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AGENDA PAPERS FOR

ACCOUNTS AND AUDIT COMMITTEE

Date: Thursday, 29 September 2016

Time: 6.30 p.m.

Place: Committee Rooms 2 and 3, Trafford Town Hall, Talbot Road, Stretford, M32 0TH

	A G E N D A	**PART I**	**Pages**
1.	**ATTENDANCES**		
	To note attendances, including Officers and any apologies for absence.		
2.	**MINUTES**		
	To receive and if so determined, to approve as a correct record the Minutes of the meeting held on 28 June, 2016.		1 - 6
3.	**FRAUD INVESTIGATION SERVICE (FIS) & COUNTER FRAUD & ENFORCEMENT TEAM (CFT) : 2015/16 ANNUAL REPORT**		
	To receive a report of the Counter Fraud & Enforcement Manager.		7 - 12
4.	**AUDIT FINDINGS REPORT 2015/16**		
	To receive a report of the Council's External Auditor.		13 - 46
5.	**ANNUAL GOVERNANCE STATEMENT 2015/16**		
	To consider a report of the Audit and Assurance Manager.		47 - 76
6.	**APPROVAL OF ANNUAL STATEMENT OF ACCOUNTS 2015/16**		
	To consider a report of the Chief Finance Officer.		77 - 242

7. **PRESENTATION ON BUSINESS RATES**

To receive a presentation of the Chief Finance Officer. Verbal Report

8. **AUDIT AND ASSURANCE REPORT FOR THE PERIOD APRIL TO JUNE 2016**

To receive a report of the Audit and Assurance Manager. 243 - 252

9. **REVENUE BUDGET MONITORING 2016/17 - PERIOD 4 (APRIL TO JULY 2016)**

To receive a report of the Executive Member for Finance and the Chief Finance Officer. 253 - 264

10. **ACCOUNTS AND AUDIT COMMITTEE - WORK PROGRAMME - 2016/17**

To receive a report of the Audit and Assurance Manager. 265 - 268

11. **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.

12. **EXCLUSION RESOLUTION**

Motion (Which may be amended as Members think fit):

> That the public be excluded from this meeting during consideration of the remaining items on the agenda, because of the likelihood of disclosure of “exempt information” which falls within one or more descriptive category or categories of the Local Government Act 1972, Schedule 12A, as amended by The Local Government (Access to Information) (Variation) Order 2006, and specified on the agenda item or report relating to each such item respectively.

13. **OFFICE OF SURVEILLANCE COMMISSIONERS - OUTCOME OF INSPECTION 2016**

To receive a report of the Director of Legal and Democratic Services. Para. 7 269 - 286

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
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This agenda was issued on **Wednesday, 21 September 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

28 JUNE 2016

PRESENT

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

<u>In attendance</u>

Chief Finance Officer	(N. Bishop)
Director of Human Resources	(L. Hooley)
Interim Head of Financial Management	(G. Bentley)
Audit and Assurance Manager	(M. Foster)
Finance Manager	(D. Muggeridge)
Democratic & Scrutiny Officer	(C. Gaffey)

<u>Also in attendance</u>
M. Heap, Grant Thornton UK LLP
H. Stevenson, Grant Thornton UK LLP

APOLOGIES

Apologies for absence were received from Councillor J. Baugh

1. MINUTES

RESOLVED: That the Minutes of the meeting held on 22 March 2016, be approved as a correct record and signed by the Chairman.

2. MEMBERSHIP OF THE COMMITTEE 2016/17, INCLUDING CHAIRMAN, VICE-CHAIRMAN AND OPPOSITION SPOKESPERSON

RESOLVED: That 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 and set out below, be noted:

Councillors Baugh, Boyes, Brotherton, Coupe (Chairman), Lally (Vice-Chairman), Mitchell and Ross (Opposition Spokesperson).

3. TERMS OF REFERENCE

RESOLVED: That the Committee's Terms of Reference, as agreed at the Annual Meeting of the Council held on 25 May 2016, be noted.

4. STRATEGIC RISK UPDATE - LOSS / RETENTION OF SENIOR MANAGERS

The Committee received a report of the Director of Human Resources providing an update on initiatives and plans in place to mitigate the risk of loss and absence of senior management expertise and capacity to the Council. Members were advised that phase 3 of the Supporting Change to Happen Strategy was now underway.

It was confirmed that the loss and retention of senior management staff would be monitored as an ongoing risk on the register and revisited during the year's work programme.

RESOLVED:

1) That the report be noted.

2) That a further update be provided to the Committee later in the municipal year.

5. PRE-AUDITED ACCOUNTS 2015/16

The Chief Finance Officer submitted the full pre-audited Statement of Accounts for the year ended 31 March 2016. The Committee also received the 2015/16 Revenue Budget Monitoring Outturn and Capital Investment Programme (CIP) Outturn reports which had been presented to the Executive on 20 June 2016.

The Chief Finance Officer highlighted the positive variation of £(5.5)m in the Revenue Outturn report for the year to 31 March 2016. The achievement of this planned underspend had 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.

Officers answered questions relating to the variance in the capital investment expenditure. The underspend mainly related to the Economic Growth, Environment and Infrastructure Directorate, caused by slippage on certain projects. Members were advised that there were a number of situations where the Council did not have total control on when the expenditure would be incurred, and the unspent part of the budget would carry over into the next financial year's CIP.

RESOLVED –

(1) That the Committee notes the Accounts 2016, prior to submission to the external auditor and public inspection.

(2) That the Revenue Budget Monitoring 2015/16 – Period 12 Outturn, and Capital Investment Programme 2015/16 Outturn, be noted.

6. DRAFT ANNUAL GOVERNANCE STATEMENT - 2015/16

The Committee received a report of the Audit and Assurance Manager setting out the Draft 2015/16 Annual Governance Statement (AGS). Members were advised that the preparation and publication of an Annual Governance Statement was necessary to meet the statutory requirement set out in the Accounts and Audit Regulations 2015.

As was the case in 2015, the Committee's sub group would consider the draft version before it was finalised, with the final document being presented to the Committee at the September 2016 meeting for approval.

Members noted that the medium term financial position would need to be monitored as the recent vote for Brexit could have a significant impact.

RESOLVED:

1) That the Committee notes that its Sub group, given delegated responsibility to review the 2015/16 AGS, would consider the draft version.

2) That the final version of the Annual Governance Statement, signed off by the Chief Executive and Leader, would be presented for approval by the Accounts and Audit Committee in September 2016.

7. CORPORATE GOVERNANCE CODE (UPDATED JUNE 2016)

The Committee received a report of the Audit and Assurance Manager setting out updates to the Corporate Governance Code.

RESOLVED: That the report be noted.

8. TREASURY MANAGEMENT ANNUAL PERFORMANCE REPORT 2015/16

The Committee received a report of the Executive Member for Finance and the Chief Finance Officer outlining the treasury management activities undertaken in 2015/16. The report was taken to the Executive on 20 June 2016, and would be taken to full Council on 27 July 2016.

Members discussed the Council’s investment position and the possible implications of a downgrade in credit ratings. When asked how this might affect the Property Fund, the Chief Finance Officer reminded Members that this was a long term investment, and any short term fluctuations would not have a significant impact on the final return.

RESOLVED: That the Accounts & Audit Committee advise 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.

9. INSURANCE PERFORMANCE REPORT 2015/16

The Committee received a report of the Chief Finance Officer providing a summary of insurance performance for 2015/16. The report detailed the current insurances held by the Council, as well as the provisions and reserves set against any possible claims. Members were assured that the Council had a robust claims handling procedure in place.

RESOLVED: That the report be noted.

10. ANNUAL REPORT OF THE HEAD OF INTERNAL AUDIT 2015/16

The Committee received a report of the Audit and Assurance Manager providing an opinion on the standard of internal controls and a summary of the work of the Audit and Assurance Service during 2015/16. Discussions surrounding the independent review of the service were still ongoing, and the Chairman and Vice-Chairman would be consulted on the matter over the coming weeks.

The Committee discussed the gradual reduction in staffing numbers over the past five years. Members were advised that although the numbers had decreased, work had also reduced in some areas, an example of this being the formation of a new team to handle information governance.

The Audit and Assurance Manager would continue to provide updates to the Committee throughout the year.

RESOLVED: That the report be noted.

11. ACCOUNTS AND AUDIT COMMITTEE PROGRESS AND UPDATE REPORT

The Committee received a report from Grant Thornton UK LLP on the progress at June 2016, in delivering its responsibilities as the Authority's external auditor. The report also highlighted key emerging national issues and developments and a number of challenge questions in respect of the emerging issues.

Members were advised that the final accounts audit for the year end 31 March 2016 would be brought to the meeting scheduled for September 2016, along with the conclusion of the Value for Money audit work.

RESOLVED: That the report be noted.

12. ACCOUNTS AND AUDIT COMMITTEE ANNUAL REPORT TO COUNCIL 2015/16

The Committee considered the Accounts and Audit Committee Annual Report for 2015/16 prepared by the 2015/16 Chairman and Vice-Chairman for submission to the Council. The Committee thanked Cllr Mitchel for his work as Chairman in the previous municipal year.

RESOLVED: That the 2015/16 Annual Report of the Accounts and Audit Committee be noted and presented to the Council for information.

13. ACCOUNTS AND AUDIT COMMITTEE - WORK PROGRAMME - 2016/17

The Committee received a report of the Audit and Assurance Manager setting out the proposed work plan for the Committee for the 2016/17 municipal year, outlining the areas to be considered by the Committee at each of its meetings over the period of the year. The work plan would help to ensure that the Committee met its responsibilities under its Terms of Reference and maintained focus on key issues and priorities, as defined by the Committee.

The work programme would be flexible, and Members were advised to contact the Chairman or the Audit and Assurance manager to request any additions or changes.

RESOLVED: That the 2016/17 work programme be approved.

The meeting commenced at 6.30 pm and finished at 7.50 pm

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TRAFFORD COUNCIL

Report to: Accounts and Audit Committee
Date: 29 September 2016
Report for: Information
Report of: Counter Fraud & Enforcement Manager

Report Title

Fraud Investigation Service (FIS) & Counter Fraud & Enforcement Team (CFT) : 2015/16 Annual Report

Summary

The report:

- outlines the Councils' fraud prevention and detection performance and activities in 2015/16 and
- outlines the teams' plans for 2016/17.

Recommendation

The Committee is asked to note the content of the report.

Contact person for access to background papers and further information:

Name: David Wright – Counter Fraud & Enforcement Manager

Extension: 2228

Background Papers:

None

1.0 Introduction

1.1 Local Authorities have a statutory duty under section 151 of the Local Government Finance Act 1972 to make arrangements for the proper administration of their financial affairs.

1.2 During 2015/16 the Council operated two separate fraud teams. One team was working as the Fraud Investigation team, whose primary remit was to investigate benefit fraud. All staff employed within that team transferred to the DWP on 1 March 2016 to join the national Single Fraud Investigation Service. The local authority powers to investigate and prosecute national benefits transferred at the same time.

1.3 Within the Fraud Investigation team was the Financial Investigation Unit (FIU), which conducted Financial Investigations in accordance with Proceeds of Crime Act legislation with the aim of providing a real deterrent by removing the financial incentive from fraud.

1.4 The second team, the Counter Fraud and Enforcement Team was created from 1 April 2015 to ensure the Council retained a residual fraud team with the relevant expertise following the transfer of the Fraud Investigation team. Their main remit in 2015/16 was to investigate Revenues related matters such as Council Tax discounts and Non Domestic rates liability avoidance.

2.0 Fraud Investigation Team

2.1 The objective of the fraud investigation service was to prevent, deter, investigate and detect fraud in order to significantly reduce benefit fraud in Trafford.

2.2 Acting on referrals received from numerous sources the team – based at Stretford Police station - conducted investigations identifying where offences have taken place that have resulted in benefit being claimed incorrectly and enabling the Council to recover such overpaid monies. Appropriate action was taken against those parties that deliberately defrauded the Council in this way.

2.3 The Financial Investigation officers working within this unit were tasked with conducting in-depth financial investigations into claimants who had already been identified as committing benefit fraud with a view to uncovering the fraudster's assets and identifying the extent to which they benefited financially from their criminal activity.

2.4 At the end of the investigation, an order could be obtained from the courts to require the criminal to repay any such assets back to the Treasury, a proportion of which is passed on to the prosecuting authorities.

2.5 Performance targets were set in both areas of work. The Fraud Investigation team had two main performance indicators which related to the number of sanctions or prosecutions achieved and the overall level of overpayments that these cases attracted. Table 1 shows performance in these two areas in relation to the targets set, table 2 breaks down the type of sanction applied:

Table 1- Performance Indicators 2015/16

Performance Measure	2015/16 Target	2015/16.Actual Performance
No. of Sanctions/Prosecutions achieved	80	116
Level of benefit fraud overpayments identified	£735k	£1.17k

Table 2 - Types of Sanctions 2015/16

	2015-2016
Total Local Authority Cautions accepted	27
Total Administrative Penalties accepted	23
Total Prosecutions achieved	66
Total Number of Sanctions	116

Detailed below are some of the high value cases that were identified:

Case Study 1

The highest Housing Benefit overpayment identified resulted in a total overpayment (including DWP benefits) of c£47k being created. This case, which came to light as a result of a data matching exercise, identified that a tenant had been declaring that he was renting a room from his landlady for 7 years when in fact they were actually a couple. When interviewed, the claimant claimed that they were just friends, despite a large amount of evidence being uncovered to the contrarary following a search of their house with the assistance of GMP officers, including holiday snaps and various greetings cards which clearly showed the true extent of their relationship. The defendant pleaded guilty before a trial could be set. He was given an 8 month custodial sentence suspended for 12 months and given a 5 month curfew order. His declared landlady, who at the time of the investigation was a Trafford Council employee was also dismissed from her employment

Case Study 2

Another significant overpayment was identified in the case of a male who had been claiming Council Tax benefit, Council tax Support and a variety of DWP administered benefits on the basis that he was unfit to work, when it transpired he had actually been running a number of businesses, resulting in a combined overpayment of c£62k. The case had originally been referred by GMP officers who had discovered a cannabis farm at his premises. The defendant claimed to have been letting the premises out but was nevertheless charged with cannabis production offences. The subsequent combined prosecution resulted in him being given a 2 year custodial sentence

2.6 The financial investigation unit's focus was on income/costs awarded to the Council, the table below shows their performance:

Table 3- Financial Investigation Unit Income

2015/16	**Amount**
No. of Confiscation orders Obtained	5
No of Compensation Orders Obtained	2
Total Value of Orders	£151,800
Amount Due from Orders to TBC	£7000
Costs Awarded to TBC	£11000
Total Income Generated	£18000

3.0 Counter Fraud and Enforcement Team

3.1 The objective of the Counter Fraud & Enforcement team - based within Exchequer Services located at Sale Waterside – was to focus on non-benefit related work. It also reinforced the Council's zero tolerance to fraud.

3.2 In addition to effectively investigating allegations of fraud, the teams remit is also to provide an effective service to support and enhance the enforcement of money already owed to the Council as well as reduce Council expenditure and/or generate income within Exchequer Services.

3.3 To achieve these goals, the team initially focused on Council Tax Discounts. In late 2014 the authority had engaged a 3rd party company to conduct a review of the authorities Single Person Discounts (SPDs) by way of credit data matching cases where the Council Tax Payer was incorrectly receiving a discount.

3.4 Initially the data that was supplied related only to those accounts where Council Tax Support had not also been awarded. This exercise resulted in just over 1000 discounts being removed. Of these, just over 200 had the SPD removal backdated to an earlier period as the evidence supported it should have ceased from an earlier date creating a total additional Council Tax liability of £128,000.

3.5 The exercise was repeated later in 2015, this time focusing on accounts where Council Tax Support was included in the account. creating additional liability of over £20k .

3.6 In addition to the main areas of work undertaken as shown above, there was also some work undertaken in relation to Adult Social Care financial assessments. This resulted in the Council securing its first criminal conviction for these type of offences, see case study 3 below:

Case Study 3

A data matching exercise highlighted the case of a lady who was receiving Direct Payments intended for providing care for her father who had in fact died over 12 months earlier. This resulted in an overpayment of c£9k When interviewed, the defendant admitted the offence, and was subsequently prosecuted by the authority. She received a 12 month community order with a requirement to undertake 100 hours unpaid work. The overpaid monies are currently being repaid by monthly instalments.

Table 5 below shows the amount of income generated by the team during the 2015/16 financial year:

Table 5 – Counter Fraud & Enforcement Team

	Amount (£)
Council Tax Discount Cancellations	140K
Council Tax Support/ Council Tax Benefit Overpayments	62K
Adult Social Care Enforcement	21K
Total	223K

4.0 Partnership Working

4.1 Over the last 12 months the team has continued to build on the closer working partnership between various departments within Trafford Council (e.g. Fraud Investigations, Trading Standards, Licensing, Environmental Health, Community Safety) and Greater Manchester Police (GMP) together with support from external agencies such as the DWP, HMRC, Probation Service & Immigration Services set up under the name Operation Bank.

4.2 During the last 12 months the team completed one of the most high profile cases to come out of the partnership by helping to secure the conviction of a major drug dealer who had managed to purchase an £800k house in the borough despite not having had any legitimate income for a number of years. Whilst the benefit fraud overpayment of over £44k was relatively small in comparison to the seriousness of the other criminality, which also included mortgage fraud, the joint investigation enabled the full picture of the defendant's activities to be uncovered. This resulted in the defendant now serving a 16 year jail sentence, and having lost his property.

5.0 Planned activity for 2016/17

5.1 Over the next 12 months it is anticipated that the Counter Fraud and Enforcement Team will continue to develop into other areas of investigation. The main priorities for the unit will be to:

- **Work closely with Internal Audit and Exchequer Services to use our joint expertise to help combat other types of fraud being perpetrated against the Authority, in particular in relation to Non Domestic Rates & Adult Social Care**
- **Review existing Anti-Fraud policies to ensure that an anti fraud, security aware culture is developed and promoted within the borough.**
- **Continue pro-active & reactive working in relation to investigating irregularities affecting Council Tax liability**
- **Continue to develop the work of the multi-agency partnership project aimed at tackling serious organised crime in the borough.**

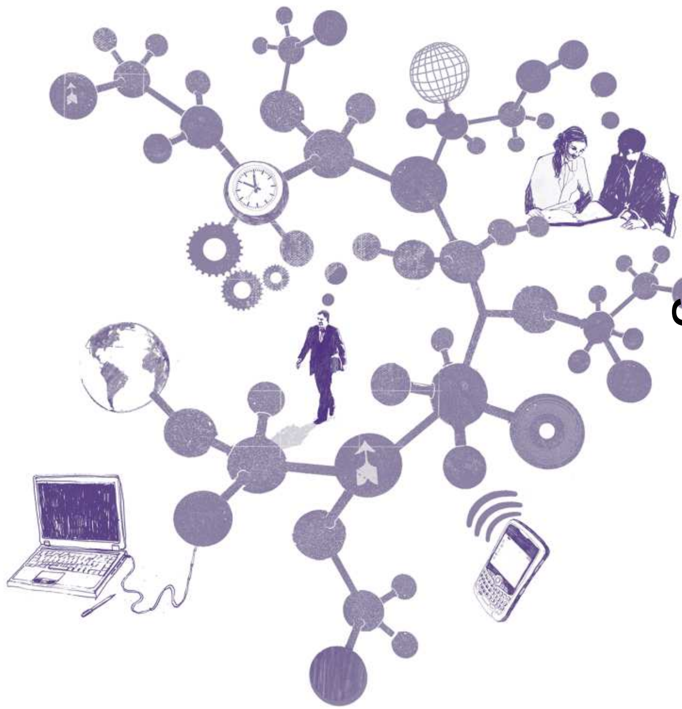
DRAFT

This version of the report is a draft. Its contents and subject matter remain under review and its contents may change and be expanded as part of the finalisation of the report.

