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TRAFFORD
COUNCIL

AGENDA PAPERS FOR

ACCOUNTS AND AUDIT COMMITTEE

Date: Thursday, 26 September 2013

Time: 6.30 pm

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

A G E N D A	**PART I**	**Pages**
1.	**ATTENDANCES**	
	To note attendances, including Officers and any apologies for absence.	
2.	**MINUTES**	1 - 6
	To receive and if so determined, to approve as a correct record the Minutes of the meeting held on 27 June 2013.	
3.	**BENEFIT FRAUD INVESTIGATION 2012/13 ANNUAL REPORT**	7 - 36
	To consider a report of the Investigations Manager.	
4.	**REVIEW OF THE COUNCIL'S ARRANGEMENTS FOR SECURING FINANCIAL RESILIENCE**	37 - 76
	To receive a report from the Council's External Auditor.	
5.	**THE AUDIT FINDINGS FOR TRAFFORD COUNCIL - YEAR ENDED 31 MARCH 2013**	77 - 106
	To receive a report from the Council's External Auditor.	
6.	**ANNUAL STATEMENT OF ACCOUNTS 2012/13**	107 - 236
	To consider a report of the Director of Finance.	

7. **ANNUAL GOVERNANCE STATEMENT 2012/13** 237 - 256

To consider a report of the Audit and Assurance Manager.

8. **REVENUE BUDGET MONITOR** 257 - 292

To consider a report of the Director of Finance.

9. **STRATEGIC RISK REGISTER - 2013/14 QUARTER 2** 293 - 326

To consider a report of the Audit and Assurance Manager.

10. **AUDIT AND ASSURANCE REPORT FOR THE PERIOD APRIL TO JUNE 2013 (Q1)** 327 - 338

To note a report of the Audit and Assurance Manager.

11. **ACCOUNTS AND AUDIT COMMITTEE - WORK PROGRAMME - 2013/14** 339 - 342

To consider a report of the Audit and Assurance Manager.

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

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

THERESA GRANT
Chief Executive

Membership of the Committee

Councillors M. Whetton (Chairman), Mrs. L. Evans (Vice-Chairman), J. Baugh, C. Boyes, B Brotherton, P. Myers and T. Ross.

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

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This agenda was issued on **Wednesday, 18 September 2013** by the Legal and Democratic Services Section, Trafford Council, Trafford Town Hall, Talbot Road, Stretford M32 0TH

ACCOUNTS AND AUDIT COMMITTEE

27 JUNE 2013

PRESENT

Councillor M. Whetton (in the Chair).
Councillors Mrs. L. Evans (Vice-Chairman), J. Baugh, C. Boyes, B Brotherton, P. Myers and T. Ross.

In attendance: Director of Finance (Mr. I. Duncan),
Head of Financial Management (Mr. I. Kershaw),
Audit and Assurance Manager (Mr. M. Foster),
Technical Finance Manager (Mr. G. Bentley),
Principal Audit and Assurance Team Leader (Ms. H. Carnson),
Democratic Services Officer (Mr. I. Cockill).

Also in attendance: Mr. M. Waite, Audit Commission,
Mr. G. Hurst, Lancashire Police.

1. MEMBERSHIP OF THE COMMITTEE 2013/14, INCLUDING CHAIRMAN, VICE-CHAIRMAN AND OPPOSITION SPOKESPERSON

The Chairman welcomed Councillor Myers who was returning as a Member of the Committee.

RESOLVED: That the Membership of the Committee for the 2013/14 Municipal Year, as appointed at the Annual Meeting of the Council held on 22 May 2013 and set out below, be noted:

Councillors Boyes, Baugh, Brotherton (Opposition Spokesperson), Mrs. Evans (Vice-Chairman), Myers, Ross and Whetton (Chairman).

2. TERMS OF REFERENCE

RESOLVED: That the Committee's Terms of Reference, as agreed at the Annual Meeting of the Council held on 22 May 2013, be noted.

3. MINUTES

RESOLVED: That the Minutes of the meeting held on 20 March 2013, be approved as a correct record and signed by the Chairman.

4. PRE-AUDITED ACCOUNTS 2013

The Director of Finance submitted the full pre-audited Statement of Accounts for the year ended 31 March 2013. The Committee also received the 2012/13 Revenue Budget Monitoring Outturn and Capital Investment Programme Outturn reports which had been presented to the Executive on 24 June 2013.

The Committee was briefed on the Accounts 2013 and related reports, with attention drawn to significant matters, changes and variances, and explanations provided. The Director of Finance also responded to queries raised by Members at the meeting and it was noted that the stock inventory valuation (section 17 on page 61 of the accounts) would be amended to reflect a higher turnover during the year.

RESOLVED –

(1) That the Committee notes the Accounts 2013, prior to submission to the external auditor and public inspection.

(2) That the Director of Finance be requested to include, as a regular item, the latest budget monitoring reports on the Committee's agenda for future meetings.

(2) That, recognising the extent of work that goes into the financial statements, the Committee conveys its appreciation to the Director of Finance and his team for all their hard work and dedication in preparing this year's Accounts and for delivering a constructive workshop for Members on the financial results.

5. TREASURY MANAGEMENT ANNUAL PERFORMANCE 2012/13 REPORT

The Executive Member for Finance and the Director of Finance submitted a joint report reviewing treasury activities for the past financial year, in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice as adopted by the Council. The report had been considered by the Executive on 24 June 2013.

RESOLVED –

(1) That the Committee advises the Council:

   (i) of the Treasury Management activities undertaken in 2012/13;
   (ii) that no prudential limits were breached during 2012/13; and
   (iii) that both the CIPFA Code of Practice on Treasury Management and CIPFA Prudential Code for Capital Finance were fully complied with.

(2) That the Committee believes it would be useful for the Director of Finance to remind School Governing Bodies of the Council's Treasury Management guidance and procedures.

6. INSURANCE PERFORMANCE REPORT 2012/13

The Director of Finance submitted a report providing a summary of insurance performance for 2012/13, detailing premium costs, liability claim numbers, repudiation rates and initiatives progressed and planned.

RESOLVED: That the report be noted.

7. AUDIT COMMITTEE UPDATE

Members received a report from Grant Thornton UK LLP on the progress at June 2013, in delivering its responsibilities as the Authority's external auditor.

The report also highlighted key emerging national issues and developments and members of the Committee expressed an interest in the Department of Health's guidance on changes to secondary legislation from the changes to public health functions affecting local authorities.

RESOLVED: That the Committee notes the report and that Members will be provided with an electronic link to the Public Health Local Authorities guidance.

8. ANNUAL INTERNAL AUDIT REPORT 2012/13

The Audit and Assurance Manager submitted a report providing an opinion on the standard of internal controls during 2012/13. The report included a summary of the work of the Audit and Assurance Service during the period as well as a detailed analysis of the work completed.

RESOLVED: That the report be noted.

9. 2012/13 DRAFT ANNUAL GOVERNANCE STATEMENT

The Audit and Assurance Manager submitted a report setting out the Draft 2012/13 Annual Governance Statement (AGS) following its review by the Corporate Management Team (CMT) and a sub-group of the Accounts and Audit Committee, namely, the Chairman (Councillor Whetton), Vice-Chairman (Councillor Evans) and Opposition Spokesperson (Councillor Brotherton).

The report advised that the AGS would accompany the 2012/13 Statement of Accounts and take into account any feedback or further developments through June to September 2013. The Leader of the Council and Chief Executive would sign off the final version of the AGS which would be presented to the Committee in September 2013 for approval.

Discussing the system of internal control, the Committee considered the conceivable public perception, at present, of the Council's statutory "Monitoring Officer" and wished to be assured that interim arrangements were to be resolved.

RESOLVED:

(1) That the Committee notes that the Sub-Group of the Accounts and Audit Committee are satisfied with the robustness of the process followed in generating the Statement and are satisfied that the Statement itself is robust.

(2) That the updated Corporate Governance Code be submitted to the Executive for approval.

(3) That, having regard for the role of the Council's "Monitoring Officer" and reiterating its every confidence in the current post holder, the Committee seeks an assurance from CMT that the permanence of this position is to be addressed.

10. ACCOUNTS AND AUDIT COMMITTEE ANNUAL REPORT TO COUNCIL 2012/13

The Chairman and Vice-Chairman of the Committee presented a report setting out the proposed 2012/13 Annual Report of the Accounts and Audit Committee to be submitted to the Council.

RESOLVED –

(1) That the Annual Report of the Accounts and Audit Committee 2012/13 be noted and presented to the Council for information.

(2) That, further to the Audit Committee Update considered earlier (Minute No. 7), it was noted that future training and development for Members of the Committee should reflect the changing roles of councillors.

11. ACCOUNTS AND AUDIT COMMITTEE - WORK PROGRAMME - 2013/14

The Audit and Assurance Manager submitted a report setting out the Committee's proposed work plan for the 2013/14 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 meets its responsibilities under its Terms of Reference and maintain focus on key issues and priorities as defined by the Committee.

Noting that the work programme was flexible, with scope for further training if required, Members suggested possible areas to cover with the understanding that items could be added or rescheduled if this ensures that the Committee best meets its responsibilities.

RESOLVED –

(1) That the 2013/14 work programme be approved with the inclusion of budget monitoring reports as a regular item, as agreed earlier (Minute No. 4 (2) refers.

(2) That consideration be given to the following areas of work suggested by Members:

- the impact of the new business rates retention scheme;
- Public Health community arrangements in terms of remit and value for money;

- a presentation from the Transformation Team on it's work, approach and important savings;
- changes to Waste Services and how they assist the Council;

and that any further suggestions be forwarded to the Audit and Assurance Manager.

(3) That the Committee notes that the next meeting of the Committee will be held on Thursday, 26 September 2013 and not 25 September as originally scheduled.

The meeting commenced at 6.30 p.m. and finished at 8.38 p.m.

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TRAFFORD COUNCIL

Report to: **Accounts and Audit Committee**
Date: **26 September 2013**
Report for: **Information**
Report of: **Investigations Manager (Fraud Investigation Service)**

Report Title

Fraud Investigation Service (FIS) : 2012/13 Annual Report

Summary

The report:

- outlines the Councils' responsibilities towards tackling benefit related fraud that has been perpetrated against it; provides details of the teams' performance during the period April 2012 – March 2013;
- provides details of the outcomes of activity over this period; and
- outline the teams' plans for 2013/14.

The report will also be distributed to the following:

- Executive Member (Finance)
- Executive Member (Transformation & Resources)
- Director of Legal and Democratic Services

Recommendation

The Committee is asked to note the report.

Contact person for access to background papers and further information:

Name: Mark Foster – Audit and Assurance Manager
David Wright – Investigations Manager

Extension: 1323 / 2771

Background Papers: None

TRAFFORD COUNCIL

Fraud Investigation Service (FIS)

Annual Report

2012-2013

Fraud Investigation Service Annual Report – 2012/2013

INSIDE THIS REPORT

1. Introduction
2. Responsibilities & approach to dealing with benefit fraud
3. Team Performance & statistics
    3.1 Planning
    3.2 Performance / Outcomes
    - Fraud Investigation
    - Financial Investigation

4. Planned activity for 2013/14

<u>Appendices</u>

Appendix A – Tackling Benefit Fraud Policy Statement

Appendix B - Benefit Fraud Sanctions Policy

Appendix C – Financial Investigations Unit Policy

1. Introduction

The purpose of this report is to:

- Outline the Councils' responsibilities towards tackling fraud that has been perpetrated against it
- Provide details of the teams' performance during the period April 2012– March 2013
- Provide details of the outcomes of action that was taken over this period
- Outline the teams' plans for 2013/14.

2. Responsibilities and Approach to Dealing With Benefit Fraud

2.1 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. This obligation includes a duty to have effective controls and procedures in place to prevent, detect and investigate fraud and error in Housing Benefit and Council Tax Benefit.

2.2 Preliminary statistics from the Department for Work and Pensions (DWP) estimate that during the period from April 2012 – March 2013, £790m of total state benefits were overpaid to claimants as a result of fraud, which shows the extent of the abuse of the benefits system that is taking place. This shows a reduction from the estimated £820m that was lost through fraud in 2011/12. Of this amount, nationally, approximately £350m related to Housing Benefit. This equates to 1.5% of the £23.8 bn total expenditure for this benefit.

