	<p>The Annual Audit Letter confirmed that an unqualified opinion was given on the financial statements.</p> <p>It was also concluded that, in all significant respects, the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2015.</p>
<p><b>February 2016</b> As part of the February update report, Grant Thornton presented a letter summarising its overall findings from the certification of the Council’s 2014/15 Housing Benefits subsidy claim.</p>	<p>The Committee noted the findings including agreement that further audit testing work was to be completed by the end of March 2016.</p>

<b>(External Audit continued)</b>	
<b>Work Completed</b>	<b>Outcome/ Impact</b>
<p><b>March 2016</b></p> <p>The Committee received the External Audit Plan from Grant Thornton which outlined its audit approach and plan to deliver the audit for the year ended 31 March 2016. The report also set out the External Audit fees and assumptions supporting these.</p>	<p>The report submitted provided the Committee with details of work Grant Thornton is required to undertake as the council’s external auditor.</p>

**Risk Management**

The role of the Committee in relation to risk management:

- Review the adequacy of arrangements for identifying and managing the organisation’s business risks – including the Council’s risk management policy and strategy and their implementation.
- Review the robustness of the strategic risk register and the adequacy of associated risk management arrangements.
- Receive and consider regular reports on the risk environment and associated management action.

<b>Work Completed</b>	<b>Outcome/ Impact</b>
<p><b>September 2015</b>                      The Committee was provided with a report setting out the Council’s Strategic Risk Register. The report provided an update on the strategic risk environment which included details of risks that had been removed as well as changes in risk levels.</p>	<p>The Committee received assurance on the arrangements for reviewing key strategic risks. The Committee provided feedback regarding the detail provided relating to some risks and requested further information on some areas which was provided following the meeting.</p>
<p><b>March 2016</b>                      The Committee was provided with a further update report on the Strategic Risk Register including risks added, removed or where risk levels had changed.</p> <p>The highest risks identified reflected risks relating to the Council’s medium term financial and risks in relation to the departure of, and retention of, senior managers within the Council. A further updates on this latter risk was requested for the June 2016 meeting.</p>	<p>The Committee received assurance that there is ongoing monitoring of strategic risks with details provided for each risk of control / monitoring arrangements in place and where applicable further improvements planned.</p>

**Corporate Governance, Internal Control and the Annual Governance Statement**

The role of the Committee in relation to the above is to:

- Conduct a critical review of the proposed Annual Governance Statement, the procedures followed in its completion and supporting evidence to provide assurance to the Leader of the Council and the Chief Executive of its meaningfulness and robustness.
- Review effectiveness of corporate governance and internal control across the organisation and the adequacy of action taken to address any weaknesses or control failures.

<b>Work Completed</b>	<b>Outcome/ Impact</b>
<p><b>June 2015</b> A report including the 2014/15 draft Annual Governance Statement, details of the Committee’s review of the Statement and also the updated Corporate Governance Code were presented.</p>	<p>The Committee noted that the Members were satisfied with the process followed in generating the Annual Governance Statement and were satisfied that the statement itself is robust. The Committee also agreed the updates the Council’s Corporate Governance Code.</p>
<p><b>September 2015</b> The final version of the Annual Governance Statement, signed by the Chief Executive and Leader, was submitted to the Committee.</p> <p>The Committee received a report summarising the actions and improvements made to the Council’s budget monitoring arrangements in line with the Action Plan produced in the previous year.</p>	<p>The Committee approved the 2014/15 Annual Governance Statement.</p> <p>The Committee was able to note continued progress in improving budget monitoring arrangements which was highlighted as a significant governance issue for 2015/16 within the 2014/15 Annual Governance Statement.</p>
<p><b>November 2015</b></p> <p>The Committee received a report providing an update on work undertaken to date, as well as further work planned in respect of Leisure Services within the Borough.</p> <p>The report updated the Committee on the position of Trafford Leisure CIC Limited and their operation of Trafford’s leisure services.</p>	<p>Members were able to gain information to understand arrangements in place and planned developments in respect of Leisure Services which had been identified as a significant governance issue in the Annual Governance Statement.</p>
<p><b>February 2016</b> A report setting out a proposed approach / timetable to ensure compliance with the production of an Annual Governance Statement for 2015/16 was presented.</p> <p>Reports were presented in respect of two significant governance issues highlighted in the Annual Governance Statement. These related to Information Governance across the Council and</p>	<p>Procedures and responsibilities of Members and officers in the process for producing and approving the 2015/16 Annual Governance Statement were agreed.</p> <p>Assurance was provided that the organisation is continuing to take action to address significant governance issues highlighted in the previous year’s Annual Governance Statement.</p>