The Audit Findings for Trafford Council

Year ended 31 March 2016

29 September 2016



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29 September 2016

Dear Theresa

Audit Findings for Trafford Council for the year ending 31 March 2016

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This Audit Findings report highlights the key findings arising from the audit for the benefit of those charged with governance (in the case of Trafford Council, the Accounts and Audit Committee), as required by International Standard on Auditing (UK & Ireland) 260, the Local Audit and Accountability Act 2014 and the National Audit Office Code of Audit Practice. Its contents have been discussed with officers.

As auditors we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements and giving a value for money conclusion. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. 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.

We would like to take this opportunity to record our appreciation for the kind assistance provided by the finance team and other staff during our audit.

Yours sincerely

Mark Heap

Engagement Lead

Contents

Section 1: Executive summary

Purpose of this report

This report highlights the key issues affecting the results of Trafford Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2016. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing (UK & Ireland) 260, and the Local Audit and Accountability Act 2014 ('the Act').

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the Council's financial statements give a true and fair view of the financial position of the Council and its income and expenditure for the year and whether they have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting.

We are also required to consider other information published together with the audited financial statements, whether it is consistent with the financial statements and in line with required guidance.

We are required to carry out sufficient work to satisfy ourselves as to whether the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion').

Auditor Guidance Note 7 (AGN07) clarifies our reporting requirements in the Code and the Act. We are required to provide a conclusion whether in all significant respects, the Council has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The Act also details the following additional powers and duties for local government auditors, which we are required to report to you if applied:

- a public interest report if we identify any matter that comes to our attention in the course of the audit that in our opinion should be considered by the Council or brought to the public's attention (section 24 of the Act);
- written recommendations which should be considered by the Council and responded to publicly (section 24 of the Act);
- application to the court for a declaration that an item of account is contrary to law (section 28 of the Act);
- issue of an advisory notice (section 29 of the Act); and
- application for judicial review (section 31 of the Act)

We are also required to give electors the opportunity to raise questions about the accounts and consider and decide upon objections received in relation to the accounts under sections 26 and 27 of the Act.

Introduction

In the conduct of our audit we have not had to alter or change our audit approach, which we communicated to you in our Audit Plan dated February 2016.

Our audit is substantially complete although we are finalising our procedures in the following areas:

- review of the final version of the financial statements
- obtaining and reviewing the management letter of representation
- updating our post balance sheet events review, to the date of signing the opinion, and
- Whole of Government Accounts

We received draft financial statements and accompanying working papers at the commencement of our work, in accordance with the agreed timetable.

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Key audit and financial reporting issues

Financial statements opinion

We anticipate providing an unqualified opinion in respect of the financial statements by 30 September 2016. We have worked closely with the Council's finance team and are pleased to report that:

- as last year, the draft accounts were prepared to a good standard and were supported by comprehensive working papers
- we were able to commence our audit as previously planned and agreed with the Council
- there are no significant amendments to the accounts as a result of our audit.

We have not identified any adjustments affecting the Council's reported financial position. The Council delivered an underspend of £5.6 million on its service income and expenditure and the audited financial statements for the year ended 31 March 2016 record net cost of services expenditure of £132.7million.
We have agreed a small number of adjustments to improve the presentation of the financial statements. Further details are set out in section two of this report

We anticipate providing a unqualified audit opinion in respect of the financial statements (see Appendix B).

Other financial statement responsibilities

As well as an opinion on the financial statements, we are required to give an opinion on whether other information published together with the audited financial statements is consistent with the financial statements. This includes:

- if the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit.

Controls

Roles and responsibilities

The Council's management is responsible for the identification, assessment, management and monitoring of risk, and for developing, operating and monitoring the system of internal control.

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these to the Council.

Findings

We draw your attention to control issues identified in relation to a high level review of your IT control environment. Within the SAP system we identified a number of issues regarding access control and segregation of duties conflicts. These issues were raised as part of our 2014/15 audit and revisited in 2016. Salford IT Audit on behalf of Trafford Council Audit and Assurance Service have followed up the recommendations raised during 2016.

Further details are provided within section two of this report.

DRAFT

Value for Money

Based on our review, we are satisfied that, in all significant respects, the Council had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources.

Further detail of our work on Value for Money are set out in section three of this report.

Other statutory powers and duties

We have not identified any issues that have required us to apply our statutory powers and duties under the Act.

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Grant certification

In addition to our responsibilities under the Code, we are required to certify the Council's Housing Benefit subsidy claim on behalf of the Department for Work and Pensions. At present our work on this claim is in progress and is not due to be finalised until 30 November 2016. We will report the outcome of this certification work through a separate report to the Accounts and Audit Committee which is due in February 2017.

The way forward

Matters arising from the financial statements audit and our review of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources have been discussed with the Chief Finance Officer.

We made a number of recommendations to improve IT controls, which are set out in the action plan at Appendix A.

Recommendations have been followed up during the year by Internal Audit and responses included in the action plan.

Acknowledgement

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit.

Grant Thornton UK LLP
September 2016

Section 2: Audit findings

DRAFT

Materiality

In performing our audit, we apply the concept of materiality, following the requirements of International Standard on Auditing (UK & Ireland) (ISA) 320: Materiality in planning and performing an audit. The standard states that 'misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements'.

As we reported in our audit plan, we determined overall materiality to be £8,258k (being 2% of gross revenue expenditure). We have considered whether this level remained appropriate during the course of the audit and have made no changes to our overall materiality.

We also set an amount below which misstatements would be clearly trivial and would not need to be accumulated or reported to those charged with governance because we would not expect that the accumulated effect of such amounts would have a material impact on the financial statements. We have defined the amount below which misstatements would be clearly trivial to be £413k. This remains the same as reported in our audit plan.

As we reported in our audit plan, we identified the following items where we audit below materiality as these are key figures that should be correct. These remain the same as reported in our audit plan.

Balance/transaction/disclosure	Explanation
Cash and cash equivalents	Although the balance of cash and cash equivalents is immaterial, all transactions made by the Council affect the balance and it is therefore considered to be material by nature.
Disclosures of officers' remuneration, salary bandings and exit packages in notes to the statements	Due to public interest in these disclosures and the statutory requirement for them to be made.

Audit findings against significant risks

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty" (ISA (UK&I) 315).

In this section we detail our response to the significant risks of material misstatement which we identified in the Audit Plan. As we noted in our plan, there are two presumed significant risks which are applicable to all audits under auditing standards.

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
1.	**The revenue cycle includes fraudulent transactions** Under ISA (UK&I) 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.	Having considered the risk factors set out in ISA240 and the nature of the revenue streams at Trafford Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited; and • the culture and ethical frameworks of local authorities, including Trafford Council, mean that all forms of fraud are seen as unacceptable.	Our audit work has not identified any issues in respect of revenue recognition.
2.	**Management over-ride of controls** Under ISA (UK&I) 240 it is presumed that the risk of management over-ride of controls is present in all entities.	As part of our audit work we have completed: • a review of entity controls • examination and testing of accounting estimates, judgements and decisions made by management • testing of journal entries to include year end adjusting entries • a review of any unusual significant transactions • a review of IT general controls	Our audit work has not identified any evidence of management over-ride of controls. In particular the findings of our review of journal controls and testing of journal entries has not identified any significant issues. We set out later in this section of the report our work and findings on key accounting estimates and judgements.

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Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Employee remuneration	Employee remuneration accruals understated (Remuneration expenses not correct)	We have undertaken the following work in relation to this risk: • documented our understanding of processes and key controls over the transaction cycle • undertaken walkthrough of the key controls to assess whether those controls were in line with our documented understanding • substantive testing of a sample of employee remuneration, to confirm that employees exist, are paid correctly and are recorded in the general ledger. This included enhancements and employer contributions. • tested payroll reconciliations to confirm that payroll totals are accurately and completely recorded in the general ledger.	Our audit work has not identified any significant issues in relation to the risk identified
Operating expenses	Creditors understated or not recorded in the correct period (Operating expenses understated)	We have undertaken the following work in relation to this risk: • documented our understanding of processes and key controls over the transaction cycle • undertaken walkthrough of the key controls to assess whether those controls were in line with our documented understanding • substantive testing of a sample of operating expenses and year-end testing of balances and new-year payments to source documents. This was to ensure valid spend and appropriate categorisation within the net cost of services headings in the comprehensive income and expenditure statement • testing of creditor reconciliations	Our audit work has not identified any significant issues in relation to the risk identified

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Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Welfare expenditure	Welfare benefit expenditure improperly computed	We have undertaken the following work in relation to this risk: • documented our understanding of processes and key controls over the transaction cycle • undertaken walkthrough of the key controls to assess whether those controls were in line with our documented understanding • substantive testing of welfare benefits paid in year to ensure these are accurate and reflect eligibility • verifying the reconciliation between the financial ledger and the housing benefits system	Our audit work has not identified any significant issues in relation to the risk identified

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Accounting policies, estimates and judgements

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the Council's financial statements.

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	• Business rates and council tax income 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 revenue can be measured reliably. • Government grants and third party contributions and donations are recognised as due to the Council 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. • Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council. • 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 recognition policies are in line with the requirements of the Code of Practice on Local Authority Accounting and accounting standards • The main elements of the Council's revenue is predictable and there is minimal judgement required from the Council • We have undertaken substantive testing of grants and other revenues and based on our work to date are satisfied that the Council has recognised income in accordance with its accounting policies • The accounting policies are appropriately disclosed.	Green
Judgements and estimates	Key estimates and judgements include: • Useful lives of property, plant and equipment • Pension fund valuations and settlements • Revaluations and impairments • Provisions and accruals • Fair value of financial instruments, and • Valuation of investment in Manchester Airport	• The Council's accounting policies for key estimates and judgements are appropriate and consistent with the relevant accounting framework – the CIPFA Code of Practice on Local Authority Accounting (the CIPFA Code) • The accounting policies are appropriately disclosed in note 1 to the financial statements • Our audit testing of key estimates and judgements has considered the extent of judgement involved, the potential impact of different assumptions and the range of possible outcomes	Green

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Assessment

- Marginal accounting policy which could potentially attract attention from regulators
- Accounting policy appropriate but scope for improved disclosure
- Accounting policy appropriate and disclosures sufficient

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Accounting policies, estimates and judgements continued

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Accounting area	Summary of policy	Comments	Assessment
Judgements and estimates (continued)		• We are satisfied that the key estimates and judgements are appropriate and adequately disclosed and reliance on experts is taken where appropriate • The Council has appropriately relied on the work of experts for asset revaluations, pension fund valuations, insurance provisions, financial instrument fair values, and the valuation of its investment in the Manchester Airport Group	
Going concern Page 26	The Chief Finance s151 officer has a reasonable expectation that the services provided by the Council will continue for the foreseeable future. Members concur with this view. For this reason, the Council continue to adopt the going concern basis in preparing the financial statements.	We have reviewed the Council's assessment and are satisfied with management's assessment that the going concern basis is appropriate for the 2015/16 financial statements.	● Green
Other accounting policies	We have reviewed the Council's policies against the requirements of the CIPFA Code and accounting standards.	The Council's accounting policies are appropriate and consistent with previous years.	● Green

Assessment
- ● Marginal accounting policy which could potentially attract attention from regulators
- ● Accounting policy appropriate but scope for improved disclosure
- ● Accounting policy appropriate and disclosures sufficient

Other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

	Issue	Commentary
1.	**Matters in relation to fraud**	• We have previously discussed the risk of fraud with the Accounts and Audit Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures
2.	**Matters in relation to related parties**	• From the work we carried out, we have not identified any related party transactions which have not been disclosed
3.	**Matters in relation to laws and regulations**	• You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
4.	**Written representations**	• A standard letter of representation has been requested from the Council
5.	**Confirmation requests from third parties**	• We obtained positive direct confirmations from PWLB, and other banks for loans and short term investment balances. All requested confirmations were provided.
6.	**Disclosures**	• Our review found no material omissions in the financial statements
7.	**Matters on which we report by exception**	• We are required to report on a number of matters by exception in a number of areas: We have not identified any issues we would be required to report by exception in the following areas • If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit • The information in the Narrative Report is materially inconsistent with the information in the audited financial statements or our knowledge of the Council acquired in the course of performing our audit, or otherwise misleading.
8.	**Specified procedures for Whole of Government Accounts**	We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. As the Council exceeds the specified group reporting threshold of £350 million we are required to examine and report on the consistency of the WGA consolidation pack with the Council's audited financial statements. • Note that work is not yet completed but is scheduled for completion by end of September.

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Internal controls

The purpose of an audit is to express an opinion on the financial statements.

Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. We considered and walked through the internal controls for Employee Remuneration, Operating Expenses and Welfare Expenditure as set out on pages 11 and 12 above.

In addition our information systems specialist performed a high level review of your IT control environment. This focussed on access controls and segregation of duties within your SAP system, as well as active directory password security.

The matters that we identified during the course of our audit are set out in the table below. These and other recommendations, together with management responses, are included in the action plan attached at Appendix A.

	Assessment	Issue and risk	Recommendations
1. Page 28	Amber	**SAP - Segregation of Duties Conflicts** Segregation of duties is a fundamental principle of control. It requires that record keeping, custody of assets, authorisation and reconciliation processes are not performed by the same person. We performed a review of the access rights, known as responsibilities, assigned to users within the SAP system.	Management should examine the extent of all user access segregation conflicts and reduce the number of conflicts where possible. It could consider the use of a third party tool to assess such conflicts. Management should examine whether existing compensating controls are appropriately configured to control the risks posed by the access conflicts. Management should consider a process to prevent further conflicts from being introduced into the SAP role structure and user base. **Management response** Internal Audit have examined the detailed user access conflicts within the system. They are satisfied that certain access privileges are appropriate, actions have been taken on some areas of conflict and there are compensating controls in place to help detect and prevent inappropriate or unauthorised transactions. It is noted that the number of users fluctuates due to staff changes and Internal Audit recommends that the appropriateness of access levels continues to be monitored, which should include a full annual reconciliation. This issue will be reflected in the relevant internal audit report to be issued in September 2016 and it will be subject to further follow-up as part of the 2017/18 Internal Audit Plan.

Assessment
- ● Significant deficiency – risk of significant misstatement
- ● Deficiency – risk of inconsequential misstatement

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Internal controls (continued)

	Assessment	Issue and risk	Recommendations
2.	Amber	**SAP – Excessive access to modify SAP table data** There are an excessive number of users with access to sensitive database table editing SAP transaction codes. The SM30 (extended table maintenance) transaction code is not appropriately restricted and the number of users appears to be excessive for the sensitivity of the transaction code. It was observed that 25 dialogue users had access to the SM30 transaction. Access to these transactions under certain conditions can allow customised or standard SAP financial data tables to be edited directly, potentially resulting in unauthorised entries or data integrity problems in the SAP system.	Management should ensure that customisable tables are adequately protected by preventing users from using the SM30 or SM31 (general table maintenance) transaction codes. Where this is not possible due to business requirements SAP customisable tables should be protected via authorisation groups and users restricted in their access to those authorisation groups. **Management response** Internal Audit have examined the access to modify SAP table data. They are satisfied that the users with access are only able to access one table dependant on their role. The Council has created bespoke transaction codes and roles table restriction is in place. Internal Audit is of the opinion that appropriate controls are in place to mitigate risks in this area. This area will be subject to further audit review as part of the 2017/18 Internal Audit Plan to evaluate the continued effectiveness of controls.

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The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment

- Significant deficiency – risk of significant misstatement
- Deficiency – risk of inconsequential misstatement

Misclassifications and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

	Adjustment type	Value £'000	Account balance	Impact on the financial statements
1	Disclosure	n/a	Narrative report	The Council made corrections to the references in this.
2	Disclosure	n/a	Accounting policies (note 1)	Amendments made to this note to reflect the impact of IAS 13 (Fair value measurements) within the 2015/16 Code. These included updates to notes for Financial Instruments, Property, Plant and Equipment and Investment Properties and an additional note (ac) for fair value measurements.
3	Disclosure	n/a	Critical Judgements in Applying Accounting Policies (note 3)	Group Accounts paragraph updated for the two controlled companies to reflect judgement made on not preparing group accounts on grounds of materiality.
4	Disclosure	n/a	Related Parties (note 40)	Amended to include full names and financial transactions with the two controlled companies (Trafford Leisure and Trust Youth Trafford). Added disclosure that group accounts not prepared this year on grounds of materiality.
5	Disclosure	n/a	Investment Properties (note 14)	Added fair value disclosures (e.g. level assessed).
6	Disclosure	n/a	Contingent Liabilities (note 49)	Added disclosure on warranties and indemnities given to AMEY resulting from transfer (TUPE) of approx. 250 staff in July 2015 in relation to pensions.

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Misclassifications and disclosure changes (continued)

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

	Adjustment type	Value £'000	Account balance	Impact on the financial statements
7	Disclosure	n/a	Financial Instruments (note 16) and Nature and Extent of Risks Arising from Financial Instruments (note 51)	Corrections to the disclosures in the note, including: • valuation of the airport on an earnings basis (not an assets and liabilities one) on page 63 • financial assets and liabilities valuation shown as a level 2 valuation and figures originally included on page 64 of £77m and £104.2m updated to include cash at bank and PFI liability • carrying value column on page 65 now £63,010k and total £149,536k • exit price for PWLB loans on page 66 including the penalty charge of £16.6m updated to include principal • fair value of market loans using new loan rates basis now included to disclose this as £89.4m • the available for sale columns on the table on page 66 for both years amended to correct brackets • table on page 118 shows actual gross debt and CFR £23.3m. Revised to £24.8m.
8	Disclosure	n/a	Available for Sale Financial Instrument Reserve (note 25) (ii)	• airport original investment that forms part of the capital adjustment account corrected from £36.7m to £10.2m • the value in the Church Commissioners fund corrected. The original investment in the fund was £5m.
9	Disclosure	n/a	Various	The Council made other minor amendments to referencing , some additions and typing errors.

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Section 3: Value for Money

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Background

We are required by section 21 of the Local Audit and Accountability Act 2014 ('the Act') and the NAO Code of Audit Practice ('the Code') to satisfy ourselves that the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VFM) conclusion.