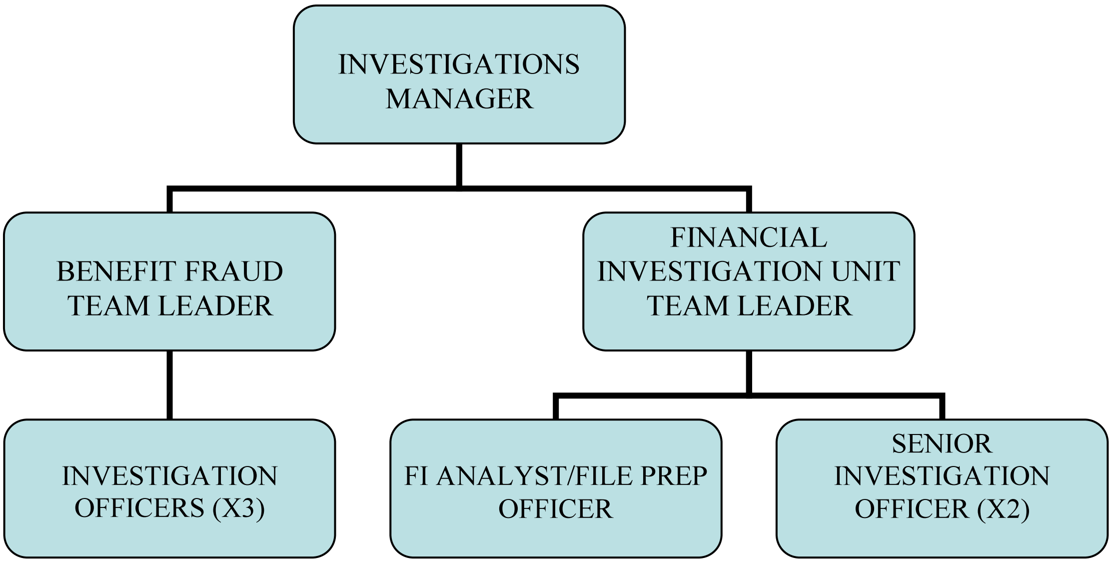
(Source: DWP report - Fraud & Error in the Benefits System – June 2013)

2.3 The Authority has a dedicated Fraud Investigation Service that seeks to address the problem by tackling benefit fraud in various ways. Further details, including methods used are outlined in the attached Appendix A. The level of staffing on the team was reduced from 10 to 9 when a member of staff left the Authority in March 2012.

The Fraud Investigation team has been located within Stretford Police station since April 2012 as part of the Operation Bank project which sees a number of agencies working alongside GMP to tackle organized crime. This project is discussed in further detail further on in this report.

2.4 The Service, in addition to a fraud investigation function, also contains a Financial Investigation Unit (FIU), which conducts Financial Investigations in accordance with Proceeds of Crime Act legislation.

The team is currently structured as shown below:



To meet with the requirements of the unit, some of the posts entail the post holder having roles that cover both areas of work that we carry out. For example the two Senior Investigators share their time between carrying out benefit fraud investigations and conducting financial investigations.

3. <u>Team Performance 2012/13</u>

3.1 Planning

The objective of the Fraud Investigation Service **is to prevent, deter, investigate and detect fraud in order to significantly reduce benefit fraud in Trafford**. The service plan sets detailed tasks and objectives against which progress is monitored against each month. Each investigator also has individual targets set at the beginning of each year, and progress against their targets is monitored on a monthly basis. The Financial Investigation Unit has a target linked to the level of income it is able to generate as a result of Court Orders obtained due to action taken against those persons who have been convicted of benefit fraud.

3.2 Performance / Outcomes

Fraud Investigation Team

3.2.1 The role of the Fraud Investigation team is to tackle benefit fraud by acting on referrals received from numerous sources, conducting investigations with the purpose of identifying where offences have taken place that have resulted in benefit being claimed incorrectly and enabling the Authority to recover such overpaid monies. Appropriate action will be taken against those parties that deliberately defraud the Authority in this way. The following section of this report outlines the achievements of the team in dealing with this area of work and compares it to performance of previous years.

Performance statistics April 2008– March 2013

3.2.2 Source of fraud referrals

Referrals come from a wide variety of sources and the seven most common types are listed in Table 1. Last year saw a slight reduction in the number of referrals received compared to 2011/12 (11.5 %), but it did see a significant increase in the number of referrals from the benefits service as a result of reviews undertaken that have highlighted a number of claims where the claimants had failed to report changes in their income details. There has also been an increase in a number of the referrals from the police as a result of the partnership working being done with them.

Table 1 – Source of Fraud Referrals

	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013
Housing benefit and council tax benefit staff (HB/CTB)	28.14%	20.51%	22.83%	19.86%	33.99%
Department for Work and Pension staff (DWP)	5.89%	6.41%	8.23%	5.79%	6.31%
Housing Benefit Matching Service	31.87%	38.89%	22.41%	30.9%	20.31%
Proactive work	5.44%	0.71%	5.67%	5.38%	4.46%
Anonymous calls/letters	22.96%	21.65%	29.23%	25.1%	22.92%
National Fraud Initiative	-	4.99%	3.69%	3.86%	0
Police	n/a	n/a	n/a	2.76%	6.61%
Other Sources	5.25%	6.56%	5.82%	8.15%	5.4%
Total Received	662	702	705	725	650

3.2.3 Detecting and investigating fraud

The statistics below show the success that the fraud team has had in detecting fraud and identifying amounts of benefit that have been fraudulently claimed in the last 5 years. Figures for last year show an increase in the number of investigations completed, and, once again a further significant increase in the total overpayments identified than the amount identified in 2011-12. The level of fraud overpayments identified as a result of investigations undertaken was the highest amount since the team was set up, beating the previous highest figure set in 2011-12. This shows that the team are continuing to conduct more complex and in depth investigations which are consequently identifying higher levels of overpayments in many cases, which is a trend that has continued for the last few years. This can be also shown in that the average level overpayment per case that is successfully concluded has risen over the years and is now at its highest level compared to previous years.

At the beginning of the year the team was set a target to identify overpayments to a total value of £600k (this includes all national benefits) which was achieved. Once identified, the Authority always seeks to recover any fraud overpayments from the claimant, as well as imposing sanctions as appropriate. The Authority is able to claim a 40% subsidy on all such overpayments, which, if recovered, provides an income stream. Housing and Council Tax benefits accounted for £396k of the £644k identified as being fraudulently obtained. This means that, providing full recovery of these amounts are made, the Authority would be able to claim an additional subsidy income of £158k. Details are shown in Tables 2 and 3 and the charts on page 8.

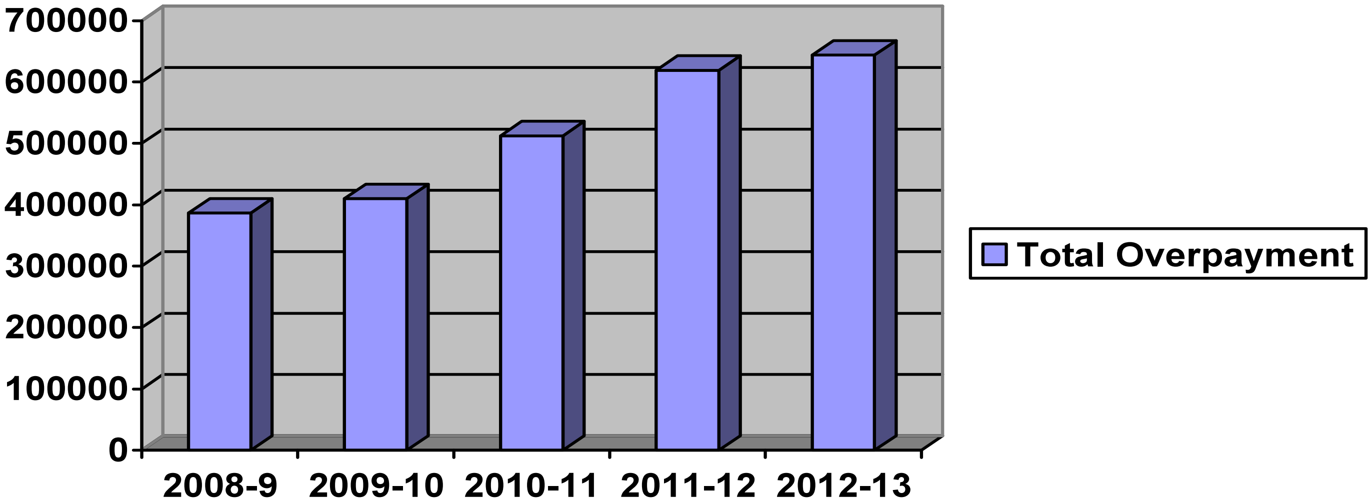
Table 2 – No. Of Completed Investigations

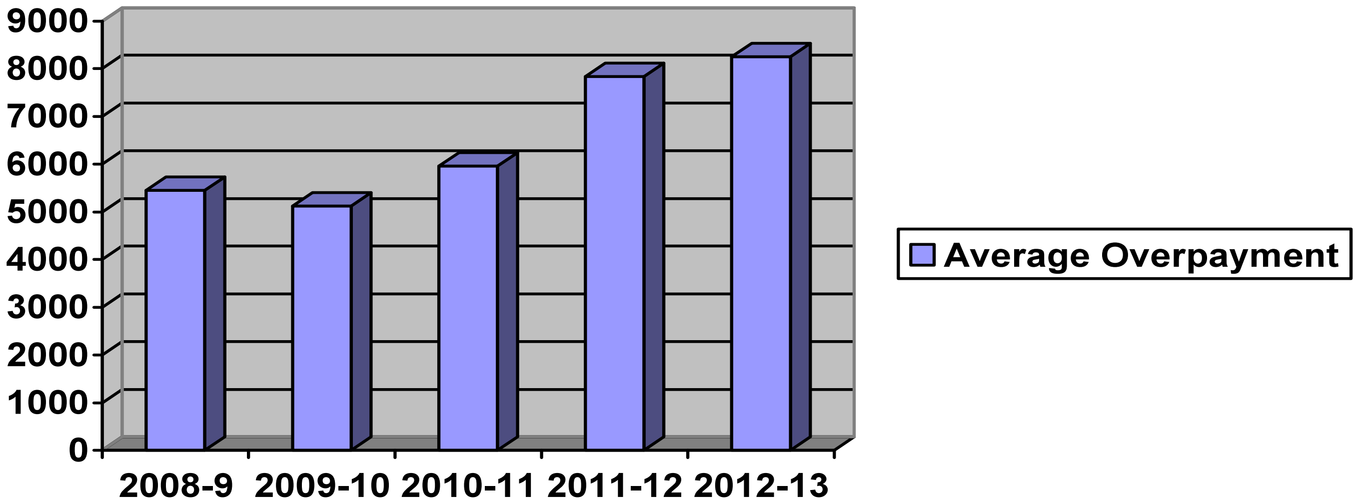
	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013
Number of cases investigated	409	352	611	448	498

Table 3 – Value of Fraud Identified

	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013
Value of fraud identified	£386,751.44	£410,128.45	£512,413.54	£619,052.82	£643,891.77
Average overpayment per sanction/prosecution	£5447.20	£5126.61	£5958.30	£7836.11	£8255.02

Value of Overpayments (£) 2008/9 to 2012/13





3.2.4 Applying sanctions

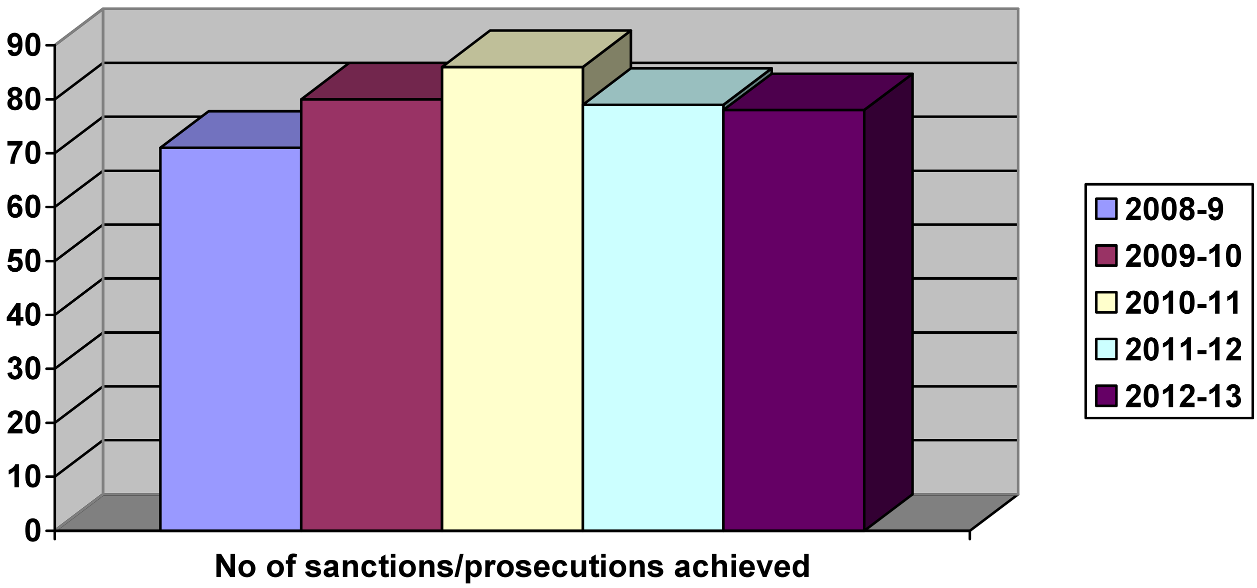
Once an investigation has been conducted, and it has been established that fraud has taken place, as well as recovering any overpaid benefits from the claimant, the Authority has the power to impose a further sanction against them. This can either be in the form of:

- **a written formal caution (similar to a police caution).**
- **the imposition of a financial penalty (known as an Administrative Penalty) or,**
- **in more serious cases the Authority will take legal action**.