<b>(Governance Continued)</b>	
<b>Work Completed</b>	<b>Outcome/ Impact</b>
<p>secondly in relation to Locality Working. The reports highlighted progress made in respect of work undertaken and further work planned in these respective areas.</p> <p><b>March 2016</b></p> <p>A report was presented in respect of another significant governance issue highlighted in the 2013/14 Annual Governance Statement. This related to the progress made in respect of the Council's Reshaping Trafford programme.</p> <p>A presentation was given in respect of governance arrangements in respect of the Council's One Trafford Partnership.</p>	<p>Assurance was provided that the organisation is taking action to continue to progress a key area highlighted in the previous year's Annual Governance Statement.</p> <p>The Committee was able to gain an update and ask questions in relation to the partnership which had been established in July 2015. Committee Members had agreed at the previous meeting (February 2016) that this item should be added to the Committee's work programme.</p>

**Anti - Fraud & Corruption Arrangements**

The role of the Committee is to:

- Review and ensure the adequacy of the organisation’s Anti - Fraud & Corruption policy and strategy and the effectiveness of their application throughout the Authority.
- Review and ensure that adequate arrangements are established and operating to deal with situations of suspected or actual fraud and corruption.

<b>Work Completed</b>	<b>Outcome/ Impact</b>
<p><b>September 2015</b>                      The Benefit Fraud Investigation Team 2014/15 Annual Report was presented outlining the Council’s responsibilities towards tackling benefit fraud and detailing the team’s performance during the period.</p> <p>The Committee was also advised of future changes with the transfer of existing benefit fraud investigation staff to the Department for Work and Pensions (DWP) on 1 March 2016 as part of the establishment of a national Single Fraud Investigation Service. The Committee was advised that work was underway in reviewing Counter Fraud arrangements at the Council in place after the transfer.</p>	<p>In respect of benefit fraud, assurance was obtained on the adequacy of the Council’s anti-fraud and corruption arrangements and ongoing developments.</p> <p>The Committee was provided with assurance that the Council was working to ensure fraud investigation capacity is in place going forward.</p>
<p><b>March 2016</b>                      The Audit and Assurance Service provided a report on anti-fraud and corruption work undertaken during the year. This included a summary of investigation work undertaken by the Service and an update on other work undertaken including an update on activity to support the National Fraud Initiative.</p> <p>The report also provided an update on developments within the Council in light of the recent transfer in March 2016 of Fraud investigation staff to the DWP. A new Counter-Fraud and Enforcement Team within the Council’s Exchequer Services has been established with the aim to initially focus primarily on revenues related fraud which the Council would continue to be responsible for. Particular areas of focus initially are on Council Tax and Business Rates.</p>	<p>The Committee gained a further update on developments in relation to anti-fraud and corruption work.</p> <p>Given the recent formation of the Counter Fraud and Enforcement team following the transfer of Benefit Fraud Investigation staff to the DWP, the Committee was advised that Members would receive an update later in 2016 in respect of the new team’s progress and future plans.</p>

**Accounts / Financial Management**

The role of the Committee is to:

- Approve the Council’s Annual Statement of Accounts including subsequent amendments.
- Consider the External Auditor’s report on the audit of the Council’s annual financial statements.
- Be responsible for any matters arising from the audit of the Council’s accounts.

Work Completed	Outcome/ Impact
<p><b>June 2015</b></p> <p>The pre-audited Annual Statement of Accounts for 2014/15 was presented along with the 2014/15 Revenue Budget Outturn and Capital Investment Programme Outturn reports.</p> <p>(In advance of the June Committee meeting, a training session was arranged for Committee Members on the Council’s Accounts).</p> <p>A report was submitted on the outcome of the review of treasury management activities for the past financial year.</p> <p>A report was submitted providing details of the Council’s insurance arrangements and activity in 2014/15. This included details in respect of the major classes of insurance.</p> <p>A presentation was given to the Committee on schools funding, providing an overview of the Dedicated Schools grant for Trafford.</p>	<p>In accordance with best practice, the Committee was able to review the accounts prior to submission to the external auditor and public inspection.</p> <p>Assurance was obtained that treasury management activities adhere to the CIPFA Code of Practice on Treasury Management and CIPFA Prudential Code for Capital Finance.</p> <p>Assurance was obtained that insurance arrangements are monitored and regularly reviewed.</p> <p>Members had previously requested information on schools funding at an earlier meeting and this presentation was held to provide the Committee with more details.</p>
<p><b>September 2015</b></p> <p>The final accounts were presented following the audit of the 2014/15 draft accounts.</p>	<p>The Committee approved the final accounts for 2014/15.</p>
<p><b>November 2015</b></p> <p>A report was presented providing an update on the progress of the treasury management activities undertaken for the first half of 2015/16.</p> <p>The Committee received a presentation from the Director of STAR Shared Procurement Service.</p>	<p>The Committee was able to monitor treasury management performance during the year in line with the CIPFA Code of Practice on Treasury Management.</p> <p>The Committee was able to gain an update on current corporate procurement arrangements.</p>