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the Council. The Act and NAO guidance state that for local government bodies, auditors are required to give a conclusion on whether the Council has put proper arrangements in place.

In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in November 2015. AGN 03 identifies one single criterion for auditors to evaluate:

> *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.*

AGN03 provides examples of proper arrangements against three sub-criteria but specifically states that these are not separate criteria for assessment purposes and that auditors are not required to reach a distinct judgement against each of these.

Risk assessment

We carried out an initial risk assessment in January 2016 and identified the following significant risk, which we communicated to you in our Audit Plan dated February 2016.

Medium term financial position

The Council is facing a continued period of austerity. The medium term financial outlook reported in February 2016 indicates that the Council will need to find further savings and efficiencies in excess of £30 million for the 3 years to 2019/20 to address its potential gap in funding. This is in addition to the £22.6 million funding gap falling in the 2016/17 financial period.

We identified risks in respect of specific areas of proper arrangements using the guidance contained in AGN03.

We have continued our review of relevant documents up to the date of giving our report, and have not identified any further significant risks where we need to perform further work.

We carried out further work only in respect of the significant risk we identified from our initial and ongoing risk assessment.

We completed the following risk based work as part of our assessment:

- monitored the Council's progress in updating its medium term financial strategy and projected savings and efficiencies requirements
- examined financial and budget reporting to Members
- assessed the out-turn position for 2015/16 and the budget plans from 2016/17 onwards
- met with key officers to discuss key strategic challenges and the Council's proposed response.

In addition we reviewed the project management and risk assurance frameworks established by the Council to establish how it is identifying, managing and monitoring its risks.

Significant qualitative aspects

AGN 03 requires us to disclose our views on significant qualitative aspects of the Council's arrangements for delivering economy, efficiency and effectiveness.

We have focused our work on the significant risks that we identified in the Council's arrangements. In arriving at our conclusion, our main considerations were:

- future required savings challenges in the medium term. The Medium Term Financial Outlook requires the Council to make savings and efficiencies in excess of £30 million over the three years from 2017/18 to 2019/20. A significant proportion of this falls in 2017/18 and is currently estimated at £18 million.

We have considered the position on future financial challenge. as set out in the latest Medium Term Financial Outlook. Whilst the challenge is significant the Council has appropriate arrangements in place to identify and manage its financial position.

The Council has good arrangements in place to develop financial priorities and redesign services within available resources, to ensure they are used effectively. It has a good understanding of its costs and this enables it to make informed decisions based on accurate information.

There remain significant financial challenges ahead, with further savings to deliver in order to maintain a balanced budget in each of the next three years. The Council has implemented an ambitious programme to redesign and transform all areas of the Council to help deliver the future savings required. Its Reshaping Trafford Council Programme will deliver a new organisational model from 2017/18 by using a mix of different delivery models. The Council's track record to date provides a good level of confidence that it will be well placed to meet these challenges.

Overall conclusion

Based on the work we performed to address the significant risks, we concluded that:

- the Council had proper arrangements in all significant respects to ensure it delivered value for money in its use of resources. The text of our report, which confirms this can be found at Appendix B.

Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

Significant risk	Work to address	Findings and conclusions
Medium term financial position The Council is facing a continued period of austerity. The latest medium term financial outlook reported in February 2016 indicates that the Council will need to find further savings and efficiencies in excess of £30 million for the 3 years to 2019/20 to address its potential gap in funding. This is in addition to the £22.6 million funding gap falling in the 2016/17 financial period.	We assessed the out-turn position for 2015/16 and examined the Council's arrangements for putting together and agreeing its budget plans from 2016/17 onwards. This included considering savings and efficiency plans, mitigating actions and contingencies.	The Council achieved a £5.6 million underspend on revenue activity and has a general fund reserve balance of £7.89 million at 31 March 2016. Total savings of £21.8m were achieved against a target of £21.6 million. The general fund reserve balance is above the Council's approved risk assessed minimum level of £6m, as approved by the Council on 17 February 2016. The Council has planned the use of £1.9 million of the general fund reserve to support the 2016/17 budget. In addition the £5.6 million underspend in 2015/16 has enabled the Council to create a budget support reserve to help smooth future budget reductions. The final capital outturn for 2014/15 was £31.9 million against a revised budget of £44.6 million. The underspend of £12.7 million was mainly due to slippage with significant re-profiling of schemes to 2016/17 and the extension of time to agree grant funded projects. The Council agreed its 2016/17 budget in February 2016 after consultation with stakeholders and staff on key decisions and approval by the Executive. The 2016/17 budget sets out a requirement to balance a budget gap of £22.6 million with a combination of efficiencies and income and policy choices. The 2016/17 budget is supplemented with medium term planning projected through to 2019/20 using latest economic projections on funding and cost pressures. The Medium Term Financial Outlook requires the Council to make savings and efficiencies in excess of £30 million over the three years from 2017/18 to 2019/20. A significant proportion of this falls in 2017/18 and is currently estimated at £18 million

Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

Significant risk	Work to address	Findings and conclusions
Medium term financial position (continued) The Council is facing a continued period of austerity. The latest medium term financial outlook reported in February 2016 indicates that the Council will need to find further savings and efficiencies in excess of £30 million for the 3 years to 2019/20 to address its potential gap in funding. This is in addition to the £22.6 million funding gap falling in the 2016/17 financial period.	We assessed the out-turn position for 2015/16 and examined the Council's arrangements for putting together and agreeing its budget plans from 2016/17 onwards. This included considering savings and efficiency plans, mitigating actions and contingencies.	The Council recognises it requires transformational change to manage its budget pressures and ensure sustainability of council services. Its Reshaping Trafford Council Programme will deliver a new organisational model for the Council from 2017/18 by using a mix of different delivery models. The Council has made progress during 2015/16 in key programme areas, including significant work within the Children's Families and Wellbeing (CFW) directorate which has delivered savings of £16.4 million. Continuing uncertainty regarding the Council's medium term financial position and progress on the Reshaping Trafford Programme are both identified as key risks on the Council's Strategic Risk Register. Quarterly strategic risks monitoring is reported to the Transformation, Performance and Resources Group, Corporate Management Team and the Accounts & Audit Committee. The Council continues to develop its approach to reviewing all services to generate additional income and identify collaborative opportunities that release efficiency savings. It has a track record of achieving savings targets and identifying alternative measures and mitigating actions where planned efficiency measures are not delivering the required levels of savings. **We concluded from our review of medium term financial and strategic planning that the Council has proper arrangements to plan and monitor finances effectively to support the delivery of its strategic priorities.**

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Significant difficulties in undertaking our work

We did not identify any significant difficulties in undertaking our work on your arrangements which we wish to draw to your attention.

Significant matters discussed with management

There were no matters where no other evidence was available or matters of such significance to our conclusion or that we required written representation from management or those charged with governance.

Any other matters

There were no other matters from our work which were significant to our consideration of your arrangements to secure value for money in your use of resources.

Section 4: Fees, non-audit services and independence

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We confirm below our final fees charged for the audit and confirm there were no fees for the provision of non audit services.

Fees

	Budget £	Actual £
Council audit	118,192	118,192
Grant certification	15,963	15,963
Total audit fees (excluding VAT)	**134,155**	**134,155**

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Grant certification

Our fees for grant certification cover only housing benefit subsidy certification, which falls under the remit of Public Sector Audit Appointments Limited.

Fees in respect of other grant work, such as reasonable assurance reports, are shown under 'Fees for other services'.

Fees for other services

Service	Fees £
Audit related services:	
• Teachers pension return	4,200

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.

Section 5: Communication of audit matters

Communication to those charged with governance

International Standards on Auditing ISA (UK&I) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

The Audit Plan outlined our audit strategy and plan to deliver the audit, while this Audit Findings report presents the key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

Respective responsibilities

The Audit Findings Report has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by Public Sector Audit Appointments Limited (http://www.psaa.co.uk/appointing-auditors/terms-of-appointment/)

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England at the time of our appointment. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the NAO (https://www.nao.org.uk/code-audit-practice/about-code/). Our work considers the Council's key risks when reaching our conclusions under the Code.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged Details of safeguards applied to threats to independence	✓	✓
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Non compliance with laws and regulations		✓
Expected modifications to auditor's report		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓

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Appendices

Appendix A: Action plan

Priority
High - Significant effect on control system
Medium - Effect on control system
Low - Best practice

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1	**SAP - Segregation of Duties Conflicts** Management should examine the extent of all user access segregation conflicts and reduce the number of conflicts where possible. It could consider the use of a third party tool to assess such conflicts. Management should examine whether existing compensating controls are appropriately configured to control the risks posed by the access conflicts. Management should consider a process to prevent further conflicts from being introduced into the SAP role structure and user base.	M	Internal Audit have examined the detailed user access conflicts within the system. They are satisfied that certain access privileges are appropriate, actions have been taken on some areas of conflict and there are compensating controls in place to help detect and prevent inappropriate or unauthorised transactions. It is noted that the number of users fluctuates due to staff changes and Internal Audit recommends that the appropriateness of access levels continues to be monitored, which should include a full annual reconciliation. This issue will be reflected in the relevant internal audit report to be issued in September 2016 and it will be subject to further follow-up as part of the 2017/18 Internal Audit Plan.	Implemented with IA follow up 2017/18
2	**SAP – Excessive access to modify SAP table data** Management should ensure that customisable tables are adequately protected by preventing users from using the SM30 or SM31 (general table maintenance) transaction codes. Where this is not possible due to business requirements SAP customisable tables should be protected via authorisation groups and users restricted in their access to those authorisation groups.	L	Internal Audit have examined the access to modify SAP table data. They are satisfied that the users with access are only able to access one table dependant on their role. The Council has created bespoke transaction codes and roles table restriction is in place. Internal Audit is of the opinion that appropriate controls are in place to mitigate risks in this area. This area will be subject to further audit review as part of the 2017/18 Internal Audit Plan to evaluate the continued effectiveness of controls.	IA follow up scheduled 2017/18

Appendix B: Audit opinion

We anticipate we will provide the Council with an unmodified audit report.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TRAFFORD COUNCIL

We have audited the financial statements of Trafford Council (the "Authority") for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014 (the "Act"). The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

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

Respective responsibilities of the Chief Finance Officer and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

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

Opinion on other matters

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

Matters on which we are required to report by exception

We are required to report to you if:

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

We have nothing to report in these respects.

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

Respective responsibilities of the Authority and auditor

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

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

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

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

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

Conclusion

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

Certificate

We certify that we have completed the audit of the accounts of the Authority in accordance with the requirements of the Act and the Code.

Mark Heap

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

4 Hardman Square
Spinningfields
Manchester
M3 3EB

Date to be added

DRAFT

Grant Thornton

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TRAFFORD COUNCIL

Report to: Accounts and Audit Committee
Date: 29 September 2016
Report for: Approval
Report of: Audit and Assurance Manager

Report Title

Annual Governance Statement – 2015/16

Summary

The preparation and publication of an Annual Governance Statement (AGS) is necessary to meet the statutory requirement set out in the Accounts and Audit Regulations 2015. This report provides the final version of the 2015/16 AGS.

The Committee previously received reports in June 2016 setting out the Draft 2015/16 AGS and also the Council's updated Corporate Governance Code. Draft versions of the AGS had been shared and reviewed by the Corporate Leadership Team and also the sub-group of the Accounts and Audit Committee.

No further changes to the 2015/16 AGS have been made since the draft version was presented to the Accounts and Audit Committee on 28 June 2016. The AGS includes commentary on planned developments in relation to governance issues and progress against these will be reported on further, including through updates to the Accounts and Audit Committee. Further issues arising in 2016/17 impacting on governance and developments in relation to governance issues reported to date will be considered as part of the process for compiling the 2016/17 AGS.

Recommendation

The Accounts and Audit Committee is asked to approve the 2015/16 Annual Governance Statement.

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).

ANNUAL GOVERNANCE STATEMENT 2015/16

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

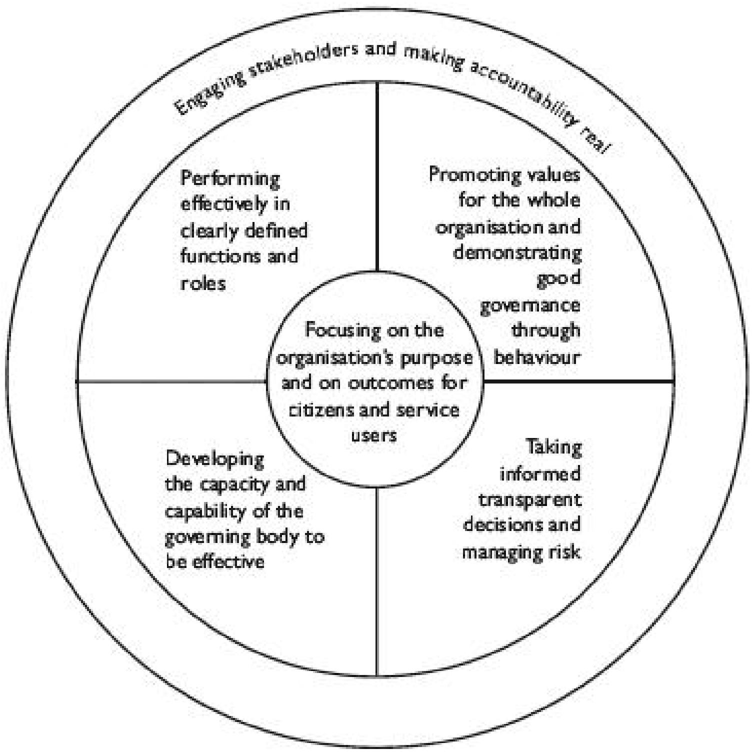
2.1 The governance framework comprises the systems and processes, culture and values by which the Authority is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the Authority to monitor the achievement of its strategic objectives 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:	• Sustainable Community Strategy (Trafford Vision 2021: A Blueprint) • Reshaping Trafford 2014-17: Blueprint • Annual Delivery Plan • Transformation Programme • Revenue Budget Setting and Monitoring • Capital Investment Programme

How we have delivered against the Principle in 2015/16

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.

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 & 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).

Trafford Council and Trafford Clinical Commissioning Group (CCG) have jointly developed the Trafford Locality Plan 2016-21 in response to the Greater Manchester health & 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 & 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.

A revised 2 year Section 75 partnership agreement between Trafford Council and Pennine Care Foundation was approved by the Council Executive on 21st 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.

(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 1st 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:	• Constitution • Executive Terms of Office • Scheme of Delegation to Officers • Member Officer Relations Protocols • Employment Procedure Rules • Pay Policy Statement • Members Allowance Scheme

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:	• Employee Code of Conduct • Members Code of Conduct • Disciplinary Policy • ICT Acceptable Use Policy • Anti-Fraud & Corruption Strategy • Whistle blowing Policy • Corporate Complaints Procedure • Standards Committee • Corporate Governance Code
How we have delivered against the Principle in 2015/16	

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.

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.

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.

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).

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

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:	• Decision Making Protocols • Access to Information Procedure Rules • Scrutiny Committees and Protocols • Risk Management Strategy & Policy Statement • Strategic Risk Register • Internal Audit Strategy • Accounts & Audit Committee
How we have delivered against the Principle in 2015/16	
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. 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. 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. 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. 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	

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:	• Supporting Change to Happen Strategy 2014-17 • Member Development Strategy • Members' Training Plan • Members' Induction Process • Employee Training & Development Plan • Corporate Induction Procedure • Employees Personal Development Review (PDR) • Absence Management Strategy • Apprenticeship Scheme • Managing Organisational Change Toolkit

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:	• Customer Strategy • Trafford Council Website • Budget Consultation • Locality Working Programme • Building Strong Communities Strategy • Trafford Partnership Data Innovation and Intelligence Lab • Info Trafford Website • Corporate Complaints Procedure

How we have delivered against the Principle in 2015/16

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.

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 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 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 1st 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
• Financial Management • Programme Management • Performance Management • Risk Management • Legal	• Internal Audit • Scrutiny • Health & Safety	• External Audit • Other inspectorate e.g OSTED, CQC • Sector led improvement e.g. LGA

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
1. Reshaping Trafford Programme 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. <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.	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. <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. <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	There are 37 projects / programmes under 6 themes: • Working smarter • Buying better • Commissioning • Promoting Independence • Maximising income • Joined up and working together • Eligibility and access 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. <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. Delivery of the Trafford Locality Plan, including new place based integrated

2014/15 Significant Issues	Action Taken 2015/16	Further Work Planned 2016/17
  <u>CFW Transformation Programme</u> 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. Key elements of the Children Families & Wellbeing Programme Plan include: - Delivery of the agreed 2015/16 saving target and development of savings proposals for 2016/17 and 2017/18; -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); -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).	that realise efficiency savings. The CFW Programme 2015/16 year end position has delivered £16.415m savings, compared to the £15.612m target. 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 & social care outcomes for Trafford through integrated service delivery and commissioning. 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. 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. New delivery models are in place for the ‘early help’ provision and framework of	working delivery models. 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 Trafford Council and Trafford CCG have agreed integrated commissioning priorities which align to the new Health and Wellbeing Board priorities going forward: • Learning Disabilities • Mental Health • Community Equipment • Better Care Fund • Alcohol use • Smoking cessation • Reducing Physical Inactivity

2014/15 Significant Issues	Action Taken 2015/16	Further Work Planned 2016/17
	commissioned services.	
Youth Trust 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.	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. 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. 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 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. **Reshaping Trafford will continue to be reported as a significant governance issue for 2016/17.**

2014/15 Significant Issues	Action Taken 2015/16	Further Work Planned 2016/17
	the sector to better co-ordinate itself to improve capacity, sustainability and outcomes for young people.	
2. Information Governance 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:- • Communicate roles & responsibilities across the Council including responsibilities of Information Asset Owners (IAO) • Develop an Information Asset Register to identify all corporate assets and their uses • Implement retention and disposal policy on all historic, current and future records • To streamline Freedom of Information and Subject Access	Developments in 2015/16 include the following: • Setting up of the centralised corporate Information Governance Team • The re-established Information Security Governance Board (ISGB) meets monthly to discuss current information security and IG matters affecting the Council • 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 • A new, simplified Information Asset Register has been developed to identify corporate assets • Working with stakeholders to develop Information Sharing Protocols at the start of new collaborative projects where sharing of information is	To continue to further develop IG arrangements across the Council, Plans of the IG team include the following: • To continue to assist in the successful implementation of the tasks outlined on the ISGB Work Plan • To work with the Information Commissioners Office regarding response times to Freedom of Information Requests • To provide assistance on the information governance challenges facing Public Service Reform • To provide information governance advice and guidance in collaborative working with other stakeholders • To provide information governance advice and guidance in the creation of the

2014/15 Significant Issues	Action Taken 2015/16	Further Work Planned 2016/17
Request to legal compliance and improve processes • Introduce Privacy Impact Assessments for all new projects that collect personal / sensitive data initially, and roll out retrospectively to existing projects.	necessary • Assisting project leads with implementing Privacy Impact Assessments for new collaborative working initiatives that require the collection of personal / sensitive data • Continuous education of and communication with stakeholders on good IG practices.	Trafford Human Resources Shared Service Centre • To prepare the Council for the forthcoming voluntary audit by the ICO. **Information Governance will continue to be reported as a significant governance issue for 2016/17.**
3.Locality Partnerships A Steering Group has been established to implement locality working across Trafford, working with Locality Partnerships, Ward Members and key stakeholders. From June 2015 Locality Working will 'go-live' including: Each Locality Partnership will hold a stakeholder event, inviting representatives from all sectors. A large-scale borough-wide campaign, "Be Bold, Be the Difference", will be launched to encourage residents	To further embed locality working as business as usual through: The new Building Stronger Communities Strategy and working model enabling collaborative priority setting and to co-deliver solutions to local issues. 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. Changes to partnership membership and meeting formats to become more open and inclusive, with four Enabling groups established to lead on	Actions to include the following: • Develop a performance framework and outcome measure measurement tool to demonstrate how locality projects are delivering against strategic priorities. • 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 • Run the 2016 Voluntary Sector Grants programme in-house to generate in region of £35k efficiency savings. • Ensure the Asset Based

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2014/15 Significant Issues	Action Taken 2015/16	Further Work Planned 2016/17
involvement and highlight the support available. 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. Engagement activities will shape the development of locality plans and task and finish groups will be established to tackle key outcome focused objectives.	engagement, project monitoring and communications Launch of the Be Bold, Be the Difference campaign in summer 2015. In spring 2015 commissioning of Community Builder training to front-line staff, managers and Ward Councillors; to date we have delivered training to over 300 people. All participants have access to an online tool kit for ongoing support and with virtual teams in each locality.	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. • The Trafford Partnership Data Innovation and Intelligence Lab to 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. **Locality Partnership will continue to be reported as a significant governance issues for 2016/17.**
4. Public Service Reform (PSR) 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	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. A PSR Board has been established made up of senior officers from key partners which will report to the Trafford	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.