Action is taken in accordance with our Benefit Fraud Sanctions Policy (see appendix B). Table 4 and the chart below outlines the number of sanctions imposed by the team over the last 5 years.

Table 4- Number of Sanctions Achieved

	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013
Total cautions accepted	31	23	23	25	18
Total admin penalties accepted	9	21	21	14	14
Total prosecutions achieved	31	36	42	40	46
Total No of Sanctions	71	80	86	79	78



The statistics in Table 4 show a very slight reduction from the previous year in the number of sanctions and prosecutions achieved by the Authority. However, as previously stated, the overall level of fraud identified as a result of these investigations has increased as has the average level of overpayment per case. The last 12 months has seen a continuation in the pattern from previous years of more serious benefit fraud offences being identified. This has resulted in an increase in the level of prosecutions completed – the highest that the team has ever achieved – which counted for 58.97% of the total sanctions/prosecutions achieved compared to 43.66% back in 2008-9.

3.2.5 Ensuring that resources are available to tackle fraud

Table 5- Number of Counter Fraud Specialists

	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013
Number of counter fraud specialists employed on the team	4.5	4.5	4.5	4.5	4.5

The figures in Table 5 show the position at year end, and show that the FTE level of staff investigating benefit fraud has remained the same. There are currently only 3 dedicated benefit fraud investigators in post as at year end – the remainder of the figure shown is accounted for by other staff who are also part of the Financial Investigations Unit or who have other responsibilities within the Unit.

3.2.6 Types of fraud

Table 6- Analysis by Type of Fraud

	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013
Percentage of working and claiming cases	38.0%	43.8%	45.4%	57%	30.8%
Percentage of living together as husband and wife cases	2.8%	11.3%	14.0 %	10.1%	20.5%
Percentage of undeclared income cases	15.5%	16.3%	17.4 %	12.7%	12.8%
Undeclared Non-dependants	8.5%	0%	1.2%	2.5%	1.3%
DWP benefit ceased	11.3%	6.3%	0 %	1.3%	0%
Tenancy Fraud	5.6%	0%	3.5%	1.3%	7.7%
Undeclared capital	14.1%	11.3%	9.3%	7.6%	15.4%
Other	4.2%	11%	9.2%	7.5%	11.5%

The figures in Table 6 show the most common types of fraud uncovered by the team over the last 5 years. It is noticeable that there has been an increase in the last 12 months in the number of claimants who have been found to have failed to declare that they have partners residing with them. Historically this has always been a very difficult offence to prove but the increase in the variety of intelligence available to the investigators (in particular the use of social networking sites) has enabled some significant overpayments that have accrued over long periods of time to be identified. 13 of the 46 prosecutions achieved in 2012-13, were related to such cases, 6 of which identified overpayments in excess of £10k. One case alone resulted in an overpayment of just under £100k being identified.

3.2.7 Performance Targets

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.

This was done to ensure adequate focus on more serious abuse of the benefits system.

Table 7 shows performance in these 2 areas in relation to the targets set:

Table 7- Performance Indicators 2012/13

Performance Measure	2012/13 Target	2011/12 Actual Performance
No. of Sanctions/Prosecutions achieved	75	78
Level of benefit fraud overpayments identified	£600k	£643.89

Both of these targets were met due to the continued efforts of the fraud investigation team and the support of the Council's Legal Services who prosecute the majority of the cases identified as being suitable for such action.

3.2.8 Tackling Benefit Fraud

Whilst conducting work against benefit fraud, the team works in conjunction with two major policies – The Benefit Fraud Sanctions Policy and also a Benefit Fraud Policy statement which are reviewed regularly. These are included in the attached Appendices and will be subject to review in 2013/14.

3.2.9 Financial Investigation Unit (FIU)

The Financial Investigation Unit has been in operation since April 2006, and was set up with the aim of providing a real deterrent by removing the financial incentive from fraud. An additional benefit to this is the fact that the Authority is able to claim back the proceeds of crime which can in turn be reinvested to the local communities and service users.

Following a slight re-allocation of duties with regards to benefit fraud investigation the unit now comprises 2.5 FTE including investigating officer and management support time. They are tasked with conducting in depth financial investigations into claimants who have already been identified as committing benefit fraud with a view to uncovering the fraudster's assets and identifying the extent to which they have benefited financially from their criminal activity.

The financial investigators also carry out benefit fraud investigations, with the emphasis put on cases that are most likely to lead to financial investigations being carried out as well.

The Financial Investigator uses powers granted under the Criminal Justice Act 1988 or Proceeds of Crime Act 2002 and is able to obtain court orders from any financial institution (banks/building societies etc) or public body (e.g. solicitors) which is believed to hold documentary evidence that would assist the investigation. This enables the investigator to obtain material that will help them to uncover previously hidden assets (property/capital etc) that may have been obtained from criminal activity – not just benefit fraud.

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

In terms of income generation, 2012/13 was a frustrating year for the Unit. There have been a number of cases that have been highlighted as being potentially extremely fruitful but they have taken a long time to progress because of their complexity and also because of the approach being used by the defendants which has extended the time it has taken for the cases to be concluded. However, towards the end of the year significant progress was made in a couple of major criminal cases which will hopefully see the financial investigation successfully concluded in 2013-14.

In the last couple of years, the Unit has increased the focus on seeking to identify cases highlighted by our own fraud investigators, rather than working on behalf of partner local authorities which had initially formed a large part of their case work. The reasoning behind this was that it meant we would have greater control of cases being investigated as well as ensuring that the Authority receives a greater share of the income generated as a result of Confiscation Orders obtained. This has already resulted in more referrals being received from within the service, which should increase the chances of much higher levels of income being generated for the authority over the next couple of years.

Any work undertaken for other Local Authorities is done so on a fee basis that is dependant on the size of the confiscation order obtained as a result of the investigation we have undertaken on their behalf – thus generating further income to be used by the Authority to benefit the Borough. A set fee is charged for all Compensation Orders obtained on behalf of another authority.

A financial investigation can be a lengthy process – as are the legal procedures that follow the completion of such an investigation. Table 8 (overleaf) shows details of the Units' performance in the last 4 years:

Table 8- Financial Investigation Unit

Year	No of Cases Concluded	No of Confiscation orders Obtained	No of Compensation Orders Obtained	Total Value of Orders	Income to unit from Orders	Costs Awarded to Unit	Total Income Achieved
2009/10	25	6	9	£722,255	£42,532	£27,108	£69,640
2010/11	41	5	2	£167,566.72	£5427	£11,810	£17,237
2011/12	32	2	1	£105,000	£7009	£10435	£17,444
2012/13	19	3	2	£108,748	£10,500	£26,107	£36,607

The income generated from the Confiscation orders is split between HM Treasury, the Magistrates Court (who are responsible for enforcing the order) and the prosecuting authorities involved. The income from the Compensation Orders obtained is paid direct to the prosecuting authority with Trafford receiving a fee for obtaining the order on their behalf.

At the end of the year there were 44 cases outstanding – some of which could be potentially extremely lucrative. Four cases in particular have been identified which are currently at various stages of investigation which are anticipated will yield significant revenue for the authority. However they may take some time to conclude due to their complexity and it will be 2013/14 before this happens. If the cases do succeed as anticipated the income generated from these cases will most likely not be fully received until 2014/15.

Work undertaken by the FIU is done in accordance with the Council's Financial Investigation Policy. (see Appendix C). As with the other policies relating to this service area, this will be reviewed on a regular basis.

3.2.10 Partnership Working

Over the last 12 months the team has continued to build on the closer working partnership that was set up in 2011 between various departments within Trafford Council (e.g. Fraud Investigations, Trading Standards, Licensing, Environmental Health, Community Safety) and Greater Manchester Police together with support from external agencies such as the DWP, HMRC, Probation Service & Immigration Services.

The project was set up under the name Operation Bank with the aim of working together, sharing intelligence & working practices to target & disrupt known criminals and their gangs living within the Borough.

Both elements of the Fraud Investigations team has been heavily involved in this and as a result there have been many cases identified that would not otherwise have come to the Authority's attention, and similarly, suspected offenders that GMP were seeking to target have been able to be arrested and convicted for benefit fraud and/or trading standards offences that they would not otherwise have been able to take action against.

At the end of March 2012, the entire team was re located to share an office with the GMP officers involved in the Operation Bank project within Stretford Police station. This has facilitated further closer working relationships that have resulted in positive results being achieved.

Some of these cases can be quite complex and therefore take considerable time to progress to completion, but the last 12 months saw the first two benefit fraud convictions that arose from the partnership with defendants being prosecuted for tenancy frauds that resulted in overpayments of £36k and £21k respectively. It is anticipated that further such cases will be completed during the course of 2013-14.

4. <u>Planned Activity for 2013/14</u>

It is acknowledged that this it is currently a very challenging period for the Fraud Investigation Service. In addition to carrying out its roles to investigate benefit fraud, and seek to recover profits from crime that have been obtained there is great uncertainty in the role that local authorities will play in the future.

As part of the Government's policies on welfare reform, a single fraud service commenced operation at a number of pilot sites in the country from April 2013 to tackle all types of welfare benefit fraud (including Tax credits which has never previously been the remit of either local authorities or the DWP).

It is still unclear at this stage whether the plan to have a national single fraud service in operation will actually go ahead from April 2014. Outcomes from the pilot schemes will help to determine the decision. If this does happen, it would lead to investigations staff currently employed by local authorities, the DWP and HMRC being tasked with the duties of investigating all range of benefits/tax credits rather than working jointly as they do now. Under the proposals, staff involved in benefit fraud investigations will still be employed by the LA, but working in accordance with DWP policies and procedures in the short term. All prosecutions will be conducted by the Crown Prosecution Service (who have now taken over this duty from DWP solicitors). It is still not clear what the exact structure, particularly in terms of management organisation, of the new service will be. This should become clear over the coming months.

Staff involved in carrying out financial investigations will also be continuing this work but as part of the financial investigation arm of the single fraud service. Whilst this should lead to a greater level of referrals it is not clear how the share of the incentivisation scheme would be affected which could have an impact on potential income that could be obtained for the Council.

If the service does become fully operational it is anticipated that it would fall under the control of the Dept for Work and Pensions but there will still be some areas of work that councils will be responsible for investigating (eg Council Tax reduction scheme fraud)

However, through 2013/14, the Fraud Investigation Service is committed to continuing to prevent deter, detect and investigate benefit fraud in Trafford, through effective working across the Council and other agencies and the appropriate application of related legislation. Service priorities are to:-

- **Continue to measure performance against targets in relation to benefit fraud investigation.**
- **Conduct Quality Assurance on investigations being conducted.**
- **Develop pro-active working both internally and with external agencies.**
- **Continue to ensure that an anti fraud, security aware culture is developed.**
- **Continue the work of the FIU and obtain further Confiscation and Compensation Orders in respect of Investigations undertaken.**
- **Work closely with Internal Audit to use our joint expertise to help combat other types of fraud being perpetrated against the Authority.**
- **Continue the work commenced in respect of the National Fraud Initiative 2012/13 data matching exercise.**
- **Continue to develop the work of the Operation Bank project that is aimed at tackling serious organised crime in the borough.**

APPENDIX A

TRAFFORD COUNCIL

Transformation & Resources Directorate

Tackling Benefit Fraud Policy

August 2012

1. Introduction

This document sets out Trafford Council's policy for countering benefit fraud.

This policy links closely to the Council's overall strategy for tackling fraud and corruption and should be read in conjunction with the Council's Anti Fraud and Corruption Policy.

Under the provisions of the *Local Government Act 1972 (s.151)* there is a statutory responsibility for Local Authorities to protect public funds and ensure the proper administration of them.

- **What is benefit fraud?**

If, when claiming benefit, a person deliberately provides false information or deliberately withholds information needed to decide the correct benefit payable, this constitutes a fraud.

Fraud enters the system by claimants or landlords or both failing to disclose or fabricating information, which in turn, affects the amount of benefit they receive.

- **Levels of benefit fraud**

Benefit fraud currently costs the taxpayer over a billion pounds each year Improved prevention and detection will enable more resources to become available for Government and local authority spending programmes.

- **Where does it occur**

There are many types of benefit fraud, however, it is very often the case that these types of fraud do not exist in isolation and you find a number of different types of fraud combined in a single case. The following are the main types of benefit fraud:

Tenancy fraud – false or artificial tenancy, overstating rent payable, claim by homeowner, claimant and landlord working together to defraud.

Household fraud – undeclared partner in the property, claimant claims partner has left, undeclared non – dependants in the household.

Earnings fraud – working and claiming, failure to declare earnings correctly.

Income fraud – non-declaration of occupational or private pension, failure to declare receipt of other benefits and/or tax credits.

Change of circumstance fraud – failure to notify a change of address, failure to notify a change of income or capital, failure to notify a change of household.

Savings or Capital fraud – non-disclosure of property or savings.

2. Trafford's Approach

The ultimate aim of all our counter fraud work is to support improved Council services. Stopping the theft of public money by fraudster's means that as an organisation we are able to see that money deployed is as the taxpayer intended.