<b>(Accounts/Financial Management continued)</b>	
<b>Work Completed</b>	<b>Outcome/ Impact</b>
<p>This included reference to actions completed over the last year including the introduction of a new set of Contract Procedure Rules implemented across Trafford, Stockport and Rochdale Councils.</p>	
<p><b>February 2016</b>                      A Treasury Management report was submitted setting out the Council’s strategy for 2016/17 – 2018/19. This included the debt strategy, minimum revenue provision (amounts set aside for debt repayment) and investment strategy. (Strategy update reports had also been presented to the June and November meetings).</p> <p><b>All meetings</b></p> <p>The Accounts and Audit Committee received the most recent available monthly budget monitoring report at each meeting.</p>	<p>The Audit Committee recommended that the Council approve the various elements of the Strategy.</p> <p>The Committee had the opportunity to review information and raise queries on budget monitoring information submitted through the year.</p>

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## TRAFFORD COUNCIL

**Report to:** Accounts and Audit Committee  
**Date:** 28 June 2016  
**Report for:** Approval  
**Report of:** Audit and Assurance Manager

### Report Title

**Accounts and Audit Committee – Work Programme – 2016/17**

### Summary

**This report sets out the proposed work plan for the Committee for the 2016/17 municipal year.**

**It outlines areas to be considered by the Committee at each of its meetings, over the period of the year. The work programme helps to ensure that the Committee meets its responsibilities under its terms of reference and maintains focus on key issues and priorities as defined by the Committee.**

**The work programme is flexible and can have items added or rescheduled if this ensures that the Committee best meets its responsibilities.**

### Recommendation

**The Accounts and Audit Committee is asked to approve the 2016/17 work programme.**

### Contact person for access to background papers and further information:

**Name:** Mark Foster – Audit and Assurance Manager  
**Extension:** 1323

**Background Papers:** None

Committee Meeting Dates	Areas of Responsibility of the Committee					
	Internal Audit	External Audit	Risk Management	Governance (including Annual Governance Statement)	Anti- Fraud & Corruption Arrangements	Accounts / Financial Management
28 June 2016	Agree Committee's Work Programme for 2016/17 (including consideration of training and development).					
	Training & Development/Presentation (June) - Draft accounts (provided outside Committee)					
Page 372	- 2015/16 Annual Internal Audit Report	- Audit Progress Report	- Update on Strategic Risk Issue (Loss / retention of Senior Managers)	- Review 2015/16 draft Annual Governance Statement - Accounts and Audit Committee 2015/16 Annual Report to Council		- Pre-audited 2015/16 accounts - 2015/16 Revenue Budget Monitoring Outturn and Capital Investment Programme Outturn reports - Treasury Management update (including Annual Performance Report 2015/16) - Insurance Performance Report 2015/16.
29 September 2016	Business Rates presentation.					
	- Q1 Internal Audit Monitoring Report	- Audit Findings Report	- Strategic Risk Register Monitoring Report	- 2015/16 Annual Governance Statement (final version)	- Counter Fraud Team Update (including 2015/16 Benefit Fraud Investigation)	- Approval of Annual Statement of Accounts 2015/16 - Budget Monitoring Report.

Committee Meeting Dates	Areas of Responsibility of the Committee					
	Internal Audit	External Audit	Risk Management	Governance (Including Annual Governance Statement)	Anti- Fraud & Corruption Arrangements	Accounts/Financial Management
23 November 2016	- Q2 Internal Audit monitoring report	- Annual Audit Letter - Audit Update		- Consider improvement actions taken in 2016/17 in respect of 2015/16 governance issues.		- Treasury Management : mid-year performance report - Budget Monitoring Report. - Procurement update (STAR Shared Procurement Service)
7 February 2017	- Q3 Internal Audit monitoring report	- Audit Update (including Grant Claims summary)		- Report on arrangements for 2016/17 Annual Governance Statement. - Consider improvement actions taken in 2016/17 in respect of 2015/16 governance issues.		- Treasury Management Strategy - Budget Monitoring Report
21 March 2017	- 2017/18 Internal Audit Plan - Public Sector Internal Audit Standards update	- Audit Plan / update	- Strategic Risk Register Monitoring Report - Risk Management Policy and Strategy	- Consider improvement actions taken in 2016/17 in respect of 2015/16 governance issues.	- Audit Update: Anti-Fraud & Corruption / National Fraud Initiative	- Budget Monitoring Report.

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