2014/15 Significant Issues	Action Taken 2015/16	Further Work Planned 2016/17
innovation and varied needs of residents. 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 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.	Partnership Board, and its role will include responsibilities for investment, decision making, strategy and risk. 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. Terms of reference and membership have been agreed, and the board met for the first time in Feb 2016.	7 work streams are being developed as part of a 3-5 year programme: • All Age Front Door • Place Based Integrated Working • Workforce Development • Communications • Information Governance • Estates • Perfect Weekend- a cross-partnership exercise to observe, 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. **Public Service Reform will continue to be reported as a significant governance issue for 2016/17.**
5.Devolution 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	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	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. The GM Work and Skills programme

2014/15 Significant Issues	Action Taken 2015/16	Further Work Planned 2016/17
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. The Chief Executive also co-Chairs the Learning Disability Fast Track Programme. Other elements of the Devolution Agreement include devolving the total health economy of £6bn to GM from April 2016. (See CFW Transformation work). 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.	joint work including, housing, employment support, apprenticeships and energy. A fourth devolution agreement was then agreed in the March 2016 Budget. The November 2015 and March 2016 devolution agreements gave further powers around the full devolvement of Adult Education Budget by 2018. The final draft of the 'Taking Charge of our Health and Social Care in Greater 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. 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. The Trafford Leader and Chief	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: • Approving and initial implementation of the Area Based Review conclusions; • Developing an outcomes framework influencing commissioning of the Adult Skills Budget; • Expanding Working Well up to 2017; • Recommissioning the Work & Health programme from 2017; • Developing a GM approach to the Apprenticeship Levy; • Working with Jobcentre Plus to review and rationalise their estate; and • Working with the Department for Business Innovation and Skills, Department for Education and the

2014/15 Significant Issues	Action Taken 2015/16	Further Work Planned 2016/17
	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 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 & Employment Trailblazer.	Department for Work and Pensions to establish a common approach to commissioning post 16 work and skills provision. In May 2017 a new mayor will be elected by the region's voters. **Devolution will continue to be reported as a significant governance issue for 2016/17.**
6. Budget Monitoring Work is continuing in 2015/16 to ensure that revised budget monitoring arrangements are maintained and there continues to be ongoing improvements. Within the CFW Directorate, work is	Council wide improvements to budget monitoring processes have been delivered including: • New budget monitoring timelines established to ensure sufficient time for robust scrutiny and challenge • All budgets across the council	All recommendations from the 2014/15 budget investigation report have been addressed. The outcomes were reported to Accounts and Audit Committee in September 2015. Whilst this area will not be reported within the Annual Governance Statement as a significant

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2014/15 Significant Issues	Action Taken 2015/16	Further Work Planned 2016/17
ongoing in fully implementing the new Adult Social Care system (Liquid Logic/ContrOCC) with functionality for financial commitments, monitoring and reporting. 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. Actions will continue to be progressed to provide further support to managers as identified in the agreed Organisational Development Recovery Action Plan including management guidance and a mandatory e-learning module for budget holders.	have been risk assessed and assigned a Red/Amber/Green status to increase visibility of high risk areas and enable resource to be targeted • A comprehensive list of budget holders established and mandatory financial management training delivered • To supplement training, a reference guide for budget holders detailing their financial responsibilities has been cascaded to relevant staff. Within the CFW Directorate, the Adult Social Care (Liquid Logic / ContrOCC) system functionality continues to be developed and will be rolled out across Children's' Services during 2016/17.	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.
7. Leisure Services The contract with Trafford Community Leisure Trust will come to an end and cease trading on 30th September 2015. Due to procurement requirements and to enable access to VAT exemption	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 1st Oct 2015 to deliver leisure services across the	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.

2014/15 Significant Issues	Action Taken 2015/16	Further Work Planned 2016/17
and business rates relief, it is considered the only viable option is to create a new company operating from 1st October as a Community Interest Company (CIC) with Trafford Council as the sole shareholder. 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. 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 commercial basis through an interest bearing loan. 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.	borough. 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. 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 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.	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.

5.3 Based on the above, the following are identified as significant governance issues in 2016/17:

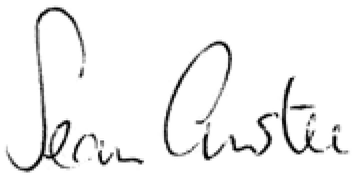
1) Reshaping Trafford
2) Information Governance
3) Locality Working
4) Public Service Reform
5) Devolution.

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:

6) Medium Term financial position / savings	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.
7) Business Continuity	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 place to improve arrangements and will continue to progress during 2016/17.

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	**Theresa Grant**
Leader of the Council	**Chief Executive**
September 2016	**September 2016**

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TRAFFORD COUNCIL

Report to:	**Accounts & Audit Committee**
Date:	**29 September 2016**
Report for:	**Decision**
Report of:	**Chief Finance Officer**

Report Title

Approval of the Final Accounts 2015/16 (Accounts 2016)

Summary

The pre-audited 2015/16 accounts were considered by the Committee on 28 June 2016. On 1 July 2015 the accounts were submitted to the Council's external auditors, Grant Thornton, and placed on deposit for public inspection for 30 working days.

Attached are the redrafted Final Accounts for 2015/16, accommodating changes agreed with Grant Thornton following their audit, which Members are requested to review and approve. All changes are highlighted in grey and all relate to "Disclosure" changes such as formatting, enhancements to improve readability and typographical errors. There are no changes to the main statements.

Recommendation

Members are requested to approve the Final Accounts for 2015/16.

Contact person for access to background papers and further information:

Name: Dave Muggeridge, Finance Manager, Financial Accounting.
Extension: 4534

Background Papers: None

Relationship to Policy Framework/Corporate Priorities	Value for Money
Financial	Failure to approve the accounts in a proper format would be contrary to the Accounts and Audit Regulations.
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

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TRAFFORD COUNCIL

Statement of accounts

2016

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Contents

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS:

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, it's 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".
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.

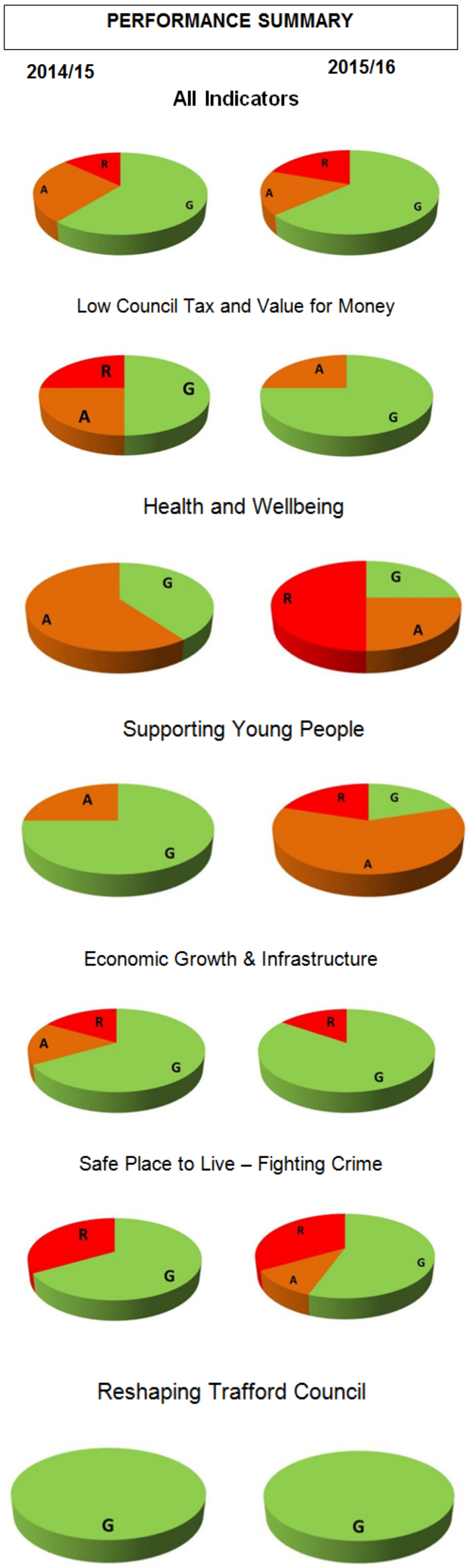
This is complimented by a ground breaking new Care Coordination Centre which was developed during the last financial year and is now operating. This has been developed in partnership with the Trafford Clinical Commissioning Group and it will ensure the provision of efficient coordinated support to local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

The Council is aware of the areas it needs to improve and its Annual Delivery Plan clearly identifies where these are. The Corporate Director sets out a detailed improvement plan to address these, which are monitored on a quarterly basis, for example plans are in place to reduce the number of elderly people admitted to residential care and delayed transfers of adult care from the NHS into local authority care.

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.

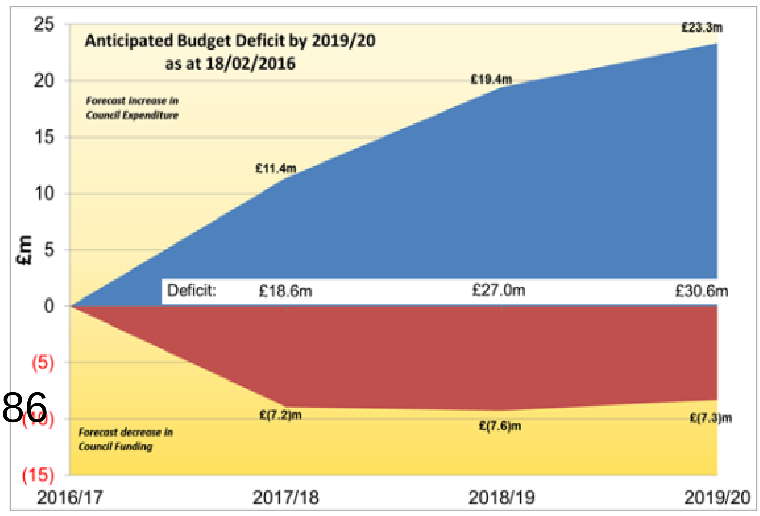
There was no increase in Council Tax for Trafford services, keeping the Band D Council Tax at £1,105.23 for the fifth consecutive year. This Band D Council Tax increased to £1,315.17 when precepts for the Police and Crime Commissioner for Greater Manchester and Greater Manchester Fire and Rescue Authority 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)
	125.245	**121.787**	**(3.458)**	**(2.8)**
Council-wide Budgets	23.669	21.569	(2.100)	(8.9)
Outturn Variance	**148.914**	**143.356**	**(5.558)**	**(3.7)**
FINANCED BY:				
Council Tax	**(80.316)**	**(80.316)**		
Business Rates	**(80.316)**	**(36.652)**		
Revenue Support Grant	**(30.646)**	**(30.646)**		
Collection Fund Surplus	**(0.300)**	**(0.300)**		
General Reserve	**(1.000)**	**4.558**	**5.558**	
	(148.914)	**(143.356)**	**5.558**	

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 a 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 1166 to 1177. The capital expenditure incurred during the year and financing of this expenditure is shown in the table below.

	Budget £m	Actual 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)
	44.6	**31.9**	**(12.7)**
FINANCED BY:			
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
	(44.6)	**31.9**	**12.7**

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 (PWLB) 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 677.

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 and in addition a reduction in the Council's pension liability of £7.8m relating to the staff transfer to Amey PLC.

Further details on the Council's overall net pensions asset/liability are included in notes 47 and 48 on pages 1211 to 1222 .

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 1455, 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 888).

- 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 31st 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 15050.
- From 1st April 2015, the Greater Manchester & Cheshire East (GM&CE) Business Rates pool was established, consisting of the ten Greater Manchester councils plus Cheshire East. The aim of pool is to maximise the retention of locally generated business rates and to ensure that it further supports the economic regeneration of the region. The Pool is not liable to pay any levy on business rate growth to central government and retains this locally because in aggregate the Pool is a net top-up area.
- As a consequence, Trafford's levy payable on the business rate growth of £2.249m was made directly to the pool rather than being passed directly to Central Government. Under the pool agreement, Trafford negotiated a further rebate of 33.33%, resulting in income of £0.75m in 2015/16.

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 14 to 15 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 18-19). 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.

CIES account reconciled to outturn	£m
CIES Account Deficit on Service Provision	**7.7**
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
Total adjustments	**(7.7)**
(Increase)/Decrease in GF Balance **	**0.0**
Add back:	
Budgeted support for GF	(1.0)
Transfers (to)/from earmarked reserves	(1.1)
Transfer from service reserves*	(3.5)
Outturn Variance	**(5.6)**

* 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 though 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 ACA IPFA
Chief Finance Officer
29th September 2016

Explanation of the Financial Statements

Please note that a glossary of terms can be found on page 1511.

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 122.

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 21 to 356.

The main financial statements that make up the Accounts (pages 14-20) 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 14-15) 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 18 to 19, with more detail in note 7 on pages 422 to 499. 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 18-19) 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 16 to 17.

The Cash Flow statement (page 20) 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 21 to 145. 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 1166 to 1177.

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 1455 to 15050.

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 48.

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 ACA IPFA
Chief Finance Officer
29th September 2016

By Chairman of the Accounts & Audit Committee
I confirm that these accounts were approved by the Accounts & Audit Committee.

Councillor Jonathan Coupe
Chairman of the Accounts & Audit Committee
29th September 2016

Audit opinion

These accounts have been audited and the External Auditor's Certificate and Opinion is shown on the following pages.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TRAFFORD COUNCIL

We have audited the financial statements of Trafford Council (the "Authority") for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014 (the "Act"). The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

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

Respective responsibilities of the Chief Finance Officer and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

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

Opinion on other matters

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

Matters on which we are required to report by exception

We are required to report to you if:

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

We have nothing to report in these respects.

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

Respective responsibilities of the Authority and auditor

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

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

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

We have undertaken our review in accordance with the Code of Audit Practice prepared by the Comptroller and Auditor General as required by the Act (the "Code"), having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, as to whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code in satisfying ourselves whether the Authority put in place proper arrangements to secure value for money through the economic, efficient and effective use of its resources for the year ended 31 March 2016.

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

Conclusion

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

Certificate

We certify that we have completed the audit of the accounts of the Authority in accordance with the requirements of the Act and the Code.

Mark Heap
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

4 Hardman Square
Spinningfields
Manchester
M3 3EB

29 September 2016

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 140.

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)
415,000	**(262,707)**	**152,293**	**Cost of Services**	**53**	**398,125**	**(265,435)**	**132,690**
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
			Surplus or Deficit on Discontinued Operations				
	(179,177)	(179,177)	Taxation and Non-Specific Grant Income and Expenditure	11/39/53		(169,359)	(169,359)
		21,700	**(Surplus) or Deficit on Provision of Services**	**53**			**7,686**

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	**(Surplus) or Deficit on Provision of Services**				**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)
		50,233	**Other Comprehensive (Income) and Expenditure**				**(75,743)**
		71,933	**Total Comprehensive (Income) and Expenditure**	**53**			**(68,057)**

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.

Restated 31 March 2015 £000		Notes	31 March 2016 £000
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
523,245	**Long Term Assets**		**535,842**
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
108,697	**Current Assets**		**120,531**
(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)
(75,361)	**Current Liabilities**		**(83,354)**

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)
(408,207)	**Long Term Liabilities**		**(356,588)**
148,374	**Net assets**		**216,431**
(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)
(72,116)	**Usable Reserves**	**24**	**(55,659)**
(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
(76,258)	**Unusable Reserves**		**(160,772)**
(148,374)	**Total Reserves**		**(216,431)**

Nicola Bishop ACA IPFA
Chief Finance Officer
29th September 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**
Balance as at 31 March 2015 (Restated)	**(7,871)**	**(35,278)**	**(11,540)**	**(36)**	**(17,390)**	**(72,115)**	**(76,260)**	**(148,375)**
MOVEMENT IN RESERVES DURING 2015/16								
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)
Total Comprehensive Income and Expenditure	**7,686**	**0**	**0**	**0**	**0**	**7,686**	**(75,743)**	**(68,057)**
Adjustments between accounting basis & funding basis under regulations (note 7) *	(3,641)	0	2,289	17	10,106	8,771	(8,771)	0
Net Increase/(Decrease) before transfers to Earmarked Reserves	**4,045**	**0**	**2,289**	**17**	**10,106**	**16,457**	**(84,514)**	**(68,057)**
Transfers to/(from) Earmarked Reserves (note 8) **	(4,068)	4,068	0	0	0	0	0	0
(Increase)/Decrease in 2015/16	**(23)**	**4,068**	**2,289**	**17**	**10,106**	**16,457**	**(84,514)**	**(68,057)**
Balance as at 31 March 2016	**(7,894)**	**(31,210)**	**(9,251)**	**(19)**	**(7,284)**	**(55,658)**	**(160,774)**	**(216,432)**

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
Balance as at 31 March 2014	**(10,980)**	**(45,781)**	**(7,527)**	**(8)**	**(17,000)**	**(81,296)**	**(139,011)**	**(220,307)**
MOVEMENT IN RESERVES DURING 2014/15								
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
Total Comprehensive Income and Expenditure	**21,700**	**0**	**0**	**0**	**0**	**21,700**	**50,233**	**71,934**
Adjustments between accounting basis & funding basis under regulations (note 7) *	(8,089)	0	(4,013)	(28)	(390)	(12,520)	12,518	(2)
Net Increase/(Decrease) before transfers to Earmarked Reserves	**13,612**	**0**	**(4,013)**	**(28)**	**(390)**	**9,181**	**62,751**	**71,932**
Transfers to/(from) Earmarked Reserves (note 8) **	(10,503)	10,503	0	0	0	0	0	0
(Increase)/Decrease in 2014/15	**3,109**	**10,503**	**(4,013)**	**(28)**	**(390)**	**9,181**	**62,751**	**71,932**
Balance as at 31 March 2015	**(7,871)**	**(35,278)**	**(11,540)**	**(36)**	**(17,390)**	**(72,115)**	**(76,260)**	**(148,375)**

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

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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.