In order to tackle national and local issues of benefit fraud Trafford Council will endeavour to prevent, detect, deter and investigate fraud and make available appropriate resources in the form of a benefit fraud investigation team

- **Tackling Benefit Fraud**

Trafford Council's benefit counter fraud work will be in tune with, and directly support, the aims of the Council where we will:

resource a benefit fraud investigation team within the Transformation and Resources Directorate to deliver the Council's responsibility to tackling benefit fraud:

work with other departments to aim for the highest standards of stewardship of public funds, and of efficiency in the best possible use of Council resources;

make the most use of all available information & intelligence and always seek to harness improvements in information technology and other developments in our professional standards;

have secure systems in place and, where types of benefit fraud occur, we are able to identify them quickly and feed the knowledge of how they are perpetrated back into the process of preventing them occurring again; and

will use all available legal remedies to take action against benefit fraudsters; and

where appropriate, apply further legislation in accordance with Proceeds of Crime Act 2002 to identify the extent of other possible criminality and recover assets via the Courts.

- **Management Responsibilities**

In order to succeed in achieving our aims and objectives, we need support from all management levels within the Council. Managers need to ensure the appropriate culture and measures are in place in order to reduce fraud.

We also need to work closely with other departments of the Council to ensure a zero tolerance approach to fraud is taken. This will be done by working to ensure that strong and effective disciplinary action is taken against any member of staff who has been found to be involved in falsely claiming benefits from the Authority.

Managers, particularly those with accountability for services providing benefits or connected services have a responsibility for ensuring delivery of appropriate counter fraud controls and procedures and for ensuring the appropriate counter fraud culture.

Our aim is to ensure managers within the Council with responsibility relating to all types of benefits, associated systems and payments see responsibility for counter fraud awareness and initiatives as an integral part of their roles.

3. *Purpose*

The purpose of this policy is:

To put in place formal arrangements which, once implemented, will further increase the professionalism and effectiveness of the Fraud Investigation Team in combating benefit fraud. This will also ensure there are formal arrangements for the Authority to operate a professional, effective function to combat benefit fraud."

To continue with a range of initiatives aimed at significantly reducing and ultimately preventing and eliminating benefit fraud in Trafford. In order to do this the Council has set itself a series of objectives.

4. *Objectives*

The objectives of this Council in tackling benefit fraud are:

the **creation of an anti-fraud culture**;

develop effective **prevention** controls:

maximum **deterrence** of fraud;

professional **investigation** of detected fraud;

effective **sanctions**; and

effective methods for seeking **redress**;

5. Tackling Benefit Fraud

To assist in achieving the above objectives the Fraud Investigation Team will:

- Employ investigation officers who have gained or are willing to gain the Professionalism In Security (PINS) qualification and who have agreed to adhere to the investigators' code of conduct as well as the corporate one.

- Ensure that investigators are competent, appropriately trained and fully aware of all legislative procedures and any subsequent changes, and Council policy requirements.

- Conduct all investigations in accordance with the relevant legislation such as the *Police and Criminal Evidence Act 1984 (PACE), the Criminal Procedures Investigations Act 1996 (CPIA)* as well as adhering to the file quality and investigations procedures laid down by the Council.

- To act with honesty, professionalism and integrity when dealing with all the Council's Members and officers and with all claimants (whether fraudulent or not) and other customers.

- Record all fraud referrals on a case management database.

- Conduct a risk assessment on all fraud referrals within 10 working days and make a considered decision as to whether investigation of the case is viable.

- Where appropriate, notify all referrers within 10 working days the outcome of any risk assessment and whether a decision has been made to investigate. Start all investigations within 10 days of a positive risk assessment.

- Record all actions on a case in the prescribed manner and maintain case files to the prescribed standard.

- To raise a separate fraud file on each investigation.

- Undertake all and any investigation(s) with due consideration to relevant legislation, with particular regard to the *Human Rights Act 1998, the Regulation of Investigatory Powers Act 2000, the Data Protection Act 1998, Freedom of Information Act 2004* and in particular race equality issues.

- Make correct use of all Authorised Officer powers granted under *s.109 of the Social Security Administration Act 1992 (as amended 1997, 2000 and 2001)* and in accordance with the restrictions of any warrants issued on behalf of the Secretary of State under *s.110A* of the act.

- Conduct all investigations, with particular regard to investigations involving taped interviews, with due consideration for the guidelines contained in the code of practice drawn up under the provisions of the *Police and Criminal Evidence Act 1984.*

- Conduct taped interviews utilising officers who have completed training in the *PEACE (*Plan, Engage, Account, Closure, and Evaluation) style of undertaking interviews.

- Conduct surveillance in an appropriate manner, duly authorised by the Investigations manager utilising the prescribed forms.

- Notify the Benefits section of the outcome of any fraudulent investigation and subsequent course of action recommended by the investigation manager or investigator.

- In cases where an overpayment occurs, the Fraud Investigation Team will ensure the correct classification is made. If the overpayment is fraudulent the investigation manager will consider whether further action up to and including prosecution is required.

- Prosecute, or apply a sanction, in accordance with the Trafford Council Benefit Fraud Sanctions Policy, all persons who have or have attempted to defraud the benefits system (subject to certain criteria).

- Ensure maximum publicity is obtained on all appropriate cases. This acts as a deterrent to fraudsters and helps reinforce the message that fraud is unacceptable. This also encourages members of the public to inform the authority of persons they believe may be defrauding the benefits system.

- Continue to participate in the Department for Work and Pensions (DWP) Housing Benefit Matching Service. Under the scheme individual claims are checked with those from other authorities and agencies to identify fraudulent or duplicate/multiple claims.

- Participate in the National Fraud Initiative (NFI), which allows comparison of a range of data against other data sources.

- Continue to work closely with Council Tax and Housing Benefits to deter, prevent and detect benefit fraud.

- Maintain a repository of up to date information pertaining to legislation, procedures, intelligence and relevant documentation for the purpose of facilitating the investigation process.

- All cases where it is considered that prosecution is appropriate will also be considered for referral to the Council's Financial Investigation Unit for action to be taken in accordance with the Criminal Justice Act 1998 or Proceeds of Crime Act 2002.

With regards to service delivery the team will consider the Council's Equality & Diversity Policy i.e. treat everyone equal regardless of race, colour, creed, sex, disability or religion and act with honesty, professionalism and integrity when dealing with all customers. The team will also make sure that all documentation is handled in a secure and safe manner especially those documents and processes which are deemed to be confidential.

The Fraud Investigation Team is keen to work in partnership to combat fraud. Officers will work to strengthen links, both internally and with a view to carrying out joint operations. Organisations involved include Her Majesty's Revenue & Customs, Police, Immigration, and the Department for Work and Pensions (Jobcentre Plus) plus other Local Authorities.

To ensure that the team keeps abreast of the latest information, the Council subscribes to publications both printed and electronic concerning fraud and benefits. In addition, the team subscribes to organisations dedicated to the fight against benefit fraud and fraud. These organisations include the Local Authority Investigation Officers Group (LAIOG) and the National Anti-Fraud Network (NAFN).

6. Review of Policy

The Tackling Benefit Fraud Policy will be reviewed by the Investigations Manager on a regular basis

It will be approved by the Audit and Assurance Manager with referral also being made to CMT/Executive if any significant changes to the policy are required.

APPENDIX B

HOLD FAST THAT WHICH IS GOOD

TRAFFORD
COUNCIL

Transformation & Resources Directorate

Benefit Fraud Sanctions Policy

August 2012

TRAFFORD COUNCIL – BENEFIT FRAUD SANCTIONS & PROSECUTIONS POLICY

1. Introduction

As outlined in Trafford Council's Anti Fraud and Corruption Strategy the Authority is committed to protecting the public funds it administers through the prevention; detection, deterrence and investigation of suspected fraudulent claims for Housing Benefit and/or Council Tax Benefit.

The Authority recognises that the use of sanctions and prosecutions, as defined by the Fraud Act 1997, is an integral part of this commitment and has a key role in deterring offenders.

The Authority will in all cases make sure that a fraud has been committed, and that the fraud investigators have adequate evidence to carry out an interview under caution, in accordance with the Police and Criminal Evidence Act 1984 to determine the correct circumstances.

Where it is considered that appropriate evidence does exist to sustain a sanction or prosecution the Council will consider if the following are appropriate:

2. Local Authority Caution (Caution)

Grounds for considering the use of a Caution are where the evidential requirement for a prosecution is satisfied, the overpayment is less than £2,000, and

- the claimant has never previously offended, and
- the offence(s) were not planned or systematic, and
- there was no other person involved in the fraud, and
- the offender has admitted the offence, and
- there is evidence of financial hardship that would make an Administrative Penalty inappropriate.

Cautions may also be offered in cases where the overpayment is greater than £2000 but there are mitigating health and/or social factors present that would make it inappropriate to consider prosecution as a first option.

Cautions may also be offered if there is no financial loss to the Council but guilty intent must have been established.

3. Administrative Penalty

Grounds for considering the use of an Ad pen are where the evidential requirement for a prosecution is satisfied, the overpayment is less than £2,000, and

- the claimant has never previously offended, and
- the offence(s) were not planned or systematic, and
- there was no other person involved in the fraud, and
- the offender has the ability to pay a financial penalty.

Note: The offender does <u>not</u> have to make an admission of the offence for an Administrative Penalty to be appropriate.

4. Prosecution

The Council would consider prosecuting the offender and other persons directly involved in the offence where the overpayment is over £2,000, or

- it was not a first offence, or
- the offence(s) were planned or systematic, or
- there were other persons involved in the fraud, or
- the ad pen or caution is refused, or
- employees or members of the Authority are involved in the commission of the offence(s).

5. Prosecution Criteria

When considering whether or not further action such as criminal proceedings is appropriate, each case will be considered on its own merits, and whether it is in the public interest or cost effective to undertake. The option will remain to take prosecution action in any case when aggravating circumstances exist, irrespective of the overpayment involved.

The following outline the factors which must be considered, to ensure consistent and equitable treatment of all those accused of fraud.

a. Financial Limits
An initial financial guideline figure of £2,000 has been established as the minimum amount at which the Council would refer a case for prosecution, however, the option will remain to take prosecution action in any case when aggravating circumstances exist, irrespective of the financial loss or overpayment involved.

b. Physical / Mental Health Factors
Prosecution will not be pursued where it is considered that exceptional personal or mental health problems have been a contributing factor. Due consideration will be given to those claimants who will be adversely affected by our action.

c. Voluntary Disclosure
It may not be appropriate to prosecute those whose disclosure of their own free will leads to the identification of fraud, which the Authority was unaware of. Admissions made after enquiries have commenced do not constitute voluntary disclosure.

d. Previous Incidence of Fraud
Any evidence of previous benefit fraud, regardless of the result, will form part of the overall prosecution decision.

e. Social Factors
If the claimant's failure to declare the correct circumstances was caused by significant extenuating social or financial factors, they will be fully evaluated. An admission of debt or limited assets would not in itself meet this requirement.

f. Adequacy of Evidence
To secure any conviction substantive evidence will be required. It must be clear that the fraudulent act has been committed, and that guilty knowledge; guilty action, guilty/fraudulent intent and, if appropriate, dishonesty have been established.

g. Failure in Investigation
All appropriate procedures must have been adhered to and satisfy the Police and Criminal Evidence Act 1984, Criminal Procedures and Investigations Act 1996,
Regulation of Investigatory Powers Act 2000 and other relevant legislation. Due regard must also be given to any delay which the courts may find unacceptable.

h. **Failure in Benefit Administration**
Full account must be taken of remiss administration or fault on the part of the Council or Jobcentre Plus (DWP) that has contributed to the processing of the fraudulent claim and subsequent award of benefit.

i. Employee Involvement .
Criminal proceedings will be considered in all cases where employees are found to have either made or participated in the making of fraudulent benefit claims to this or any other authority. Any such cases will also automatically be referred for possible disciplinary action to be taken in accordance with the Council's Anti Fraud & Corruption Strategy.

6. Post Investigation Considerations

Once the investigating officer has completed the case, the investigations manager will consider each case on its merits applying the criteria in this policy (which is in accordance with that in the Code for Crown Prosecutors) and any other relevant circumstances relevant to the case.

The investigations manager will decide whether there is enough evidence to provide a realistic prospect of securing a sanction, and if so, whether it is in the public interest to offer a caution, administrative penalty or recommend prosecution.

7. Authorisation of Sanction or Prosecution

The decision to offer a caution or administrative penalty will be made by the Investigations Manager. Such cases may be dealt with by way of a formal interview or by agreement with the offender by post. Cases being referred for prosecution will be authorised by the Investigations Manager and/or an appropriate officer in Legal and Democratic Services.

8. Department for Work and Pension cases (DWP)

In cases where the Council has been the lead agency on joint working between the Council and the DWP, the Authority will consider prosecuting on behalf of the DWP in line with the above criteria providing adequate authorisation has been given by them to do so.

The Council will also consider prosecuting on behalf of the DWP in line with the above criteria in instances where joint working has not taken place but where offences have occurred in respect of a DWP administered benefit.