Restated 2014/15 £000	Year Ended 31 March	2015/16 £000
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 **(note 26a)**	(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 **(note 26b)**	12,905
(10,731)	**Net cash flows from Operating Activities (note 26c)**	**(2,097)**
4,030	Investing Activities (note 27)	14,861
(5,875)	Financing Activities (note 28)	(12,897)
(12,576)	**Net increase or decrease in cash and cash equivalents**	**(133)**
(34,017)	Cash and cash equivalents at the beginning of the reporting period	(46,593)
(46,593)	**Cash & cash equivalents at the end of reporting period (note 20)**	**(46,726)**

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 Charted 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 not 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;
- surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective;
- all other assets – current 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.

Surplus assets were previously valued at existing use value. The change in measurement basis has been applied prospectively from 1 April 2015 and there has been no restatement of prior year balances.

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.

(ac) Fair Value Measurement

The Council measures some of its non-financial assets such as surplus assets and investment properties and some of its financial instruments such as available for sale financial assets at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

a) in the principal market for the asset or liability, or

b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The Council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the authority takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Council's financial statements are categorised within the fair value hierarchy, as follows:

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

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

Level 3 – unobservable inputs for the asset or liability.

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 proving 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. From October 2015 the services provided by Trafford Community Leisure Trust were transferred into a Community Interest Company (CIC), Trafford Leisure CIC Ltd, wholly owned by the Council. A similar CIC, called Trust Youth Trafford was also established on 11th March 2016 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 were not prepared in 2015/16 on grounds of materiality; however they will be included from 2016/17 once the full year impact has come into effect.

- 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
Sub-Total Maintained Schools	**70**

Academies	21
Total Number of Schools	**91**

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.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Provisions	**Insurance Claims:** 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	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.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
	that the annual depreciation charge for buildings would increase in these circumstances.	
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 14)

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 Statement of Accounts was authorised for issue by the Chief Finance Officer on 29th September 2016. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2016, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information

The financial statements and notes have not been adjusted for the following events which took place after 31 March 2016 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.

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
ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL ADJUSTMENT ACCOUNT:							
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:							
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**
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:							
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)

	Usable Reserves 2015/16 (continued)						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**
Adjustments primarily involving the Capital Grants Unapplied Account:							
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)**
Adjustments primarily involving the Capital Receipts Reserve:							
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**
Adjustments primarily involving the Deferred Capital Receipts Reserve:							
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)

	Usable Reserves 2015/16 (continued)						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**
Adjustment primarily involving the Major Repairs Reserve:							
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**
Adjustment primarily involving the Financial Instruments Adjustment Account:							
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)**
Adjustments primarily involving the Pension Reserve:							
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)**
Adjustments primarily involving the Collection Fund Adjustment Account:							
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)

	Usable Reserves 2015/16 (continued)						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**
Adjustments primarily involving the Equal Pay Adjustment Account:							
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**
Adjustments primarily involving the Accumulated Absences Account:							
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)**
Total Adjustments	**(3,641)**	**0**	**2,289**	**0**	**17**	**10,106**	**(8,771)**

7. Adjustments between Accounting Basis and Funding Basis under Regulations

	Usable Reserves 2014/15						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**
ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL ADJUSTMENT ACCOUNT:							
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:							
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**
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:							
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)

	Usable Reserves 2014/15 (continued)						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**
Adjustments primarily involving the Capital Grants Unapplied Account:	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)**
Adjustments primarily involving the Capital Receipts Reserve:							
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**
Adjustments primarily involving the Deferred Capital Receipts Reserve:							
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)

	Usable Reserves 2014/15 (continued)						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**
Adjustment primarily involving the Major Repairs Reserve:							
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**
Adjustment primarily involving the Financial Instruments Adjustment Account:							
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)**
Adjustments primarily involving the Pension Reserve:							
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)**
Adjustments primarily involving the Collection Fund Adjustment Account:							
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)

	Usable Reserves 2014/15 (continued)						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**
Adjustments primarily involving the Equal Pay Adjustment Account:							
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**
Adjustments primarily involving the Accumulated Absences Account:							
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**
Total Adjustments	**(8,088)**	**0**	**(4,013)**	**0**	**(28)**	**(390)**	**12,519**

8. Transfers to/from Earmarked Reserves (Balance Sheet page 16)

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.

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

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
Economy Contingency Reserve							
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)**
Elections Reserve							
To smooth the elections budget across the 4 year Municipal cycle.	**(187)**	0	(37)	**(224)**	0	0	**(224)**
Transformation Reserve							
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)**
Communities Families and Wellbeing							
Money set aside to pump prime to manage the delivery of savings programme within CFW	**0**	39	(500)	**(461)**	461	0	**0**
Interest Rate Reserve							
To smooth the effect on the Council's budget of volatile movements in interest rates.	**(155)**	32	(27)	**(150)**	0	(322)	**(472)**
Waste Levy Reserve							
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)**
Long Term Accommodation Decant Reserve							
To cover the cost of accommodation changes arising from the Long Term Accommodation Project	**(331)**	116	(139)	**(354)**	0	(116)	**(470)**
Employment Rationalisation Reserve							
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
Capital Reserve							
Investment in disabled facility schemes	**(1,671)**	1,486	0	**(185)**	175	0	**(10)**
LAA Performance Reward Grant Reserve							
Revenue element of grant to be allocated to schemes via the Trafford Partnership	**(665)**	255	0	**(410)**	161	0	**(249)**
Manchester Airport Debt Restructure Reserve							
Smoothing of airport debt restructure costs over the medium term	**(921)**	921	0	**0**	0	0	**0**
Prepaid Revenue Grants Reserve							
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)**
Winter Maintenance Reserve							
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)**
NDR Deficit Reserve							
Reserve established towards meeting Trafford's share of the NDR Deficit	**(15,461)**	7,860	(71)	**(7,672)**	7,672	0	**0**
NDR Levy Reserve							
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**
Local Welfare Assistance Reserve							
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
Economic Development Reserve							
Reserve set aside to earmarked specifically for economic development related projects (previously held within Service Earmarked Reserve)	**0**	0	(444)	**(444)**	24	(71)	**(491)**
Troubled Families Reserve							
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)**
Better Care Fund							
Reserve established to accommodate potential financial risks within the Better Care Fund	**0**	0	(400)	**(400)**	400	0	**0**
Manchester Airport Dividend Smoothing Reserve							
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)**
Budget Support Reserve							
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)**
Local Search Litigation Costs Reserve							
Established as a contingency against potential back claims.	**0**	0	0	**0**	0	(233)	**(233)**
Other Reserves							
Other amounts earmarked for specific purposes.	**(409)**	28	(460)	**(841)**	(337)	(36)	**(1,214)**
Total Earmarked Reserves (incl. Schools)	**(45,780)**	**29,304**	**(18,806)**	**(35,280)**	**22,675**	**(18,606)**	**(31,211)**
Total Reserves	**(56,760)**	**36,995**	**(23,386)**	**(43,151)**	**24,752**	**(20,706)**	**(39,105)**

9. Other Operating Expenditure (Comprehensive Income & Expenditure Statement page 14)

2014/15 £000		2015/16 £000
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	2,320
(10,048)	Sale proceeds from disposal of non-current assets	(878)
32,971	**Total**	**31,798**

(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:

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

10. Financing and Investment Income and Expenditure (Comprehensive Income & Expenditure Statement page 14)

2014/15 £000		2015/16 £000
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
15,613	**Total**	**12,557**

(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 14)

2014/15 £000		2015/16 £000
(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)
(179,177)	**Total**	**(169,359)**

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

12. Property, Plant and Equipment (Balance Sheet page 16) 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
COST OR VALUATION:							
As at 1 April 2015	**298,564**	**20,647**	**197,155**	**20,827**	**10,827**	**4,746**	**552,766**
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							
As at 31 March 2016	**295,626**	**20,821**	**201,638**	**21,736**	**10,970**	**16,475**	**567,266**

12. Property, Plant and Equipment (continued):

	Other land & buildings £000	Vehicles, plant & equipment assets £000	Infrastructure assets £000	Community assets £000	Surplus assets £000	Assets under construction £000	Total £000
DEPRECIATION AND IMPAIRMENTS:							
As at 1 April 2015	**(49,890)**	**(17,212)**	**(51,136)**	**(4,160)**	**(1,435)**		**(123,833)**
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							
As at 31 March 2016	**(48,590)**	**(18,327)**	**(55,288)**	**(4,589)**	**(2,430)**		**(129,224)**
NET BOOK VALUE:							
Balance Sheet amount as at 31 March 2016	**247,036**	**2,494**	**146,350**	**17,147**	**8,540**	**16,475**	**438,042**
Nature of Asset Holding							
Owned	234,904	**2,494**	**146,350**	**17,147**	**8,540**	**16,475**	**425,910**
Finance Lease							
PFI (i)	12,132						**12,132**
Total	**247,036**	**2,494**	**146,350**	**17,147**	**8,540**	**16,475**	**438,042**

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

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

(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:-

Asset Category	**Useful Life**
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:

	Other land & buildings £000	Vehicles, plant & equipment assets £000	Infrastructure assets £000	Community assets £000	Surplus assets £000	Assets under construction £000	Total £000
COST OR VALUATION:							
As at 1 April 2014	**304,806**	**21,747**	**191,668**	**19,902**	**15,971**	**6,018**	**560,112**
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							
As at 31 March 2015	**298,564**	**20,647**	**197,155**	**20,827**	**10,827**	**4,746**	**552,766**

Comparative Movements in 2014/15 (Continued):

	Other land & buildings £000	Vehicles, plant & equipment assets £000	Infrastructure assets £000	Community assets £000	Surplus assets £000	Assets under construction £000	Total £000
DEPRECIATION AND IMPAIRMENTS:							
As at 1 April 2014	**(52,336)**	**(17,351)**	**(47,175)**	**(3,755)**	**(2,982)**		**(123,599)**
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							
As at 31 March 2015	**(49,890)**	**(17,212)**	**(51,136)**	**(4,160)**	**(1,435)**		**(123,833)**
NET BOOK VALUE:							
Balance Sheet amount as at 31 March 2015*	**248,674**	**3,435**	**146,019**	**16,667**	**9,392**	**4,746**	**428,933**
Nature of Asset Holding							
Owned	236,408	3,435	146,019	16,667	9,392	4,746	**416,667**
Finance Lease							
PFI (i)	12,266						**12,266**
Total	**248,674**	**3,435**	**146,019**	**16,667**	**9,392**	**4,746**	**428,933**

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**
Total	**247,036**	**2,494**	**8,542**	**34,879**	**292,950**

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
Total at 31 March 2016	**15,107**

13. Heritage Assets (Balance Sheet page 16)

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:-

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

14. Investment Properties (Balance Sheet page 16)

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

	2014/15 £000	2015/16 £000
Balance at start of year	**28,341**	**30,497**
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)
Balance at end of year	**30,497**	**34,879**

The fair value for the investment properties has been based on the market approach using comparable market data, including income streams, tenure, lease terms and other relevant information for similar assets in the local authority area. As such all of the Council's directly held investment assets have been assessed as Level 2 in the fair value hierarchy. Additionally, there have been no transfers between Levels during the year.

The Council's 4.64% interest in land held at Manchester airport has been valued at £7.7m has also been assessed as Level 2 in the fair value hierarchy.

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:

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

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 16)

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:

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

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:

	Long Term 31 March 2015 £000	Short Term 31 March 2015 £000	Long Term 31 March 2016 £000	Short Term 31 March 2016 £000
FINANCIAL ASSETS				
Available For Sale Financial Assets				
Manchester Airport Group (MAG) Shareholding (See note on "Interest in Companies" on page 69)	41,000	0	39,800	0
Church Commissioner Local Authority Fund:				
Principal	0	0	4,815	0
Accrued Interest	0	0	0	68
Sub-total – Available For Sale Financial Assets	41,000	0	44,615	68
Loans & Receivables – Other Investments				
Principal	5,000	34,900	0	39,300
Accrued Interest	0	54	0	96
Sub-total – Other Investments	5,000	34,954	0	39,396
Sub-Total Investments	**46,000**	**34,954**	**44,615**	**39,464**
Loans & Receivables - Cash and cash equivalent:				
Cash at Bank	0	8,886	0	9,007
Principal	0	37,690	0	37,700
Accrued interest	0	17	0	19
Sub-total Cash and Cash equivalent	**0**	**46,593**	**0**	**46,726**
Loans & Receivables – Other Financial Instruments				
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
Sub-total	**12,992**	**4,663**	**12,824**	**5,907**
TOTAL FINANCIAL ASSETS	**58,992**	**86,210**	**57,439**	**92,097**

	Long Term 31 March 2015 £000	Short Term 31 March 2015 £000	Long Term 31 March 2016 £000	Short Term 31 March 2016 £000
FINANCIAL LIABILITIES				
Financial Liabilities at Amortised Cost - Borrowings				
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
Sub-total	**(95,647)**	**(2,689)**	**(102,874)**	**(4,683)**
Financial Liabilities at Amortised Cost - Other Financial Instruments				
Trade Creditors (included within short term creditors)	0	(3,576)	0	(3,643)
Sub-total	**0**	**(3,576)**	**0**	**(3,643)**
Other Long Term Liabilities				
PFI and finance lease liabilities	(5,987)	(196)	(5,777)	(209)
Sub-total	**(5,987)**	**(196)**	**(5,777)**	**(209)**
TOTAL FINANCIAL LIABILITIES	**(101,634)**	**(6,461)**	**(108,651)**	**(8,535)**

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.

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.

Financial assets measured at fair value				
Recurring fair value measurements	**Input level in fair value hierarchy**	**Valuation technique used to measure fair value**	**As at 31/3/16 £000**	**As at 31/3/15 £000**
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
Total			**44,615**	**41,000**

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. A firm of financial experts and valuers has 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.

Various methods of measuring fair value of the airport have been considered by the financial experts and valuers including earnings-based, discounted cash flow, net asset value and dividend yield methods. They consider that, based on nature and size of the group, the earnings based is the most appropriate for 2015/16. 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.

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 31st March the Council held £86.0m financial assets and £110.2m financial liabilities for which Level 2 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 £000	**Fair Value £000**	**Principal £000**	**Add EIR adjustment £000**	**Add accrued Interest £000**	**Carrying Amount £000**	**Fair Value £000**
Financial Liabilities (Long and Short Term) – Measured at amortised cost							
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
Sub total	**101,912**	**142,370**	**107,864**	**2,402**	**934**	**111,200**	**175,547**
PFI & finance lease	6,182	8,662	5,986	0	0	5,986	8,392
Sub total	**6,182**	**8,662**	**5,986**	**0**	**0**	**5,986**	**8,392**
Total	**108,094**	**151,032**	**113,850**	**2,402**	**934**	**117,186**	**183,939**

Assets						
	31 March 2015		31 March 2016			
	Carrying Amount £000	Fair Value £000	Principal £000	Add accrued Interest £000	Carrying Amount £000	Fair Value £000
Loans & Receivables						
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
Sub total	**46,593**	**46,593**	**46,707**	**19**	**46,726**	**46,726**
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
Sub total	**57,570**	**57,779**	**62,846**	**164**	**63,010**	**63,111**
Available For Sale Financial Assets						
MAG Shareholding	41,000	41,000	39,800	0	39,800	39,800
Sub total	**41,000**	**41,000**	**39,800**	**0**	**39,800**	**39,800**
Total	**145,163**	**145,372**	**149,353**	**183**	**149,536**	**149,637**

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 liabilities 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 for PWLB loans of £47.2m and Market loans of £57.0m would be valued at £57.7m and £89.4m respectively. But, if the authority were to seek to avoid the projected loss by repaying the loans, a charge for early redemption in respect of the interest that will not now be paid will be incurred. The exit price including principal, accrued interest and the penalty charge for PWLB loans would be £64.4m and for Market loans £107.5m.

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**
Net gain/(loss) for the year	**6,183**	**(4,241)**	**(4,300)**	**(2,358)**	**6,093**	**(5,289)**	**1,385**	**2,189**

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

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

17. Inventories (Balance Sheet page 16)

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

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

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 16)

Long Term Debtors & Prepayments

Restated 31.3.15 £000		31.3.16 £000
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
14,637	**Total**	**14,447**

(i) The 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

Restated 31 March 2015 £000	Amounts falling due within one year	31 March 2016 £000
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)
21,614	**Total**	**27,167**

** 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:

Restated 31 March 2015 £000		31 March 2016 £000
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
21,614	**Total**	**27,167**

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

20. Cash and Cash Equivalents (Balance Sheet page 16)

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

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

21 Assets Held for Sale (Balance Sheet page 16)

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**
Balance at start of year	**3,242**	**5,198**
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)		
Balance at year-end	**5,198**	**7,097**

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 16)

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)
(9,990)	**Total**	**(9,789)**

(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		
31 March 2015 £000		**31 March 2016 £000**
(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)
(55,223)	**Total**	**(63,198)**

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

Short Term Creditors		
31 March 2015 £000		**31 March 2016 £000**
(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)
(55,223)	**Total**	**(63,198)**

23 Provisions (Balance Sheet page 16)

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

Total Provision	Balance 1 April 2014 £000	Net Movement in Year £000	Balance 1 April 2015 £000	Net Movement in Year £000	Balance 31 March 2016 £000
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)
Total	**(25,176)**	**6,308**	**(18,868)**	**97**	**(18,771)**

(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 zero (£0.172m in 2014/15). 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**
Balance at 1 April 2015	**(664)**	**(3,624)**	**(14,580)**	**(18,868)**
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				
Balance as at 31 March 2016	**(264)**	**(4,330)**	**(14,177)**	**(18,771)**

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)
(12,582)	**Total Short Term**	**(12,278)**
(2,614)	Insurance	(2,986)
(172)	VAT on Parking income	
(3,500)	NDR Appeals	(3,493)
0	VAT on DFG Admin fees	(14)
(6,286)	**Total Long Term**	**(6,493)**
(18,868)	**Total**	**(18,771)**

24. Usable Reserves (Balance Sheet page 16)

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.

2015 £000		2016 £000
(7,526)	**Balance carried forward at 1 April**	**(11,540)**
(10,049)	Capital receipts in the year from sale of assets(net of disposal costs)	(878)
(17,575)	**Sub-total**	**(12,418)**
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	
(11,540)	**Balance carried forward at 31 March**	**(9,250)**

25. Unusable Reserves (Balance Sheet page 16)

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.

Restated 31 March 2015 £000	Unusable Reserves	31 March 2016 £000
(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
(76,258)	**Total Unusable Reserves**	**(160,772)**

(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.

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

(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 £10.214m 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 was £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.

2014/15 £000		2015/16 £000
(26,486)	**Balance as at 1 April**	**(30,786)**
(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	-
(30,786)	**Balance as at 31 March**	**(29,401)**

(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)	**Balance as at 1 April** **Restatement for Foundation Schools included on Balance Sheet**	**(315,874)**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
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)	**Balance as at 31 March**	**(326,487)**

(iv) Financial Instruments Adjustment Account

2014/15 £000		2015/16 £000
5,934	**Balance as at 1 April**	**5,670**
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	(268)
	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	
5,670	**Balance at 31 March**	**5,402**

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.

2014/15 £000		2015/16 £000
(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
(284,188)	**Balance as at 31 March**	**(226,011)**

(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.

2014/15 £000		2015/16 £000
15,003	**Balance as at 1 April**	**5,296**
(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)
5,296	**Balance as at 31 March**	**(2,312)**

(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.

2014/15 £000		2015/16 £000
3,557	**Balance as at 1 April**	**4,298**
(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)
4,298	**Balance as at 31 March**	**3,884**

26. Cash Flow Statement – Operating Activities (page 20)

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)
(19,965)	Carrying value on disposal of Property, Plant and Equipment, Investment Property and Intangible Assets	(10,533)
2,114	Investment Properties Losses (Gains)	5,124
22	Other non-cash adjustments	24
(58,045)		**(22,688)**

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
25,613		**12,905**

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 20)

The cash flows for investing activities include the following items:

2014/15 £000		2015/16 £000
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)
4,030	**Net cash flows from investing activities**	**14,861**

28 Cash Flow Statement – Financing Activities (page 20)

The cash flows for financing activities include the following items:

2014/15 £000		2015/16 £000
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)
(5,875)	**Net cash flows from investing activities**	**(12,898)**

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:

Directorate Income and Expenditure 2015/16	Children's Services £000	Adult Services £000	Economic Growth, Environment & Infrastructure £000	Transformation & Resources £000	Council Wide £000	Total £000
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)
Total income	**(155,312)**	**(37,585)**	**(14,567)**	**(13,714)**	**(85,105)**	**(306,283)**
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
Total expenditure	**184,005**	**83,334**	**46,012**	**29,614**	**106,674**	**449,639**
Net expenditure	**28,693**	**45,749**	**31,445**	**15,900**	**21,569**	**143,356**

Directorate Income and Expenditure 2014/15	Children's Services £000	Adult Services £000	Economic Growth, Environment & Infrastructure £000	Transformation & Resources £000	Council Wide £000	Total £000
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)
Total income	**(155,947)**	**(28,834)**	**(16,483)**	**(13,187)**	**(91,099)**	**(305,550)**
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
Total expenditure	**186,497**	**82,042**	**48,775**	**30,077**	**108,783**	**456,174**
Net expenditure	**30,550**	**53,208**	**32,292**	**16,890**	**17,684**	**150,624**

** 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.

	2014/15 £000	2015/16 £000
Net expenditure in the Directorate Analysis	**150,624**	**143,356**
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)
Cost of Services in Comprehensive Income and Expenditure Statement	**152,293**	**132,690**

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

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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)**
Total income	**(306,283)**	**0**	**(5,545)**	**19,889**	**(19,671)**	**(311,610)**	**(177,081)**	**(488,691)**
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 Capital Receipts Pool						**0**	1	**1**
Gain or loss on Disposal of Non-Current Assets						**0**	9,654	**9,654**
Total expenditure	**449,639**	**19,671**	**16,047**	**(41,058)**	**0**	**444,299**	**52,078**	**496,377**
Surplus or deficit on the provision of services	**143,356**	**19,671**	**10,502**	**(21,169)**	**(19,671)**	**132,689**	**(125,003)**	**7,686**

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							(80,133)	**(80,133)**
Government grants and contributions	(231,210)		(5,281)	11,291		**(225,200)**	(99,170)*	**(324,370)**
Total income	**(305,550)**	**0**	**(5,281)**	**25,698**	**(20,552)**	**(305,685)**	**(186,185)**	**(491,870)**
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 Capital Receipts Pool						**0**	4	**4**
Gain or loss on Disposal of Non-Current Assets						**0**	9,917	**9,917**
Total expenditure	**456,175**	**20,552**	**21,930**	**(40,552)**	**0**	**458,105**	**55,464**	**513,569**
Surplus or deficit on the provision of services	**150,625**	**20,552**	**16,649**	**(14,854)**	**(20,552)**	**152,420**	**(130,721)**	**21,700**

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

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
Net surplus on trading operations	**(400)**	**(314)**
Services to the public included in Expenditure of Continuing Operations	0	0
Support services recharged to Expenditure of Continuing Operations	0	0
Net surplus credited to Other Operating Expenditure	**(400)**	**(314)**

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)
Net (Surplus)/Deficit for the year	**(0)**	**(3,863)**
Balance b/fwd	**0**	**0**
Balance c/fwd	**0**	**(3,863)**

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,

	2014/15 £000	2015/16 £000
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
Balance to be carried forward	**0**	**0**

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
Final Allocation		**(14,130)**
Funding provided to the pooled budgets:		
Trafford Council	0	(1,441)
Trafford CCG	0	(12,689)
Total Funding	**0**	**(14,130)**
Expenditure met from the pooled budget:		
Trafford Council	0	6,587
Trafford CCG	0	7,543
Total Expenditure	0	**14,130**
Net (surplus)/deficit arising on the pooled budget during the year	0	0
	0	**0**

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
Total	**691**	**703**

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)
62 (2)	**62 (9)**	**Total**	**61 (1)**	**67 (12)**

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.

36. Officers' Remuneration (Continued)

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
Total	**25**	**32**	**101**	**236**	**126**	**268**	**1,120,986**	**2,414,211**	**39**	**95**	**683,923**	**1,464,439**

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.

36. Officers' Remuneration (Continued)

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	**188,683**
Corporate Director (Children, Families & Wellbeing)	(2)	120,304	0	0	0	0	22,670	**142,974**
Corporate Director (Environment, Transport & Operations)	(3)	1,633	0	0	0	(45)	309	**1,897**
Deputy Chief Executive	(4)	108,239	0	0	290	0	20,419	**128,948**
Corporate Director (Transformation & Resources)	(5)	57,416	0	0	0	0	11,106	**68,522**
Director of Finance (Chief Financial Officer)		94,232	0	0	464	1,806	17,753	**114,255**
Director of Legal & Democratic Services (Monitoring Officer)	(6)	79,534	0	0	0	0	14,982	**94,516**
Director of Public Health		80,692	0	0	0	0	11,353	**92,045**
Acting Corporate Director (Transformation & Resources)	(7)	38,088	0	0	0	0	5,991	**44,079**

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
Total	**210**	**145**

** 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
Agreed initial budgeted distribution in 2015/16	**(20,557)**	**(99,965)**	**(120,522)**
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
Carry forward to 2016/17	**(786)**	**0**	**(786)**

39. Grant Income (Comprehensive Income & Expenditure Statement page 14, Balance sheet page 16)

(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:

Grants	2014/15 £000	2015/16 £000
CREDITED TO TAXATION AND NON SPECIFIC GRANT INCOME		
Revenue Grants:		
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)
Revenue Grants Sub-total	**(49,277)**	**(38,649)**
Non Domestic Rates		
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)
Non-Domestic Rates Sub-total	**(34,505)**	**(36,676)**

Grants	2014/15 £000	2015/16 £000
Capital Grants :		
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)
Capital Grants Sub-total	**(15,262)**	**(12,462)**
Total Credited to Taxation & Non Specific Grant Income	**(99,044)**	**(87,787)**

Contributions and Donations

Large items of Income included in Other Contributions and Donations

	2014/15 £000	2015/16 £000
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
GRANTS CREDITED TO SERVICES		
Revenue Grants Credited to services:-		
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)	-

	2014/15 £000	2015/16 £000
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)
Revenue Grants Credited to Services Sub-total	**(212,748)**	**(209,812)**
Capital Grants Credited to services (REFCUS):-		
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)
Capital Grants Credited to services (REFCUS) Sub-total	**(5,354)**	**(5,545)**
Total Grants Credited to Services	**(218,102)**	**(215,357)**

(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:

2014/15 £000		2015/16 £000
	Short Term Liabilities:-	
	Capital Grants & Contributions Receipts in Advance:-	
(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)
(2,354)	**Total**	**(1,951)**

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

2014/15 £000		2015/16 £000
	Other Revenue Grants Receipts in Advance:-	
(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)
(1,941)	**Total Short Term Grants Receipts in Advance (Revenue)**	**(733)**

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

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
Total	**11,801**	**1,037**	**(1,777)**	**11,061**

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), Trafford Leisure CIC Ltd, wholly owned by the Council. For the year 2015/16, the Council made payments to the CIC totalling £0.356m. A similar CIC, called Trust Youth Trafford was also established on 11th March 2016 for the provision of Youth Services. No financial transactions with the Youth CIC had been made in 2015/16.

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 were not prepared in 2015/16 on grounds of materiality, however they will be included from 2016/17 once the full year effect has come into effect.

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
34,159	**Total Grants**	**35,189**

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.

31.03.15 £m	***Manchester Airport Consolidated Profit and Loss Account and Balance Sheet (Extract)***	31.03.16 £m
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.

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
Opening Capital Financing Requirement Capital Investment	**143,242**	**138,239**
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
Sources of finance		
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)
Closing Capital Financing Requirement	**138,239**	**134,815**
Explanations of movement in the year		
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		
Increase/(decrease) in Capital Financing Requirement	**(5,003)**	**(3,424)**

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

Year ended 31 March	2014/15 £000	2015/16 £000
SERVICE:		
Children, Families and Wellbeing	16,196	19,460
Economic Growth, Environment & Infrastructure	9,540	10,997
Transformation and Resources	743	1,396
Total	**26,479**	**31,853**
The main items of capital expenditure during the year included:		
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
Total		**31,853**
(*) REFCUS		

The type of capital expenditure in the year and how it was financed was as follows:			
	£000		**£000**
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
Total Capital Expenditure on an accruals basis	**31,853**		**31,853**

(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
	2,404	**1,819 ***

* 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 4th 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 £2.327m (£2.418m 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
	89,022	**87,983**

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.

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

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:

	2014/15 £000	2015/16 £000
Balance outstanding as at start of year	6,366	6,182
Payments during the year	(184)	(196)
Capital expenditure incurred in the year		
Balance outstanding at year-end	**6,182**	**5,986**
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

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
COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT		
	Cost of Services:	
	Service Cost comprising:	
17,354	• current service cost	18,905
764	• past service costs	894
-	• (gain)/loss from settlements	(7,773)
	Financing and Investment Income and Expenditure:	
8,925	• net interest cost	9,016
27,043	*Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services*	21,042
-	*Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement*	-
	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)
94,627	**Total Post Employment Benefit Charged to the Comprehensive Income & Expenditure Statement**	**(43,614)**
	Movement in Reserve Statement	
(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)
	Actual amount charged against the General Fund Balance for pensions in the year:	
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
(285,012)	**Net Liability arising from defined benefit obligation**	**(226,011)**

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
	Re-measurement gain/(loss):	
38,324	• The return on plan assets, excluding the amount included in the net interest expense • Other	(21,466)
16,557	Contributions from employer	15,387
4,781	Contributions from employees into the scheme	4,196
(23,706)	Benefits paid	(24,742)
584,849	**Closing fair value of scheme assets**	**551,724**

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
	Re-measurement (gains) and losses:	
-	• 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)
869,861	**Closing present value of scheme liabilities**	**777,735**

Pension Scheme Assets comprised:

	Period ended 31 March 2016				Period ended 31 March 2015			
Asset category	**Quoted prices in active markets £000**	**Quoted prices not in active markets £000**	**Total £000**	**Per-centage of total asset %**	**Quoted prices in active markets £000**	**Quoted prices not in active markets £000**	**Total £000**	**Per-centage of total asset %**
Equity Securities:								
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 Information	23,071		23,071	4%	27,637	-	27,637	5%
Technology	12,396		12,396	2%	11,772	-	11,772	2%
Other	7,271		7,271	1%	7,356	-	7,356	1%
Debt Securities:								
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%
Private Equity:								
All	-	13,785	13,785	2%	-	16,250	16,250	3%
Real Estate:								
UK Property	-	17,373	17,373	3%	-	16,192	16,192	3%
Overseas Property	-	-	-	0%	-	-	-	0%
Investment Funds and Unit Trusts:								
Equities	153,741		153,741	29%	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%
Derivatives:								
Inflation	-	-	-	0%	-	-	-	0%
Interest Rate	-	-	-	0%	-	-	-	0%
Foreign Exchange	-	-	-	0%	-	-	-	0%
Other	1,452	-	1,452	0%	6,526	-	6,526	1%
Cash & Cash Equivalents:								
All	13,909	-	13,909	3%	15,250	-	15,250	3%
Totals	**486,339**	**65,385**	**551,724**	**100%**	**517,084**	**67,765**	**584,849**	**100%**

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
	Longevity at 65 for current pensioners:	
21.4 years	• men	21.4 years
24.0 years	• women	24.0 years
	Longevity at 65 for future pensioners:	
24.0 years	• men	24.0 years
26.6 years	• women	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.

m) AMEY Contract – Warranties, Indemnities – TUPE and Pension

A number of warranties, guarantees and indemnities are provided for within the Partnership Agreement covering the One Trafford partnership with AMEY Plc. Complete details are available from the Director of Legal and Democratic Services; however a brief summary of the salient points of the major indemnities are as follows

i) TUPE - The Council has agreed to indemnify AMEY Plc against any liability which arises, partly as a result of any omission by the Council before or after the Service Commencement, in relation to any Transferring Employee who transfers in accordance with TUPE.

i) Pensions - Employer Contributions - The Council has endeavoured to ensure that the Contribution Rate is calculated on the basis that the liabilities for the Eligible Employees at the Relevant Transfer Date are notionally fully funded on the basis of the assumptions used by the actuary to the Pension Fund. The Council has agreed with AMEY if there is an obligation during the Agreement Period to pay employer contributions which have been determined by reference to a contribution rate greater than the actual Contribution Rate made, the Council shall pay to AMEY an “Excess Amount” equal to the difference between the amount actually paid to the Pension Fund and those which they would have been obliged to contribute

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;

Approved policy	Activity undertaken
Debt	
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: • pre 1 April 2008 – MRP is calculated on an straight line basis over the expected average useful life of the assets • post 1 April 2008 – MRP is calculated over the life of the asset:
Investment	
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 Septembers 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
Authorised Borrowing Limit		
Maximum level of external debt & other long term liabilities (PFI & leases) undertaken by the authority including any temporary borrowing – this is statutory limit under section 3(1) of the Local Government Act 2003.	£146m	£110m
Operational Boundary		
Calculated on a similar basis as the Authorised limit & represents the expected level of external debt & other long term liabilities (PFI & leases) excluding any temporary borrowing - it is not a limit.	£131m	£110m
Upper limits on fixed interest rates		
Maximum limit of fixed interest rate exposure – debt less investment	£2.7m	£2.4m
Upper limits on variable interest rates Maximum limit of fixed interest rate exposure – debt less investment	£3.2m	£2.8m
Gross debt and Capital Financing Requirement		
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.	£4.4m	£24.8m
Maturity structure of fixed rate borrowing		
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%.		
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%
Maximum principal funds invested exceeding 364 days (including Manchester Airport shares with a value of £39.8)		
These limits are set to reduce the need for early sale of an investment	£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;

Financial Asset Category	Minimum credit rating (Fitch or equivalent)	Maximum investment	Maximum period
Banks & Building Societies	Short Term: F1	£20m	3 Years
	Long Term: AA-		
Banks & Building Societies	Short Term: F1	£5m	1 Year
	Long Term: A-		
	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.

Deposits with banks and financial institutions	Amount at 31 March 2016 £000	Historical experience of default* %	Estimated maximum exposure to default £000
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
Total	**87,025**		**224**

* 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 £000	%	31 March 2016 £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
Total	**77,590**	**100**	**81,815**	**100**

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 £000s	31 March 2016 £000s
Less than one year	3,609	5,210
Total	**3,609**	**5,210**

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;

Period	31 March 2015 £000	31 March 2016 £000
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
Total	**77,590**	**81,815**

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:

Period	31 March 2015 £000	31 March 2016 £000
Under 1 Year	2,909	4,916
1 year to 2 years	3,982	3,180
2 years to 5 years	9,272	10,080
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
Total	**104,518**	**113,543**

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:

	£000
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.