9. Publicity

Press releases will be issued in suitable cases to seek to maximise the deterrent effect and raise the level of public awareness. Consideration will be given to the amounts involved, nature of the offence, public interest and deterrent value. For example if the court imposes an unusually lenient sentence it may not be in the public interest to publicise the case as it sends out the wrong message.

In all cases, authorisation will be requested from the Audit and Assurance Manager prior to the release of any information.

10. Further Action

Cases where it is considered that prosecution is appropriate will also be considered for referral to the Council's Financial Investigation Unit for action to be taken in accordance with the Criminal Justice Act 1998 or Proceeds of Crime Act 2002. All referrals to the unit will be authorised by the Investigation Services Manager.

11. Conclusion

The Authority will seek to deter those committing benefit frauds by imposing a caution, administrative penalty or to prosecute in all appropriate cases.

Only those cases that are considered to be deliberate and blatant attempts to defraud the system will be pursued.

Any such cases uncovered that involve employees of the Authority will automatically result in disciplinary action being taken against them.

The criteria that has been established here is designed to ensure that the correct cases are brought to court, the correct sanctions are issued and that the Authority acts in a positive way to actively seek out and deter deliberate and blatant fraudsters.

12. Approval & Review of Policy

The Benefit Fraud Sanctions Policy will be reviewed by the Investigations Manager on a regular basis. It will be approved by the Audit & Assurance Manager with referral being made to CMT/Executive if any significant changes to the policy are required.

APPENDIX C

TRAFFORD
COUNCIL

Transformation & Resources Directorate

Financial Investigation Policy

August 2012

1. Remit of the Financial Investigation Unit

1.1 As outlined in Trafford's Anti Fraud & Corruption Strategy, the Council is committed to protecting public funds through fighting fraud and corruption whether attempted from inside or outside of the organisation.

1.2 The Council will take effective action to detect and investigate fraud, and where it has been proven to have occurred will take appropriate action as set out in the Anti-Fraud & Corruption Strategy and the Benefit Fraud Sanctions Policy.

1.3 In addition to this the Council will endeavour, to deter individuals from committing fraud against the Authority and, in cases where it has been proven that fraud has taken place, recover funds lost by taking the proceeds out of crime, in accordance with the legislation appropriate to the Proceeds of Crime Act 2002 and Criminal Justice Act.

1.4 We shall endeavour to trace assets, track money that is being hidden and, where necessary and appropriate, secure restraint or confiscation and enforce orders to recover the maximum amount recoverable as a proceed of crime.

1.5 We will also work to support and assist other public bodies in endeavouring to do the same.

2. Legislation

2.1 All investigations will be progressed in accordance with either the **Proceeds of Crime Act 2002** (when all offences post date its enactment date of 24th March 2003) or **Criminal Justice Act 1988** in all other cases. The purpose of this legislation is to enable the Financial Investigator to establish the extent of the defendants profit from criminal activity by identifying their gain from :-

- **<u>Particular Criminal Conduct</u> – The offences that they have been prosecuted for following the criminal investigation (e.g. the Housing Benefit overpayment)**

- **<u>General Criminal Conduct</u> – An assumption based on the balance of probability that the defendants' lifestyle is being funded from crime as no legitimate sources for funding such a lifestyle can be identified.**

2.2 Following the conclusion of an investigation where it has been identified that the defendant has profited from Particular Criminal Conduct and (if applicable) General Criminal Conduct we will apply for a Confiscation Order to be made whereby the Court will order them to repay the amount they have obtained – this is known as the **recoverable amount.** The order will be enforceable against all of the defendants' assets, regardless of whether they have been legally obtained or not.

3. Approach

3.1 The Authority undertakes to resource the Financial Investigation Unit within the Fraud Investigation Service (which is placed within the Transformation and Resources Directorate) to enable them to conduct Financial Investigations in accordance with appropriate legislation and policy.

3.2 We will ensure that investigators employed within the Unit will undertake rigorous training to enable them to achieve accreditation from the National Policing

Improvement Agency as Financial Investigators and will continue to maintain this accreditation by continuing to meet the appropriate standards required by the Agency.

3.3 The Financial Investigation Unit will agree to undertake 2 types of investigation :-

- **Confiscation** – Whereby an investigation will seek to establish whether a defendant has obtained assets by conducting criminal activity.

- **Money Laundering** – Whereby an investigation will establish whether a defendant has changed the identity of illegally obtained money in an attempt to give the impression that it has originated from a legitimate source.

3.4 The Financial Investigation Unit will investigate cases across all parts of the council, in particular those relating to cases uncovered by the :

- Benefit Fraud Investigation Team
- Internal Audit
- Trading Standards

3.5 The Financial Investigation Unit will also offer the service to other Local Authorities – managed through Service Level Agreements – to support them in the detection and deterrence of fraud and remove the proceeds from crime. All costs incurred in providing this service will be recovered.

3.6 The Financial Investigation Unit will work closely and effectively with all associated agencies in the process of their investigations and alert them to any possible criminal activity as appropriate. In particular we will work closely with :-

- Police
- Department of Work and Pensions
- Her Majesty's Revenue and Customs
- Home Office – UK Border Agency

3.7 The Financial Investigation Unit will liaise with the appropriate legal departments at all times to ensure that correct legal procedures are being adhered to.

3.8 The Financial Investigation Unit will adhere to a strict code of confidentiality and ensure that information is only shared in accordance with relevant legislation at all times. Examples of such legislation are :

- Data Protection Act
- Proceeds of Crime Act
- Criminal Justice Act

4. Reporting and Review

4.1 The Financial Investigation Policy will be reviewed by the Investigations Manager on a regular basis. It will be approved by the Audit & Assurance Manager with referral also being made to CMT/Executive for approval if any major material changes to the policy are required.

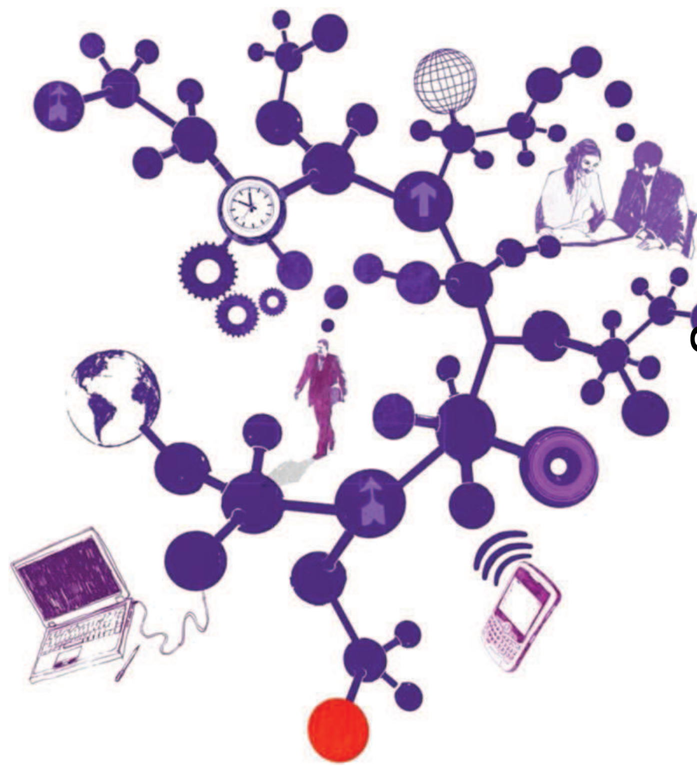
This version of the report is a draft. Its contents and subject matter remain under review and its contents may change and be expanded as part of the finalisation of the report.

Trafford Council

Review of the Council's Arrangements for Securing Financial Resilience

Year ended 31 March 2013

31 March 2013



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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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1 Executive Summary

2 Key Indicators

3 Strategic Financial Planning

4 Financial Governance

5 Financial Control

Appendix - Key indicators of financial performance

Our approach

Value for Money Conclusion

Our work supporting our Value for Money (VfM) conclusion, as part of the statutory external audit, includes a review to determine if the Council has proper arrangements in place for securing financial resilience.

In so doing we have considered whether the Council has robust financial systems and processes in place to manage its financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future. We have carried out our work in discussion and agreement with officers and completed it in such a way as to minimise disruption to them.

The definition of foreseeable future for the purposes of this financial resilience review is 12 months from the date of this report.

We have reviewed the financial resilience of the Council by looking at:

- Key indicators of financial performance;
- Its approach to strategic financial planning;
- Its approach to financial governance; and
- Its approach to financial control.

Further detail on each of these areas is provided in the sections of the report that follow. Our overall conclusion is that whilst the Council faces financial challenges ahead with significant reductions in future government funding its current arrangement for securing financial resilience are good.

We have used a red/amber/green (RAG) rating with the following definitions.

Green	**Arrangements meet or exceed adequate standards**. Adequate arrangements identified and key characteristics of good practice appear to be in place.
Amber	**Potential risks and/or weaknesses**. Adequate arrangements and characteristics are in place in some respects, but not all. Evidence that the Council is taking forward areas where arrangements need to be strengthened.
Red	**High risk**: The Council's arrangements are generally inadequate or may have a high risk of not succeeding

Executive Summary

National and Local Context

National Context

The Chancellor of the Exchequer announced the current Spending Review (SR10) to Parliament on 20 October 2010. SR10 represented the largest reductions in public spending since the 1920's. Revenue funding to local government was to reduce by 19% by 2014-15 (excluding schools, fire and police). After allowing for inflation, this equates to a 28% reduction in real terms with local government facing some of the largest cuts in the public sector. In addition, local government funding reductions were frontloaded, with 8% cash reductions in 2011-12. This followed a period of sustained growth in local government spending, which increased by 45% during the period 1997 to 2007.

The Chancellor of the Exchequer, in his Autumn Statement in November 2011, announced further public spending reductions of 0.9% in real terms in both 2015-16 and 2016-17. In his Autumn Statement on 5 December 2012, the Chancellor reinforced austerity measures announcing a further £6.6bn of savings during 2013-14 and 2014-15. Whilst health and schools will be continue to be protected in line with the Government's policy set out in SR10, local government will continue to face significant funding reductions. The Department for Communities and Local Government will contribute £470m of these additional savings, £445m of which will come from local authority funding during 2014-15, with local authorities being exempt from additional savings in 2013-14. In his March 2013 Budget the Chancellor announced further departmental 1% saving during 13/14 and 14/15. The NHS and schools remain protected, but police and local government will need to find an additional 0.5% over both years.

The next spending review period, 2015-16, was announced by the Chancellor on 26 June 2013. Local government will face a further 10% funding reduction for this period.

These funding reductions come at a time when demographic and recession based factors are increasing demand for some services, and there is a decreasing demand for some services, such as car parking, where customers pay a fee or charge.

Financial austerity is expected to continue until at least 2017.

Local Context

Trafford Council is one of the 10 Local Authorities in the Greater Manchester Region and home to over 220,000 people. Located between Cheshire, Manchester Airport and the City of Manchester, the borough covers 41 square miles and a number of towns including Stretford, Sale, Altrincham, Partington and Urmston. Well known for sporting venues such as Manchester United Football Club & Museum, Lancashire County Cricket Club and Altrincham Football Club.

The Council has a below average net spend per head of population (2011-12 information), of £1,655 per head compared with an average of £1,704. (statistical nearest neighbours).

The Council has set a two year budget plan up to 2014-15. The Plan sets out the requirement to balance a budget gap of£38.9m with a combination of efficiencies, new income and reserves, changes to terms and conditions and other savings.

Executive Summary

Overview of Arrangements

Risk area	Summary observations	High level risk assessment
Key Indicators of Performance	Review against key performance indicators show that the Council is in a strong position. Our review of indicators of liquidity, long term borrowing, performance against budget, reserves balances and schools balances all rated the Council as green. This was based on information from 2011-12.	Green
Strategic Financial Planning	The Council has agreed a budget plan for 2013-14 and 2014-15 and incorporated the revisions arising from the latest local government settlement. The Plan identified a requirement for £38.9m of savings over the two year period.	Green
Financial Governance	The Council has a sound governance framework in place. This enables it to monitor the achievement of its strategic objectives and whether these have resulted in appropriate services and value for money. Through the planning and budget setting process, the Council's financial environment and financial performance is understood throughout the organisation. Members are actively engaged in the process. Clear and comprehensive reporting is undertaken at all levels and the Council has a good track record of delivering performance in line with budgets.	Green
Financial Control	The Council has an effective system of internal control which is designed to identify and prioritise the risks to the Council and then manage and monitor these. Finance staff are experienced and appropriately qualified and the Council has maintained sound controls around the fundamental financial systems to ensure effective financial reporting throughout the year. The Council has an effective Internal Audit function and a good performance management framework. with regular monitoring of the achievement of corporate objectives through the Annual Delivery Plan.	Green

Executive Summary

Next Steps

Area of review	Key points for consideration	Responsibility	Timescale	Management response
Key Indicators of Performance	Trafford currently performs well in key areas of performance relative to statistical nearest neighbours. Faced with a continuing uncertain financial climate it will become even more critical to ensure that the Council has appropriate levels of reserves and that it closely monitors and manages its net assets position to underpin its financial resilience.			
Strategic Financial Planning	Trafford has recognised that with continuing government funding reductions it will be essential going forward to secure effective partnership working to enable scare resources to be most effectively used. Trafford has set out its Partnership Vision for locality working through the development of Vision 2015. The development of robust partnerships as set out will be key to achievement of the best possible outcomes based on the collective resources available.			
Financial Governance	The need for robust governance and financial planning and management in local government is greater than ever. Trafford Council has robust systems in place to face these challenges. It will need to ensure that it continues to provide support to members to ensure effective challenge and decision making.			