Value of Fund £ 31.03.15		Value of Fund £ 31.03.16
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
443,664	**Sub-total**	**437,205**
0	Monies held in Criminal Injuries Compensation Scheme Trust	0
443,664	**Total monies held in Trusts**	**437,205**

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
Adult Social Care	**74,908**	**(18,172)**	**56,736**
Restatement (i) Restatement (iii)	2,121 0	(2,121) (125)	0 (125)
Restated Adult Social Care	**77,029**	**(20,418)**	**56,611**
Cost of Services	**412,879**	**(260,461)**	**152,418**
Restatement (i) Restatement (iii)	2,121 0	(2,121) (125)	0 (125)
Restated Cost of Services	**415,000**	**(262,707)**	**152,293**
Taxation and Non-Specific Grant Income and Expenditure	**-**	**(179,802)**	**(179,802)**
Restatement (ii) Restatement (iii)	- -	500 125	500 125
Restated Taxation and Non-Specific Grant Income and Expenditure	**-**	**(179,177)**	**(179,177)**
(Surplus) or Deficit on Provision of Services	**-**	**-**	**21,200**
Restatement (ii)	-	-	500
(Surplus) or Deficit on Provision of Services	**-**	**-**	**21,700**
Total Comprehensive (Income) and Expenditure	**-**	**-**	**71,433**
Restatement (i)	-	-	500
Restated Total Comprehensive (Income) and Expenditure	**-**	**-**	**71,933**

balance sheet			
	31 March 2015 £000	**Restatements £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
Long Term Assets	**523,245**	**0**	**523,245**
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
Current Assets	**108,697**	**0**	**108,697**
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)
Current Liabilities	**(74,861)**	**(500)**	**(75,361)**
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)
Long Term Liabilities	**(408,207)**	**0**	**(408,207)**
Net Assets	**148,874**	**(500)**	**148,374**

balance sheet (continued)			
	31 March 2015 £000	Restatements £000	Restated 31 March 2015 £000
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)
Usable Reserves	**(72,616)**	**500**	**(72,116)**
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
Unusable Reserves	**(76,258)**	**0**	**(76,258)**
Total Reserves	**(148,874)**	**500**	**(148,374)**

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
MOVEMENT IN RESERVES DURING 2014/15:								
Surplus or (deficit) on the provision of services	**21,201**	**0**	**0**	**0**	**0**	**21,201**	**0**	**21,201**
Restatement (ii)	500	0	0	0	0	500	0	500
Restated Surplus or (deficit) on the provision of services	**21,701**	**0**	**0**	**0**	**0**	**21,701**	**0**	**21,701**
Total Comprehensive Income and Expenditure	**21,201**	**0**	**0**	**0**	**0**	**21,201**	**50,233**	**71,434**
Restatement (ii)	500	0	0	0	0	500	0	500
Restated Total Comprehensive Income and Expenditure	**21,701**	**0**	**0**	**0**	**0**	**21,701**	**50,233**	**71,934**
Net Increase/(Decrease) before transfers to Earmarked Reserves	**13,112**	**0**	**(4,013)**	**(28)**	**(390)**	**8,681**	**62,751**	**71,432**
Restatement (ii)	500	0	0	0	0	500	0	500
Restated Net Increase/(Decrease) before transfers to Earmarked Reserves	**13,612**	**0**	**(4,013)**	**(28)**	**(390)**	**9,181**	**62,751**	**71,932**
Transfers to/(from) Earmarked Reserves	**(10,003)**	**10,003**	**0**	**0**	**0**	**0**	**0**	**0**
Restatement (ii)	(500)	500	0	0	0	0	0	0
Restated Transfers to/(from) Earmarked Reserves	**(10,503)**	**10,503**	**0**	**0**	**0**	**0**	**0**	**0**
Increase/(Decrease) in 14/15	**3,109**	**10,003**	**(4,013)**	**(28)**	**(390)**	**8,681**	**62,751**	**71,432**
Restatement (ii)	0	500	0	0	0	500	0	500
Restated Increase/(Decrease) in 14/15	**3,109**	**10,503**	**(4,013)**	**(28)**	**(390)**	**9,181**	**62,751**	**71,932**
Balance as at 31 March 2015	**(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**
Restated Balance as at 31 March 2015	**(7,871)**	**(35,278)**	**(11,540)**	**(36)**	**(17,390)**	**(72,115)**	**(76,260)**	**(148,375)**

Extract for restated items only

Cash flow statement

Year Ended 31 March	2014/15 £000	Restate-ments £000	Restated 2014/15 £000
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 **(note 26a)**	(57,545)	(500)	(58,045)

Supplementary Statements

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**
			INCOME				
-	(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	3	(15,656)		(15,656)
(175,202)	**(96,260)**	**(271,462)**	**TOTAL INCOME**		**(180,404)**	**(97,954)**	**(278,358)**
			EXPENDITURE				
			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

Collection fund (continued)

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**
			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	3	3,490	357	3,847
155,782	**95,945**	**251,727**	**TOTAL EXPENDITURE**		**166,706**	**96,884**	**263,590**
(19,420)	**(315)**	**(19,735)**	**(Surplus) / Deficit for year**		**(13,698)**	**(1,070)**	**(14,768)**
31,553	**(457)**	**31,096**	**Balance brought forward as 1 April**		**12,133**	**(772)**	**11,361**
(19,420)	(315)	(19,735)	Deficit/(Surplus) for the Year (as above)		(13,698)	(1,070)	(14,768)
12,133	**(772)**	**11,361**	**(Surplus) / Deficit as at 31 March**	4	**(1,565)**	**(1,842)**	**(3,407)**
			Allocated to:				
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)
12,133	**(772)**	**11,361**			**(1,565)**	**(1,842)**	**(3,407)**

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
	86,988		**82,117**
Less allowance for losses on collection			(780)
Adjustment for Annexes estimate			(76)
Less cost of Council Tax Support Scheme			(8,592)
Council Tax Base			**72,669**

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).

From 1st April 2015, the Greater Manchester & Cheshire East (GM&CE) Business Rates pool was established, consisting of the ten Greater Manchester councils plus Cheshire East. The aim of pool is to maximise the retention of locally generated business rates and to ensure that it further supports the economic regeneration of the region. The Pool is not liable to pay any levy on business rate growth to central government and retains this locally because in aggregate the Pool is a net top-up area.

As a consequence, Trafford's levy payable on the business rate growth of £2.249m was made directly to the pool rather than being passed directly to Central Government. Under the pool agreement, Trafford negotiated a further rebate of 33.33%, resulting in income of £0.75m in 2015/16.

Manchester City Council acted as the lead pool authority with responsibility for all accounting and administration of the Pooled Fund including distributing top up funding, collecting tariff payments and all auditing and financing requirements as set out in relevant legislation.

In addition to the above, 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. Due to the uncertainty surrounding the amounts to be retained by the Pool and its application, reference has only been made to such as a contingent asset within Trafford's statement of accounts.

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:-

Value of Provision £ 31.03.15		Value of Provision £ 31.03.16
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
(8,250)	**Net Increase/(Decrease)**	**59**
28,573	**Balance at 31 March**	**28,514**

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.

2014/15 £000	Distribution of Council Tax (Surplus) on Collection Fund	2015/16 £000
(300)	Trafford	(300)
(40)	Police and Crime Commissioner for GM	(41)
(16)	Greater Manchester Fire & Rescue Authority	(16)
(356)	**Estimated Collection Fund (Surplus)/Deficit**	**(357)**

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.

2014/15 £000	Collection of NDR Deficit on Collection Fund	2015/16 £000
7,860	Trafford	5,961
8,021	Central Government	6,083
160	Greater Manchester Fire & Rescue Authority	122
16,041	**Estimated Collection Fund (Surplus)/Deficit**	**12,166**

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.

2014/15 £000	Allocation of year-end (Surplus)/Deficit on Collection Fund	2015/16 £000
(649)	Trafford	(1,545)
(89)	Police and Crime Commissioner for GM	(216)
(34)	Greater Manchester Fire & Rescue Authority	(81)
(772)	**Estimated Collection Fund (Surplus)/Deficit**	**(1,842)**

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.

2014/15 £000	Allocation of year-end (Surplus)/Deficit on Collection Fund	2015/16 £000
5,945	Trafford	(767)
121	Greater Manchester Fire & Rescue Authority	(16)
6,067	Central Government	(782)
12,133	**Estimated Collection Fund (Surplus)/Deficit**	**(1,565)**

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.

Curtailment

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.

Curtailments 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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TRAFFORD COUNCIL

Report to:	**Accounts and Audit Committee**
Date:	**29 September 2016**
Report for:	**Information**
Report of:	**Audit and Assurance Manager**

Report Title

Audit and Assurance Report for the Period April to June 2016.

Summary

The purpose of the report is:

- **To provide a summary of the work of Audit and Assurance during the period April to June 2016.**
- **To provide ongoing assurance to the Council on the adequacy of its control environment.**

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 and Assurance Service Report
April to June 2016

Date: **September 2016**

1. Purpose of Report

This report summarises the work of the Audit and Assurance Service between April and June 2016. At the end of the year, these quarterly reports will be brought together in the Annual Head of Internal Audit Report which will give the opinion on the overall effectiveness of the Council's control environment during 2016/17.

2. Planned Assurance Work

Key elements of the 2016/17 Work Plan include:

- Fundamental Financial Systems reviews.
- Governance review work and completion of the Annual Governance Statement for 2015/16.
- Continued input to risk management arrangements and provision of guidance.
- Review of corporate procurement and value for money arrangements.
- ICT audit reviews.
- Anti fraud and corruption work.
- Ongoing advice to services and input / advice in respect of key projects across the Council.
- School audits and other establishment audit reviews.
- Grant claim certification work
- Audit reviews of other areas of business risk.

3. Main areas of focus – Q1 2016/17

Work in this quarter included a particular focus on the following :

- Progression and completion of a number of fundamental financial systems reviews.
- Completion of a number of schools audit reviews.
- Work in compiling the Draft Annual Governance Statement.

Points of information to support the report:

Audit Opinion Levels (RAG reporting) :

Opinion – General Audits

High – Very Good	**Green**
Medium / High – Good	**Green**
Medium – Adequate	**Green**
Low / Medium - Marginal	**Amber**
Low – Unsatisfactory	**Red**

An opinion is stated in each audit report to assess the standard of the control environment.

Report Status:

Draft reports:
These are issued to managers prior to the final report to provide comments and a response to audit recommendations.

Final reports:
These incorporate management comments and responses to audit recommendations, including planned improvement actions.

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 such as an establishment.

4. Summary of Assurances for 1st Quarter 2016/17

There were 13 internal audit opinion reports issued in the quarter, 8 final reports and 5 at draft stage.

At least "Adequate" Opinions (Medium or above) were given in relation to all the reviews. For all final reports issued, agreed action plans are in place to implement the recommendations made.

A listing of audit report opinions issued including key findings is shown in Section 5.

Of the 13 audit reviews, 4 of these were follow up reviews of previous audits undertaken. Good progress has been made in implementing previous recommendations (See Sections 5 and 7).

Work was also in progress across a number of other audit reviews which will continue in quarter two with further reports issued (See Section 9 for areas of focus in the next quarter).

5. Summary of Audit & Assurance Opinions Issued – Q1: 2016/17

REPORT NAME (DIRECTORATE) / (PORTFOLIO) by Coverage Level (1-4)	-OPINION -R/A/G -Date Issued	COMMENTS
FINAL REPORTS		
Level 4 Reports:		
Council tax (T&R) / (Finance)	**High (GREEN)** (7/4/16)	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.
Business Rates (T&R) / (Finance)	**High (GREEN)** (28/4/16)	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.
STAR Shared Procurement Service follow up audit review (T&R) / (Finance)	**N/A * (GREEN)** (13/4/16)	A review was undertaken in 2015/16 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. As stated in the 2015/16 Head of Internal Audit Annual Report, it was 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 recording data on the savings register and processes for verifying data before it is reported to the STAR Joint Committee. It was noted that all five recommendations made had been implemented.
STAR Contracts Register follow up (T&R) / (Finance)*	**N/A * (GREEN)** (18/4/16)	A review was undertaken in 2015/16 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. As stated in the 2015/16 Head of Internal Audit Annual Report, findings were that whilst overall adequate arrangements were in place for maintaining the register, it was acknowledged that work is ongoing to continue to improve processes. Recommendations made included 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. Of the six recommendations made, four have been fully implemented and two are being progressed on an ongoing basis.
Cash Expenditure Control – Imprest Accounts (Authority-Wide) / (Finance).	**Medium (GREEN)** (12/5/16)	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. All recommendations made were accepted including that 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.

Payroll (T&R) / (Finance)	**Medium/High (GREEN)** (29/6/16)	Overall, adequate systems and controls were found to be in place. Some recommendations were made during the review in addition to noting other improvement actions which were in progress during the audit. Agreed actions included ensuring processes for record retention are in line with the Financial Procedure Rules; revised processes to ensure overpayments are recovered promptly; and as part of regular checks of the staffing establishment, details to be recorded on the monthly establishment lists shared with service managers to include the relevant reporting manager for each employee.
Level 2 Reports :		
IT Governance and Security in Schools follow up audit review (CFW and T&R) / (Children's Services and Transformation and Resources)	**High * (GREEN)** (11/5/16)	In the original audit review, following audit visits to a sample of schools in Trafford, a number of actions were recommended to improve ICT Security and Governance across schools. These included required improvements identified at some schools in respect of system back up arrangements and in the secure transmission of data. It was noted that all 14 recommendations had been implemented. Findings from this latest follow up audit highlight that all schools have been provided with advice based on the recommendations made and also the Council offers support across a number of areas to enable best practice to be implemented.
Level 1 Reports :		
Moss Park Junior School (CFW) / (Children's Services)	**Medium/High (GREEN)** (22/4/16)	A good standard of control was found to be in place 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. All recommendations were accepted with agreed actions included in the final audit report.
DRAFT REPORTS		
Level 4 Reports:		
Cash Income Control (T&R/Authority Wide) / (Finance)	**Medium (GREEN)** (30/6/16)	A draft report was issued to summarise work undertaken as part of an on-going series of audits in areas where there is a significant element of cash income and/or significant levels of cash held. (Agreed findings per the final report issued to be reported in the quarter two update).
Level 1 Reports:		
St. Joseph's Catholic Primary School (CFW) / (Children's Services)	**Medium/High (GREEN)** (16/6/16)	Overall, a good standard of internal control and governance was found to be in place across most areas covered. Some actions were agreed to enhance existing systems and processes. These include the updating of the school's business continuity plan based on Council guidance and also the updating of equipment inventories to ensure valuable assets are adequately controlled and accounted for.
Brentwood School (CFW) / (Children's Services)	**Medium/High (GREEN)** (17/6/16)	Overall, a good standard of internal control and governance was found to be in place across most areas covered. Some actions were agreed to enhance existing systems and processes. These include updating of the Governors' handbook to include Committee remits; further updating of the school website and further review and update of the school's IT relates policies.
Urmston Infant School (CFW) / (Children's Services)	**Medium (GREEN)** (29/6/16)	Systems and controls were found to be adequate across most areas covered. Improvements in control and governance were recommended in some areas. A final report is due to be issued in September 2016, including a completed action plan.
All Saints Catholic Primary School (CFW) / (Children's Services)	**Medium / High * (GREEN)** (30/6/16)	This was a review which included follow up of progress made in implementing previous audit recommendations made. Good progress had been made. Of the 10 recommendations previously made, three had been fully implemented, six were implemented in part and only one recommendation (in relation to petty cash processes) was still to be implemented.
		**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 internal audit review.*

6. Other Assurance Work

There is a significant amount of work undertaken by the Service that does not result in an audit opinion report being issued. Work in the quarter has included the following:

- Facilitating the production of the 2015/16 Draft Annual Governance Statement (reported to the Accounts and Audit Committee on 28 June 2016).
- Facilitating the update and reporting of the strategic risk register (reported to the Corporate Leadership Team in June 2016).
- Completing a number of checks as part of the process for certifying grant claims with work completed or commencing including the following areas: Local Growth Fund, Public Health, and Integrated Transport & Highways Capital Maintenance.

7. Impact of Audit Work – Improvements to the Control Environment

Key indicators of the impact of Audit and Assurance are: (a) Acceptance of Recommendations (b) Implementation of them.

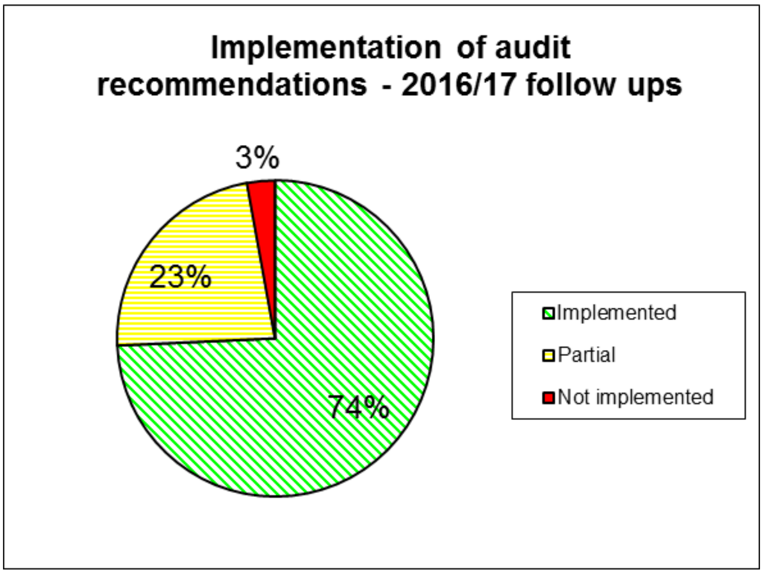
Acceptance of Recommendations

From the final audit opinion reports issued during the quarter (as listed in Section 5), all recommendations made were accepted (100%). Note: Service Annual Target is 95%.

Implementation of Audit Recommendations

Final audit reports are followed up to assess progress in implementing improvement actions identified through audit recommendations. Recommendations made by the Audit and Assurance Service are followed up by a number of means.

In quarter one, four follow up audit reviews were completed as described in section 5 which concludes on progress made in implementing previous recommendations. As detailed in respect of the individual audits, the majority of recommendations made have been implemented. An overall analysis of recommendations followed up is shown below, which comprises the 35 recommendations followed up over four follow up audit reviews completed in quarter one (STAR Shared Procurement Service, STAR Contracts Register, IT Governance and Security in Schools and All Saints Catholic Primary School).



A number of other follow up reviews of reports issued in 2015/16 will be completed in 2016/17 as part of the Internal Audit Plan. In quarter two this is expected to include the issue of a draft audit report of Springfield Primary School (Low/Medium opinion previously provided in 2015/16) and also the issue of the final follow up audit report in respect of a review of Client monies.

Client Feedback

It should also be noted that results from feedback from clients following each audit, recorded on a client survey, will be collated and reported both for the Quarter two update and also results for the year in the Annual Head of Internal Audit Report.

8. Performance against Audit & Assurance Annual Work Plan

Appendix A shows an analysis of time spent to date against planned time for the 2016/17 Operational Internal Audit Plan

As at the end of quarter one, 209 audit days were spent to date against 194 planned allocated days for quarter one.

As part of the Internal Audit Plan, a target of 35 audit opinion reports was set to be issued during 2016/17. As at the end of the first quarter, 11 opinion reports were issued to final or draft stage (31% of the total target for the year).

9. Planned Work for Quarter 2, 2016/17

Areas of focus include :

- Progression of planned internal reviews including issue of audit reports for the following reviews :
  - Insurance
  - Income Control
  - Parking Enforcement
  - SAP financial system IT controls
  - Two library audit reviews (Coppice Avenue and Stretford)
  - One Children's centre (Stretford)
  - One school audit (Blessed Thomas Holford Catholic College).
- Issue of final reports in relation to the five draft reports listed in Section 5.
- Preparation for submission of NFI data as part of the 2016/17 data matching exercise, with a deadline for submission of October 2016.
- Updating existing risk management guidance on the intranet.
- Facilitate the production of the finalised version of the 2015/16 Annual Governance Statement.
- Completion of Internal Audit checks of two grant claims required to be completed during the quarter (Integrated Transport and Highways Capital Maintenance; Cycle City Ambition Grant).

10. Other Updates – Public Sector Internal Audit Standards

- As indicated in previous updates, the Service has worked with colleagues within the North West Head of Internal Audit Group to consider arrangements for establishing a future external assessment of Internal Audit in line with the Public Sector Internal Audit Standards. A number of options were considered, in consultation with the Chair and Vice Chair of the Accounts and Audit Committee. It was agreed that the assessment to be completed in the next financial year will be undertaken by the Chartered Institute of Public Finance and Accountancy (CIPFA).