Executive Summary

Next Steps

Area of review	Key points for consideration	Responsibility	Timescale	Management response
Financial Control	The Council has continued to deliver Transformation Programme savings and at the end of 2012-13 had realised total savings for the year of over £12m. The Council is faced with the continuing challenge of finding further savings which will become increasingly difficult. It will be essential therefore to ensure that its savings plans are clearly communicated, link to specific policy decisions, and that the impact on service levels and quality is clearly identified and monitored.			

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Appendix - Key indicators of financial performance

Key Indicators

Introduction

This section of the report includes analysis of key indicators of financial performance, benchmarked where this data is available. These indicators include:

- Working capital ratio
- Long term borrowing to tax revenue
- Long term borrowing to long term assets
- Sickness absence levels
- Out-turn against budget
- Useable Reserves: Gross Revenue Expenditure
- Schools Reserves - Balances to DSG allocations

We have used the Audit Commission's nearest neighbours benchmarking group comprising the following authorities:

Bath and North East Somerset
Bedford Borough Council
Calderdale Metropolitan Borough Council
Cheshire East Council
Cheshire West and Chester Council
City of York Council
Darlington Borough Council
Derby City Council
Dudley Metropolitan Borough Council
Kirklees Metropolitan Borough Council
Peterborough City Council
Stockport Metropolitan Borough Council
Swindon Borough Council
Warrington Borough Council

Key Indicators

Overview of performance

Area of focus	Summary observations	Assessment
Liquidity	The working capital ratio indicates whether a council has enough current assets, or resources, to cover its immediate liabilities. The Council's working capital ratio was 1.67 at 31 March 2013 (2.05 at 31 March 2012), a decrease of 0.35). Comparative information on liquidity from the Council's statistical nearest neighbours (up to 2011-12) shows the Council is performing well and is above the average of 1.15. The Council has also improved its Council Tax and National non-domestic rates (NNDR) collection rates in 2012-13. Collecting £90m Council Tax in 2012-13, a performance of 98.1% (97.8% in 2011-12) and£153m of NNDR, a performance of 97.9% (97.4% in 2011-12).	Green
Borrowing	The Council's borrowing at 31 March 2013 was £103.4m (£100.7m in 2011-12) with £4m of this being due within 12 months. According to the Audit Commission nearest neighbour benchmark group for 2011-12, the Council showed it had a comparatively lower than average ratio of borrowing: • Long term borrowing as a percentage of tax revenues was 0.69 (69%) in 2011-12, compared to an average of 1.43. • Long term borrowing as a percentage of long term assets was 0.24 (24%), compared to an average of 0.28. The Council complied with treasury management and prudential indictors and benchmarks set for 2012-13.	Green
Workforce	Across the Council, the average number of days lost to sickness absence for 2012-13 was 10.02 days. This is against a corporate target of 9 days per annum and an average of 9.93 days in 2011-12. In 2011-12 the average across Greater Manchester was (8.75 days) and the average across the public sector (8 days). The Council monitors all key performance statistics through its quarterly Annual Delivery Plan and has invested time to support managers manage sickness absence through training and coaching. It is now revising its strategy in key areas, including data accuracy, performance management and support and intervention address levels of sickness.	Amber

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Key Indicators

Area of focus	Summary observations	Assessment
Performance Against Budgets: revenue & capital	The Council has a good track record in achieving the revenue budget and managing financial performance.. The Council achieved an underspend against the final budget of £2.5m (1.6%) and achieved a budgeted savings and increased income target of £12.2m. The Council achieved this whilst facing continued austerity budgets and with increases in demand in children's and adult social care services. Capital expenditure for 2012-13 totalled £58m (or 95% of the controllable budget set). The variance against budget (of £5.6m) was mainly due to some slippage on schemes and re-profiling to 2013-14.	Green
Reserve Balances	Total Usable Reserves at 31 March 2013 were £44.2m - a decrease of £12.7m over the previous year. Within these, the General Fund Reserve balance increased by £842k to £10.6m, Earmarked General Fund Reserves (excluding schools) decreased slightly by £327k to £23.6m, whilst the Capital Receipts Reserve reduced by £13.3m to £10m. When compared to the Audit Commission nearest neighbour benchmark group, the Council was the highest in terms of balances held compared to gross revenue expenditure at the 2011-12 year end (mainly due to a higher capital receipts reserves and lower gross revenue expenditure). The comparative data is not yet available for 2012-13. The Council considers and agrees each year its needs based strategy for levels of reserves, with a minimum General Fund Reserve set at£6m for 2013-14.	Green
Schools Balances	The Audit Commission accepts that there will be some unspent Direct Schools Grant (DSG) at each year end which will be transferred to reserves but expects councils to ensure that the funding is spent on the current cohort wherever possible. The latest available data published by the Audit Commission, for 2011-12, shows that the Council has a higher than average level of unspent DSG allocation compared to its statistical nearest neighbour benchmark group in relation to year end balances held. However the School Reserves level at 31 March 2013 has reduced from £13.4 m to £9m due in part to transfer of schools to academy status and independent of the Council. At the 31 March 2013 the Council has four schools with a deficit balance totalling £127k.	Green

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Strategic Financial Planning

Key characteristics of good strategic financial planning

In conducting our review of strategic financial planning we have assessed the Council's performance against the following indicators:

- Focus on achievement of corporate priorities is evident through the financial planning process. The MTFP focuses resources on priorities.
- The MTFP includes outcome measures, scenario planning, benchmarking, resource planning and details on partnership working. Targets have been set for future periods in respect of reserve balances, prudential indicators etc.
- Annual financial plans follow the longer term financial strategy.
- There is regular review of the MTFP and the assumptions made within it. The Council responds to changing circumstances and manages its financial risks.
- The Council has performed stress testing on its model using a range of economic assumptions including CSR.
- The MTFP is linked to and is consistent with other key strategies, including workforce.
- KPIs can be derived for future periods from the information included within the MTFP.

Strategic Financial Planning

Medium Term Financial Strategy

Area of focus	Summary observations	Assessment
Focus of the MTFP	The Council have set a two year Plan up to 2014-15 supplemented with further medium term planning through to 2018-19. The Council builds up its medium term plans using base budget assumptions to identify the budget gap and then develops budget proposals and efficiencies to bring this into balance. The Council finalised the two year Plan in March 2013 after public consultation on key decisions and approval by the Executive. The Plan sets out the requirement to balance a budget gap of £38.9m with a combination of efficiencies, new income and reserves, changes to terms and conditions and other savings.	Green
Adequacy of planning assumptions	The Council has a good track record of setting a robust and stable budget, delivering significant efficiencies and good quality services within budget. The Council reviews the assumptions within its medium term plans as new information becomes available to mitigate against uncertainties in the level of future funding to be received from Government and the impact on savings required.	Green
Scope of the MTFP and links to annual planning	The Council has produced a detailed two year Plan up to 2014-15 and set in place outline plans up to 2018-19 based on projections on future government funding and spending pressures. The Council has a robust scrutiny process in place to ensure proposals are effectively developed and agreed. The corporate management team and Executive meet to discuss budget proposals which are subject to further scrutiny throughout the budget process. The Overview and Scrutiny Committee reviewed the budget consultation with recommendations agreed for the Executive to provide on going progress reports on proposals and the impact on specific service delivery. The Council reviewed and refined the proposals leading up to the final approval by the Executive in March 2013.	Green

Strategic Financial Planning

Medium Term Financial Strategy

Area of focus	Summary observations	Assessment
Review processes	Medium term financial plans are continually reviewed and refined as detailed Government funding settlements become known. The Council's two year Plan offers a certain amount of stability in view of the challenging financial environment and funding decreases faced going forward.	Green
Responsiveness of the Plan	In developing its medium term plans the Council challenges directorates to develop detailed business cases to support their budget proposals which are then subject to challenge and review. The Council has invested in Procurement and Transformation Teams to focus on both transformational change and the delivery of efficiencies. From 2004 the Council has delivered £54m of permanent efficiencies with an emphasis on management and back office functions, reducing the impact on front line services. Going forward, however, with continued reductions in Government funding the Council has recognised that the delivery of further cost reductions will require them to identify new business models, appropriate partnerships and undergo further organisational change.	Green

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Appendix - Key indicators of financial performance

Financial Governance

Key characteristics of effective financial governance

In conducting our review of financial governance we have assessed the Council's performance against the following indicators:

Understanding

- There is a clear understanding of the financial environment the Council is operating within:
  - Regular reporting to Members. Reports include detail of action planning and variance analysis etc.
  - Actions have been taken to address key risk areas.
  - Officers and managers understand the financial implications of current and alternative policies, programmes and activities.

Engagement

- There is engagement with stakeholders including budget consultations.

Monitoring and review

- There are comprehensive policies and procedures in place for Members, Officers and budget holders which clearly outline responsibilities.
- Number of internal and external recommendations overdue for implementation.
- Committees and Cabinet regularly review performance and it is subject to appropriate levels of scrutiny.
- There are effective recovery plans in place (if required).

Financial Governance

Understanding and engagement

Area of focus	Summary observations	Assessment
Understanding the Financial Environment	The Council has an effective budget monitoring process with detailed revenue and capital reporting to the corporate management team and Executive throughout the year. The Council delivers focused training and workshops to help ensure financial matters are understood at all levels and to raise awareness and understanding on key issues. In 2012-13 the Council agreed detailed training and development plans for each directorate and developed a member training plan based on individual personal development reviews.	Green
Executive and Member Engagement	Members are actively engaged in the development of detailed budget proposals. The Council effectively project manages the development and refinement of detailed budget proposals through a programme of budget workshops with members. A series of Executive and Scrutiny workshops focus on key decisions including feedback from consultation in arriving at final proposals.	Green
Overview for controls over key cost categories	Progress against savings plans are reported throughout the year. The revenue and capital budget position is reported to the corporate management team and Executive throughout the year and provides information regarding the delivery of savings and actions required going forward.	Green
Budget reporting: revenue and capital	Budget reporting is robust and comprehensive for both Revenue reporting and Capital programme reporting. The reports include a high level summary with key variances and progress against budget and savings. Detailed annexes include the position by directorate.	Green
Adequacy of other Committee/ Cabinet Reporting	The Council has effective scrutiny arrangements. Reports are provided regularly to the Overview and Scrutiny Committee who provide a further level of challenge, alongside reviewing any impact on service performance.	Green

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Financial Control

Key characteristics of effective financial control

In conducting our review of financial control we have assessed the Council's performance against the following indicators:

Budget setting and budget monitoring

- Budgets are robust and prepared in a timely fashion.
- Budgets are monitored at an officer, member and Cabinet level and officers are held accountable for budgetary performance.
- Financial forecasting is well-developed and forecasts are subject to regular review.

Savings Plans

- Processes for identifying, delivering and monitoring savings plan schemes are robust, well thought through and effective.

Financial Systems

- Key financial systems have received satisfactory reports from internal and external audit.
- Financial systems are adequate for future needs.

Finance Department

- The capacity and capability of the Finance Department is fit for purpose.

Internal Control

- There is an effective internal audit which has the proper profile within the organisation. Agreed Internal Audit recommendations are routinely implemented in a timely manner.
- There is a an assurance framework in place which is used effectively by the Council and business risks are managed and controlled.

Financial Control

Internal arrangements

Area of focus	Summary observations	Assessment
Budget setting and monitoring - revenue and capital	The Council has an effective business planning and budget setting process, which includes consultation with stakeholders and rigorous review and challenge by Members. The Council manages budgets well and this is evidenced by a good track record in achieving the overall budget and taking action on any overspends identified in year. Through the business planning process, the Council has a good understanding of its costs and performance and considers different ways of achieving savings through service redesign and activity monitoring to identify areas where services can be provided more effectively and efficiently. The Council has an effective Treasury Management strategy in place which is reported regularly to the Accounts and Audit Committee.	Green
Performance against Savings Plans	The Council has a good track record of achieving savings targets and meeting its budget. During 2012-13 the Council delivered its budgeted savings target and increased income of £12.2m. It has developed detailed proposals to meet a budget gap of £21.7m in 2013-14 and a robust planning process in place to identify savings to meet a further £17.2m gap in 2014-15.	Green
Key Financial Accounting Systems	The Council has sound financial systems to support effective financial reporting. Internal Audit concluded in their Internal Audit Opinion for 2012-13 that the overall control environment at the Council operates to a satisfactory standard. Internal Audit found that controls were adequate and effective in most areas based on reviews of fundamental financial systems and across other areas of governance examined during the year. Improvements plans with follow up actions were agreed for those areas where improvements were recommended. Findings from our external audit work on financial accounting systems identified no significant weaknesses.	Green

Financial Control

Internal and external assurances

Area of focus	Summary observations	Assessment
Finance Department Resourcing	The Council has experienced managers and staff within its Finance Department. Staff responsible for the production of the accounts, and monthly finance and monitoring reports are all appropriately trained, and experienced. This has resulted in the preparation of timely and good quality accounts over the last few years.	Green
Internal audit arrangements	The Council has an effective in-house Internal Audit function provided by the Audit and Assurance Service which fully complies with CIPFA standards. The Internal Audit plan is agreed at the start of each year by the Accounts and Audit Committee who provide robust challenge on the proposed coverage and scope of planned work. Internal Audit provide detailed and regular progress monitoring and assurance reports to the Audit Committee during the year. The annual Internal Audit report prepared at each year end summarises the overall findings on the work completed which forms part of the overall evidence supporting the Council's annual governance statement.	Green
External audit arrangements	External audit have regular liaison meetings with the Director of Finance, Head of Legal Services and other senior officers. These meetings include detailed finance and budget updates and potential emerging areas of risk. Ad-hoc finance meetings are also scheduled as appropriate to ensure issues are effectively communicated. The external audit engagement lead and audit manager attend Accounts and Audit Committee meetings which provide independent assurance on the adequacy of the Council's overall governance framework, and independent scrutiny of performance and financial reporting.	Green
Assurance framework/risk management	The Council has an established Risk Management Policy and Strategy which it updated during 2012-13. Corporate Directorates maintain risk registers on an on going basis and the Council's strategic risk register contains the strategic medium to long term risks. The Council identifies and monitors the key risks to the achievement of the Council's objectives by a process of update and review of its strategic risk register throughout the year. Quarterly reports setting out risks and key developments are monitored by the Transformation, Performance and Resources Group and the Corporate Management Team. In addition the Accounts and Audit Committee are provided with six monthly updates.	Green

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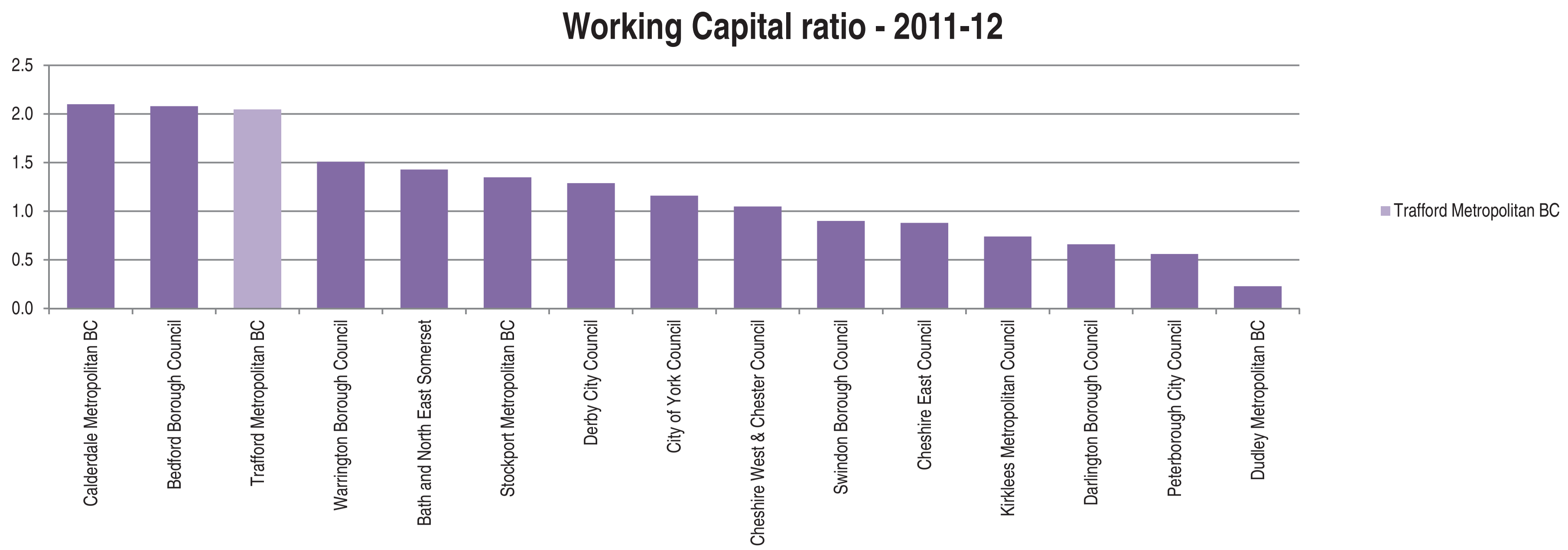
Appendix - Key indicators of financial performance

Working Capital Ratio 2011-2012

Definition The working capital ratio indicates whether a council has enough current assets, or resources, to cover its immediate liabilities. i.e. those liabilities to be met over the next twelve month period. A ratio of less than one - i.e. current liabilities exceed current assets - indicates potential liquidity problems. It should be noted that a high working capital ratio isn't always a good thing; it could indicate that an authority is not effectively investing its excess cash.

Findings The Council has the third highest working capital ratio (2.05) at 31 March 2012. This compares to an average of 1.15 for the Audit Commission nearest neighbour benchmark group for liquidity.

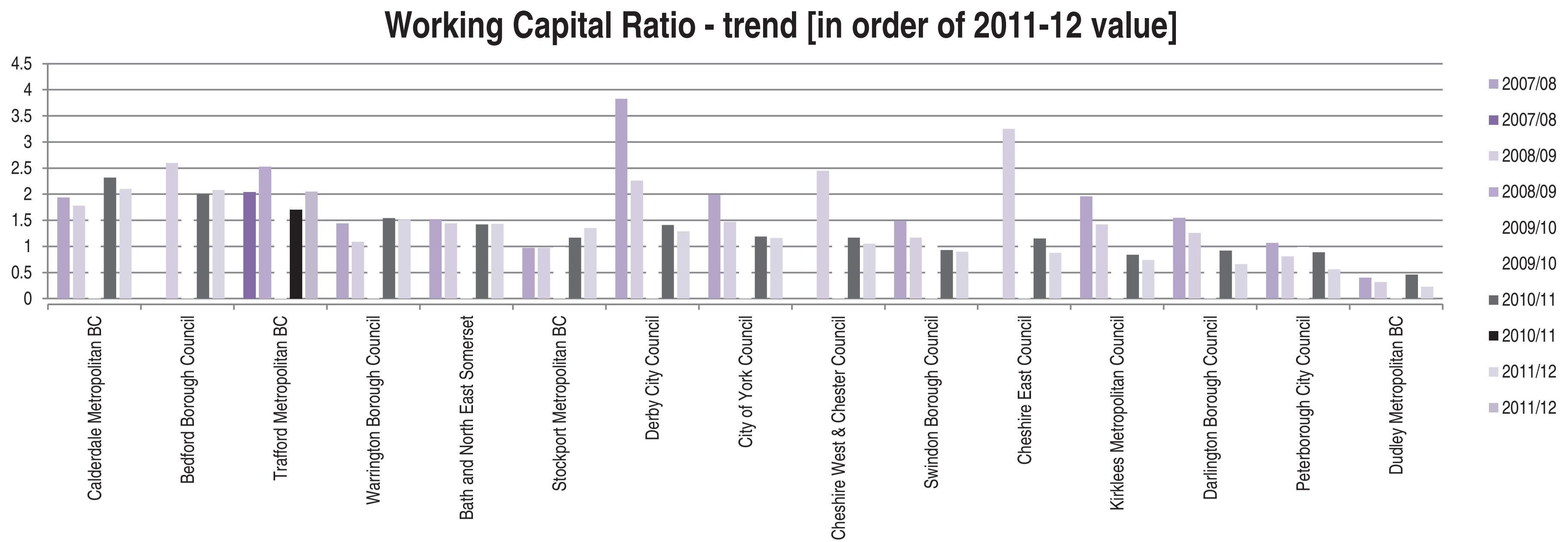


Source: Audit Commission financial ratios

Key Indicators of Financial Performance

Working Capital Ratio Trend

Findings The Council's working capital ratio has remained fairly stable over the last 5 years. It is the third highest in 2011/12 at 2.05 compared with the Audit Commission nearest neighbour benchmark group.



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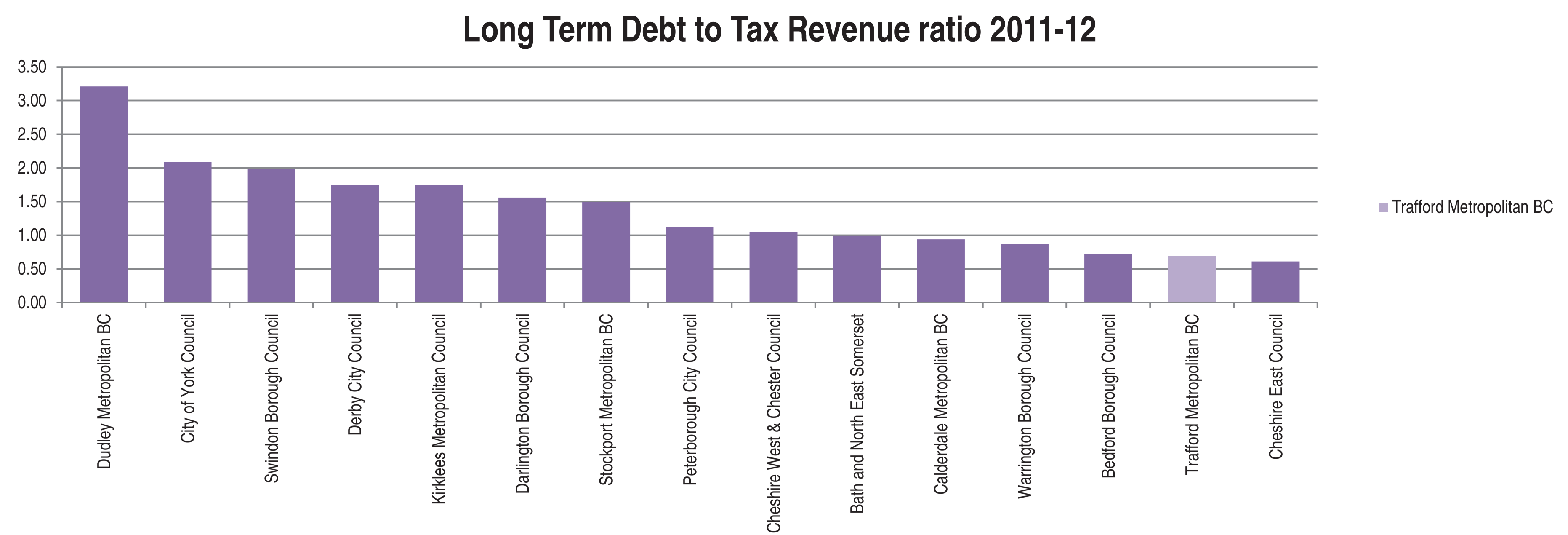
Source: Audit Commission financial ratios

Key Indicators of Financial Performance

Long Term Debt to Tax Ratio 2011-2012

Definition The long term debt to tax ratio indicates the percentage of long term borrowing as a share of tax revenue. A ratio of more than one means that long term borrowing exceeds council tax revenue.

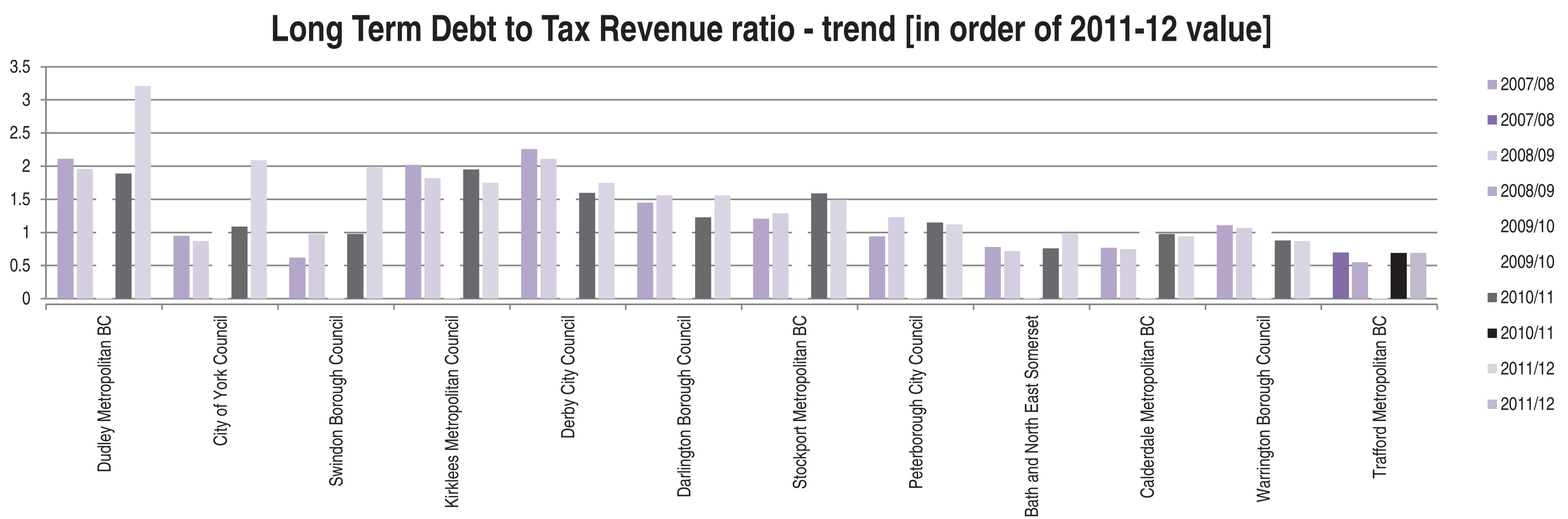
Findings The Council has a lower level of long term borrowing as a percentage of tax revenues (69%) when compared with the Audit Commission nearest neighbour benchmark group (average 143%) as at 31 March 2012. It has the second lowest level of long term debt within the statistical group.