APPENDIX A

2016/17 Operational Plan: Planned against Actual Work (as at 30 June 2016)

Category	Details	Planned Days 2016/17	Planned Days (up to 30/6/16)	Actual Days (as at 30/6/16)
Fundamental Systems	Completion of fundamental financial systems reviews	230	40	39
Governance	Corporate Governance Review / Collation of supporting evidence and production of the 2015/16 Annual Governance Statement (AGS) and preparation for the 2016/17 AGS. Advice / assurance in respect of governance issues including partnership governance.	50	20	12
Corporate Risk Management	Facilitating the updating of the Council's strategic risk register and other actions to support the Council's Risk Management Strategy	30	6	4
Anti-Fraud and Corruption	Investigation of referred cases. Work in co-ordinating the reporting of the Council's NFI data matching exercise. Work to review the existing Anti- Fraud and Corruption Strategy and Policy, including where applicable, raising awareness of supporting guidance to promote measures to prevent, deter or detect instances of fraud and corruption.	140	25	9
Procurement / Value for money	Review of procurement / contract management arrangements across the Council including systems in place and associated arrangements to secure value for money. (This will include liaison with the STaR Procurement Service and partner authority auditors).	70	10	10
ICT Audit	Audit reviews to be completed in line with the ICT audit plan. Investigation of misuse of ICT.	60	9	6
Schools	School Audit reviews Support the Council in raising awareness with schools of the DfE Schools Financial Value Standard (SFVS).	170	40	54
Assurance – Other Key Business Risks	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.	180	30	43
Grant claims checks / Data Quality	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	4	19

Service Advice / Projects	**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.**	60	10	13
TOTAL		**1020**	**194**	**209**

TRAFFORD COUNCIL

Report to: **Executive**
Date: **19 September 2016**
Report for: **Discussion**
Report of: **The Executive Member for Finance and the Chief Finance Officer**

Report Title:

Budget Monitoring 2016/17 – Period 4 (April to July 2016).

Summary:

The purpose of this report is to inform Members of the current 2016/17 forecast outturn figures relating to both Revenue and Capital budgets. It also summarises the latest forecast position for Council Tax and Business Rates within the Collection Fund.

Recommendation(s)

It is recommended that:

a) the Executive note the report and the changes to the Capital Programme as detailed in Paragraph 17.

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 and Capital expenditure to be contained within available resources in 2016/17.
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
Resource Implications e.g. Staffing / ICT / Assets	Not applicable
Risk Management Implications	Not applicable
Health & Wellbeing Implications	Not applicable
Health and Safety Implications	Not applicable

Other Options

Not Applicable

Consultation

Not Applicable

Reasons for Recommendation

Not Applicable

Finance Officer Clearance *…GB……………*
Legal Officer Clearance *…………JL……*

CORPORATE DIRECTOR'S SIGNATURE: Joanne Hyde

REVENUE BUDGET

Budget Monitoring - Financial Results

1. The approved budget agreed at the 17 February 2016 Council meeting is £147.32m. In determining the budget an overall gap of £22.64m was addressed by a combination of additional resources of £6.26m, including projected growth in business rates, council tax and use of general reserve and £16.38m of service savings and additional income.
2. Based on the budget monitoring for the first four months overall expenditure is broadly in line with budget apart from a small underspend of £159k.
3. The summary details of service variances against budget are shown in Table 1 and Table 2 below.

Table 1: Budget Monitoring results by Service	2016/17 Budget (£000's)	Forecast Outturn (£000's)	Forecast Variance (£000's)	Percent-age
Children's Services	29,911	31,599	1,688	5.6%
Adult Services	47,225	46,959	(266)	(0.6)%
Public Health	(573)	(466)	107	18.7%
Economic Growth, Environment & Infrastructure	32,198	32,049	(149)	(0.5)%
Transformation & Resources	16,938	16,280	(658)	(3.9)%
Total Service Budgets	**125,699**	**126,421**	**722**	**0.6%**
Council-wide budgets	21,620	20,739	(881)	(4.1)%
Forecast outturn (period 4)	**147,319**	**147,160**	**(159)**	**(0.1)%**
Dedicated Schools Grant	**120,667**	**121,756**	**1,089**	**0.9%**

Main variances, changes to budget assumptions and key risks

4. Historically service variances at year end have been moved into service earmarked reserves and the current balances on those are detailed in Paragraph 11. A number of commitments already exist on those reserves largely to support transformational projects which limit the ability to absorb the full extent of the in-year pressures, particularly in CFW. It is proposed that where any in-year overspend cannot be funded from that particular service reserve then it will be met from the in-year underspend of the other directorates.

5. The main variances contributing to the projected underspend of £159k, any changes to budget assumptions and associated key risks are highlighted below:

Table 2: Main variances	Forecast Variance (£000's)	Explanation/Risks
Children's Services (*)	1,688	The variance in the children in care placements budget in part relates to the following factors:

- The Placements Budget continues to be a demand led budget and the continued incremental increase in the number of children in care translates directly to an increase in demand for placements. In August 2015 there were 324 children in care, this figure has increased annually and incrementally, with 331 children at 31st March 2016 and there are now 354 children in care.
- The complexity of the presenting needs of children, who enter care, has translated into a demand for placements that require high levels of supervision and longer placement periods. In particular there are currently 3 children who are placed in high cost secure children's homes and safeguarding complexities have led to longer than predicted periods in these placements. The collective costs of these placements are £375k.

The above has resulted in an increase in the number of placements in external homes (2.40 whole time equivalents), agency foster care (8.83 whole time equivalents) and secure homes (0.28 whole time equivalents). This is expected to cost £1.11m.

The following actions have been taken to mitigate the continued increase in the placement budget.

Trafford continues to be a successful recruiter of foster carers who provide value for money placements at much lower cost than that charged by external placement providers; thus, despite the increase in the numbers of children in care, only 10% of all LAC have been placed with independent fostering agencies.

In 2016 Trafford, in collaboration with other northwest councils, will launch the "You Can Foster" campaign. It is predicted that this 6 months marketing campaign will increase internal fostering capacity by 5 to 8 foster carers for older children and children with complex needs. These children typically require higher cost external provision.

A weekly 'Keeping families together' panel chaired by the Director of Safeguarding monitors any new requests for external placements and successfully diverts demand to lower cost placements.

- Monthly monitoring meetings chaired by the Director of Safeguarding monitor every placement ensuring that predicted end dates are on target and considers options for cost reduction strategies for each placement.

		• The task of commissioning placements was transferred to the Commissioning Team and through improved commissioning practices they aim to reduce unit costs of placements and review high cost placements looking for alternative, cost effective placement solutions, in collaboration with social workers, to ensure placements offer the right levels of support. The volume of referrals has been such that their capacity to address the value for money aspect has been limited, therefore additional commissioning capacity will be recruited on a short term to approach providers around cost and agreements. • Commissioners in partnership with social care practitioners continue to develop an ‘Edge of Care Strategy’. This strategy through a re-alignment of money will focus on the development of an integrated preventative strategy which will reduce demand on placements by supporting more children to remain at home in the care of their parents. • All in house placement resources continue to be used to full capacity and both of Trafford’s children’s homes are, in the main, at full occupancy level. Whilst all management action will be taken to address the forecast overspend, given the additional number of children in care already at month 4, it is extremely unlikely that the budget will be brought back to balance by year end.

Adult Services / Public Health (*)	(159)	Mainly as a result of an overachievement of savings offset by an underlying increase in adult care costs. The original savings programme for CFW was developed with an overall target of £9.799m. Even at this relatively early stage of the year, it is clear that some projects cannot deliver against their original targets (social care transport and public health(*)), but that the savings derived from the continuation of the Stabilise and Make Safe project should offset those shortfalls. In contrast the latest indications are that the levels of care required, number of new entrants, and the reduced contribution paid by individuals towards their care in the Adult care system are exceeding budgeted expectation and the level of demographic funding that was allocated for 2016/17. The cost of the above to the care system is being carefully monitored during the year. (*) At the end of 2015/16 there was additional expenditure on public health of £153k. Due to the recovery of this in 2016/17 the in-year savings target of £800k has not been fully met with a shortfall of £107k.
Economic Growth, Environment & Infrastructure	(149)	The projected underspend includes additional income from Oakfield Road car park remaining open for the early part of the financial year £114k; increased income from planning above expectations £121k; an underspend on staffing of £166k after taking account of agency costs (there are currently 22 vacancies in the Directorate in the process of being filled). These are offset by a shortfall in building control income £108k and other reductions in income and increased running costs of £144k.
Transformation & Resources	(658)	Includes £422k from staff vacancies after taking account of agency costs. There are currently 38 vacancies in the Directorate in the process of being filled which equates to 2% of the total staffing budget (This is lower than the levels experienced in 2015/16, which were in excess of 6%, and reflects the ongoing efforts to fill outstanding vacant posts); £110k from cost control of running expenses; £210k from higher levels of income, which includes government grant related budgets in Exchequer Services; other minor variances £(84)k.

Council-wide budgets	(881)	The projected variance relates to success in recovering previous year housing benefit overpayments of £500k which if continued could see a further additional income as the year progresses; a projected saving of £499k in the levy payable on business rate growth which is forecast to be lower than anticipated due to unexpected business rate appeals (See Paragraph 15); additional costs on treasury management of £150k as a result of reduced interest rates following the announcement of the Monetary Policy Committee in August and delayed savings in respect of an up-front investment in the pension fund. In addition windfall income of £375k is receivable in respect of a historic insurance settlement in favour of the Council which has been transferred to the Budget Support Reserve to support future year's budgets. During 2015/16 an interim dividend of £1.25m was received from Manchester Airport Group (MAG) which was subsequently moved to an earmarked reserve to support the 2016/17 budget. The MAG has recently announced the final annual dividend for 2015/16 of £2.49m which allows a surplus over budget of £1.14m to be retained in the MAG earmarked reserve. This will be supplemented if a further interim dividend is received in 2016/17.
Dedicated Schools Grant	1,089	This is mainly attributed to the increase in costs within the high needs block of the DSG. The demand for high cost special school places, both within the borough and out of borough, has exceeded the level of grant allocation in recent years. Since period two, expenditure has been incurred on additional top-up payments for increasing numbers of statemented pupils at mainstream schools, additional out of borough placements and increased top-up payments at special schools. This projected overspend exceeds the level of available DSG reserve by £302k and whilst all attempts will be made to control expenditure for the remaining part of the year any deficit will need to be recovered from future years DSG allocations which could impact on the level of school funding in 2017/18.

Locality Plan (*)

6. A key element of the Health and Social Care devolution agenda is the submission of a Locality Plan setting out the Council and CCG vision for the greatest and fastest possible improvement in the health and wellbeing of our residents by 2020. This improvement will be achieved by supporting people to be more in control of their lives by having a health and social care system that is geared towards wellbeing and the prevention of ill health; access to health

services at home and in the community; and social care that works with health and voluntary services to support people to look after themselves and each other.

7. Work is ongoing on the locality plan and it is anticipated that further work will be required in the coming months to understand how any budget gaps will be addressed. Financial performance against the locality plan is highlighted below (note budgeted figures are shown gross and inclusive of specific grants).

Table 3: Locality Plan Update	2016/17 Budget (£000's)	Forecast Outturn (£000's)	Forecast Variance (£000's)	Percent-age
Public Health	13,334	13,441	107	0.8%
Adult Social Care	52,874	52,608	(266)	(0.5)%
Children and Families	29,911	31,599	1,688	5.6%
Total	**96,119**	**97,648**	**1,529**	**1.6%**

MTFP Savings and increased income

8. The 2016/17 budget is based on the achievement of permanent base budget savings and increased income of £16.38m and full details are included in the latest Transformation Programme Board Report dated 9 August 2016.

9. The latest forecast indicates that total savings of £16.78m have been or are projected to be delivered by 31 March 2017. This represents an overachievement against target of £405k. The current risk rating of the overall programme is summarised as follows:

Table 4: Savings Programme Risk Rating	(£000's)
Low risk – achieved or low likelihood of not achieving	8,865
Medium risk – projected to be achieved by the end of the year	5,771
High risk – remedial action to be taken to achieve required level of savings (*)	1,740
Total	**16,376**

(*) A number of projects in the original savings programme which are classified as high risk above have been re-scoped following consultation, for example the social care transport services and alternative savings measures have been identified. Further details are provided in the latest Board report.

RESERVES

10. The pre-audited General Reserve balance brought forward is £7.89m, against which there are planned commitments up to the end of 2016/17 of £1.89m leaving the balance at £6m which is the approved minimum level.

Table 5 : General Reserve Movements	(£000's)
Balance 31 March 2016 (subject to audit confirmation)	**(7,894)**
Commitments in 2016/17: - Planned use for 2016/17 Budget - Planned use for one-off projects 2016/17	 1,850 44
Balance 31 March 2017	**(6,000)**

11. Service balances brought forward from 2015/16 were a net £5.95m and are largely allocated to support transformation projects in 2016/17 and later years, however before making firm commitments to utilise these resources consideration will be given to the overall projected outturn position in each directorate.

Table 6: Service balances	b/f April 2016 (£000's)
Children, Families & Wellbeing	(1,837)
Economic Growth, Environment & Infrastructure	(1,740)
Transformation & Resources	(2,372)
Total (Surplus)/Deficit	**(5,949)**

COLLECTION FUND

Council Tax

12. The 2016/17 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%).

13. The surplus brought forward of £1.84m, will be increased by an in-year forecast surplus of £0.64m. After taking account of the planned use of £0.357m to support the base budget and another £66k for backdated valuation and discount appeals, the total surplus forecasted to be carried forward is £2.06m. The Council's share of this surplus is £1.72m, and is planned to support future budgets in the MTFP.

14. Council Tax collection rate as at 31 July 2016 was 39.99%, which is above the targeted collection rate of 39.97%.

Business Rates

15. The 2016/17 budget included anticipated growth in retained business rates and related S31 grants of £4.51m. Latest forecasts of business rate income indicate a potential one-off shortfall in retained business rate income of £1.38m caused by an unexpected increase in the level of appeals. Whilst this has a benefit in that it reduces the overall levy payable on growth (See comments on the Council-wide budget in Table 2) it means there will be a deficit on the collection

fund. This position will be monitored during the remainder of the year but if the deficit position remains then it will need to be financed and therefore it is proposed to earmark reserves to cover this, including the MAG earmarked reserve.

16. Business Rates collection rate as at 31 July 2016 was 37.54% compared to a targeted collection rate of 38.24%.

CAPITAL PROGRAMME

17. The value of the indicative 2016/17 Capital Programme reported in the P2 monitor report was £47.40m. Taking into account re-phasing to 2017/18 and later years, reductions in projected costs and new external contributions the budget is currently estimated at £45.30m. The changes to the budget are detailed below and are summarised as follows :

Table 7 - Capital Investment Programme 2016/17	**P2 Programme (£'000's)**	**Changes (£'000's)**	**Current Programme (£'000's)**
Service Analysis:			
Children, Families & Wellbeing	15,198	(1,590)	13,608
Economic Growth, Environment & Infrastructure	28,955	(551)	28,404
Transformation & Resources	3,287	-	3,287
Total Programme	**47,440**	**(2,141)**	**45,299**

- **Rephasing to 2016/17 and 2017/18 - £(1.59)m**
  - Basic Need – School Places: The Education and Early Years Capital Programme report, approved by the Executive in June, set the investment proposals for the next three years and provided a phasing of major school projects across the years. An element of expenditure has been re-profiled to 2017/18 and 2018/19.
- **Relocation of depot facilities – £(685)k**
  - The business case for the acquisition and development of a new depot has recently been approved. The gross capital cost is £5.00m and represents a reduction of £1.10m on the previous estimated cost, of which £685k was phased in 2016/17.
- **New schemes and increases to existing budgets - £134k**
  - Parks Infrastructure Programme: £29k – S.106 contributions have been identified which supplement works already planned at Stamford Park and John Leigh Park in Altrincham.
  - Play Area Refurbishments: £105k - S.106 contributions have been identified which will be applied to a number of projects to supplement the £250k investment previously approved.

18. Resourcing of the capital investment programme is made up of both internal and external funding. Details of this are shown in the table below.

Table 8 - Capital Investment Resources 2016/17	**P2 Programme (£'000's)**	**Changes (£'000's)**	**Current Programme (£'000's)**
External:			
Grants	18,776	(1,240)	17,536
Contributions	7,803	134	7,937
Sub-total	**26,579**	**(1,106)**	**25,473**
Internal:			
Receipts	7,721	(350)	7,371
Borrowing	12,693	(685)	12,008
Reserves & revenue	447	-	447
Sub-total	**20,861**	**(1,035)**	**19,826**
Total Resourcing	**47,440**	**(2,141)**	**45,299**

Status and progress of projects

19. Since the budget was set in February 2016 reports detailing planned projects covering schools, highways, greenspace and corporate landlord to be undertaken during the year have all been agreed. These plans provide the basis on which the Capital Programme is monitored for both financial and physical progress.

20. As part of the monitoring process a record of the "milestones" reached by each project is kept to show the progress of the scheme from inclusion in the Programme through to completion. The table below shows the value of the programme across the milestone categories.

Table 9 - Status on 2016/17 Projects	**Current Budget (£m)**	**Percentage of Budget**
Already complete	3.68	8%
On site	24.94	55%
Programmed to start later in year	14.99	33%
Not yet programmed	1.69	4%
Total	**45.30**	**100%**

21. The first three categories give a good indication as to the level of confirmed expenditure to be incurred during the year. As can be seen £43.61m (96%) of the budget has now been spent, committed or is programmed to start in the year.

22. Schemes with a value of £1.69m are classed as "Not yet programmed" and relates to budgets where specific projects have not yet been agreed or budgets

that have yet to have a start date planned. Priority will be placed on progressing schemes as soon as possible. Majors areas Included in this category are:

- **Social Care Investment - £650k**. As a result of a change in government grant funding £650k of council resource previously applied to DFGs has been re-directed to offset a loss in adult social care grant. A scheme for the refurbishment of Ascot House and a programme of technological innovations are currently being assessed.
- **Social Care Agile Working Programme - £284k**. The Agile Working requirements have been captured for staff in the scope for Phase 1 of the project. This will inform the ICT specification and costs for the full options appraisal, which will be completed in September 2016.
- **Play Area Improvements - £355k.** A number of schemes have been approved for delivery later in the year.
- **ICT projects - £286k**. A number of projects currently remain on hold until the full effect of the reshaping agenda and its impact on the Council's ICT infrastructure requirements is known.

23. The table below provides a more detailed analysis by service area.

Table 10 - Status by Service Area	Already complete	On Site	Programmed	Not yet Programmed
Children, Families & Wellbeing	22%	57%	14%	7%
Economic Growth, Environment & Infrastructure	2%	50%	46%	2%
Transformation & Resources	0%	91%	0%	9%

Issues / Risks

24. The main risk in the area of the capital programme is the timely delivery of the programme and this situation will continue to be closely monitored and any issues will be reported as and when they arise.

Recommendations

25. That the Executive note the report and the changes to the Capital Programme as detailed in Paragraph 17.

TRAFFORD COUNCIL

Report to: **Accounts and Audit Committee**
Date: **29 September 2016**
Report for: **Information**
Report of: **Audit and Assurance Manager**

Report Title

Accounts and Audit Committee – Work Programme – 2016/17

Summary

This report sets out the updated 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 note 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)					
	- 2015/16 Head of Internal Audit Annual 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		- 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	- Strategic Risk Register Monitoring Report	- 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.

Agenda Item 13

By virtue of paragraph(s) 7 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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