Source: Audit Commission financial ratios

Long Term Debt to Tax Trend

Findings The Council historically has lower levels of debt when compared with the Audit Commission nearest neighbour benchmark group. This has remained fairly stable in relation to tax revenue over the period.



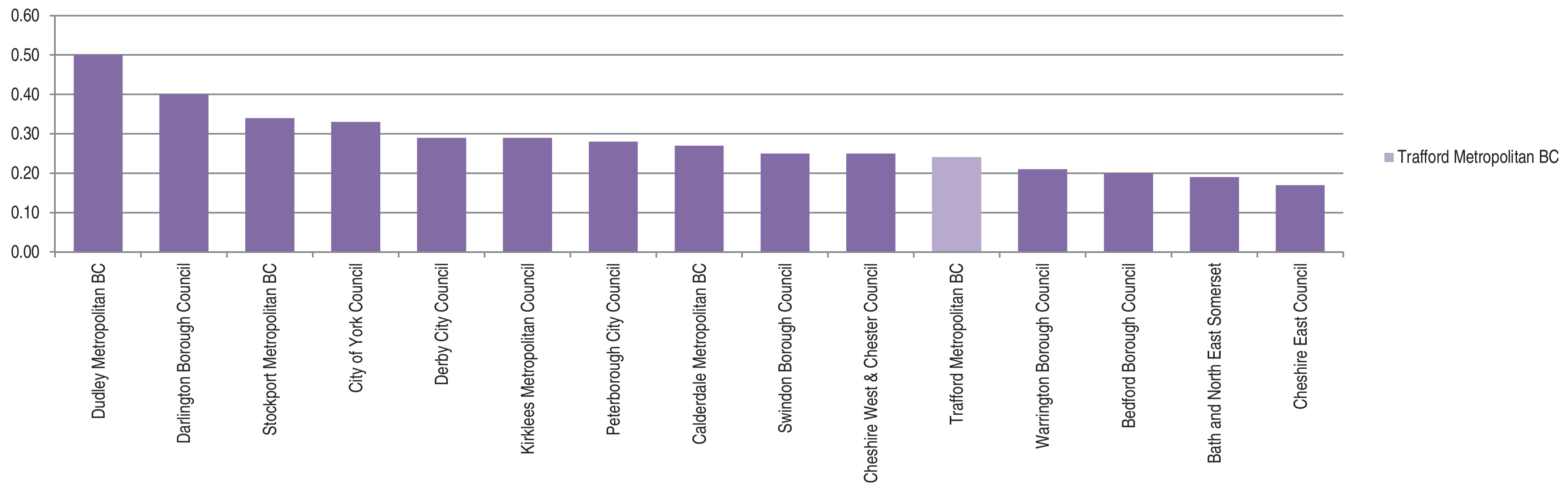
Source: Audit Commission financial ratios

Long Term Debt to Long Term Assets 2011-2012

Definition The long term debt to long term assets ratio shows the relationship between long term debt as a percentage of long term assets.

Findings The Council's long term debt to asset ratio was 24% at 31 March 2012. This compares to an average of 28% for the Audit Commission nearest neighbour benchmark group. It is the fifth lowest in the statistical group.

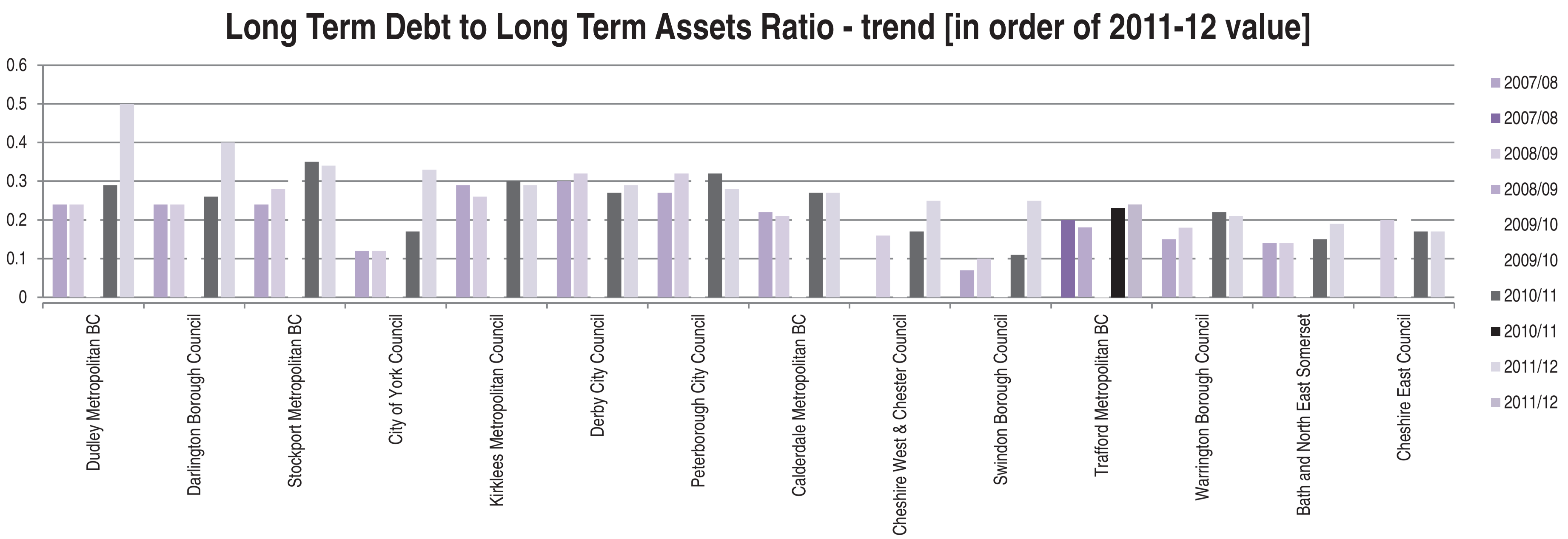
Long Term Debt to Long Term Assets ratio 2011-12



Source: Audit Commission financial ratios

Long Term Debt to Long Term Assets Trend

Findings The relationship between long term debt and long term assets has historically remained stable over the previous 5 year period..



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Source: Audit Commission financial ratios

Usable Reserves to Gross Revenue Expenditure 2011-2012

Definition The ratio shows the level of useable capital and revenue reserves as a share of expenditure. A ratio of 1 indicates reserves match expenditure.

Findings The Council has the highest level of reserves comparative to levels of expenditure across the statistical group.

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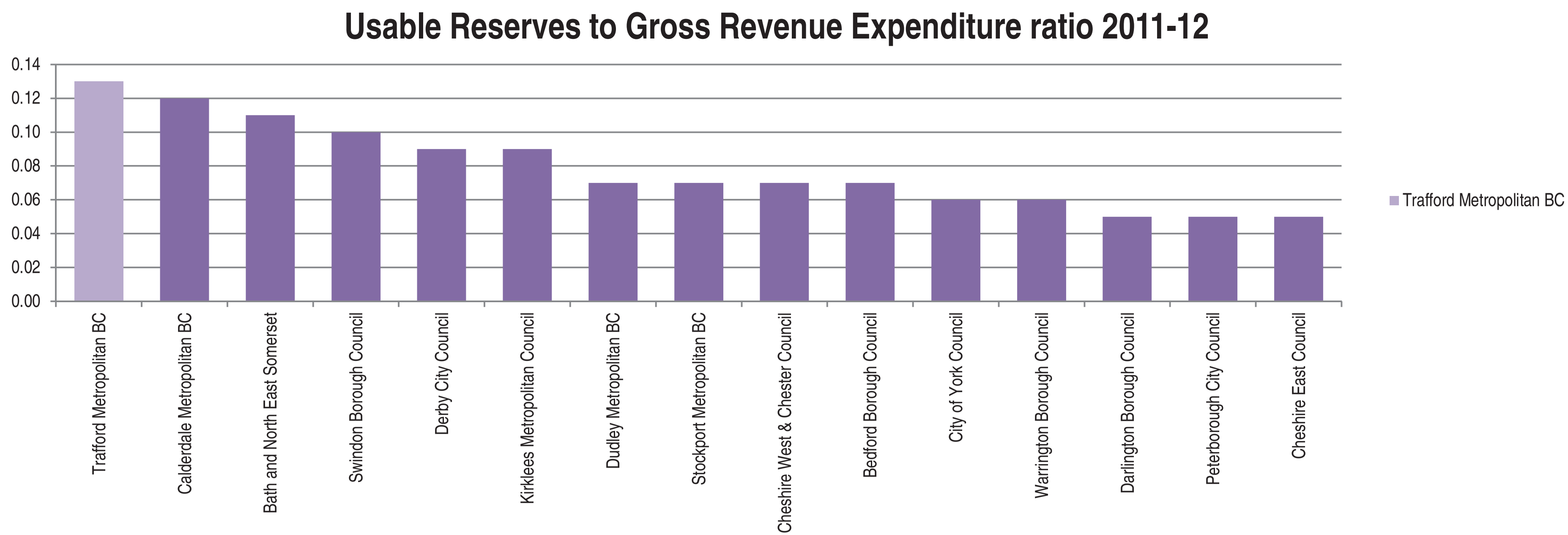
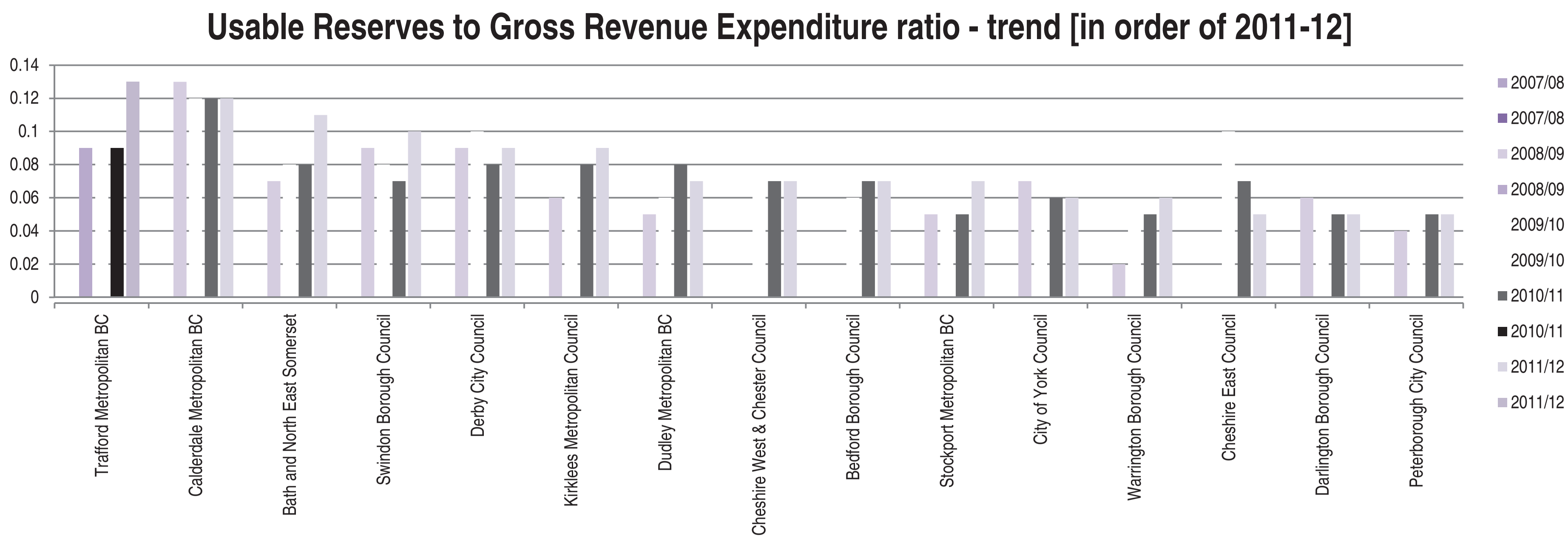


Source: Audit Commission financial ratios

Usable Reserves to Gross Revenue Expenditure Trend

Findings Trafford's useable reserves have increased in 2011-12 and are now the highest compared to its statistical neighbours.



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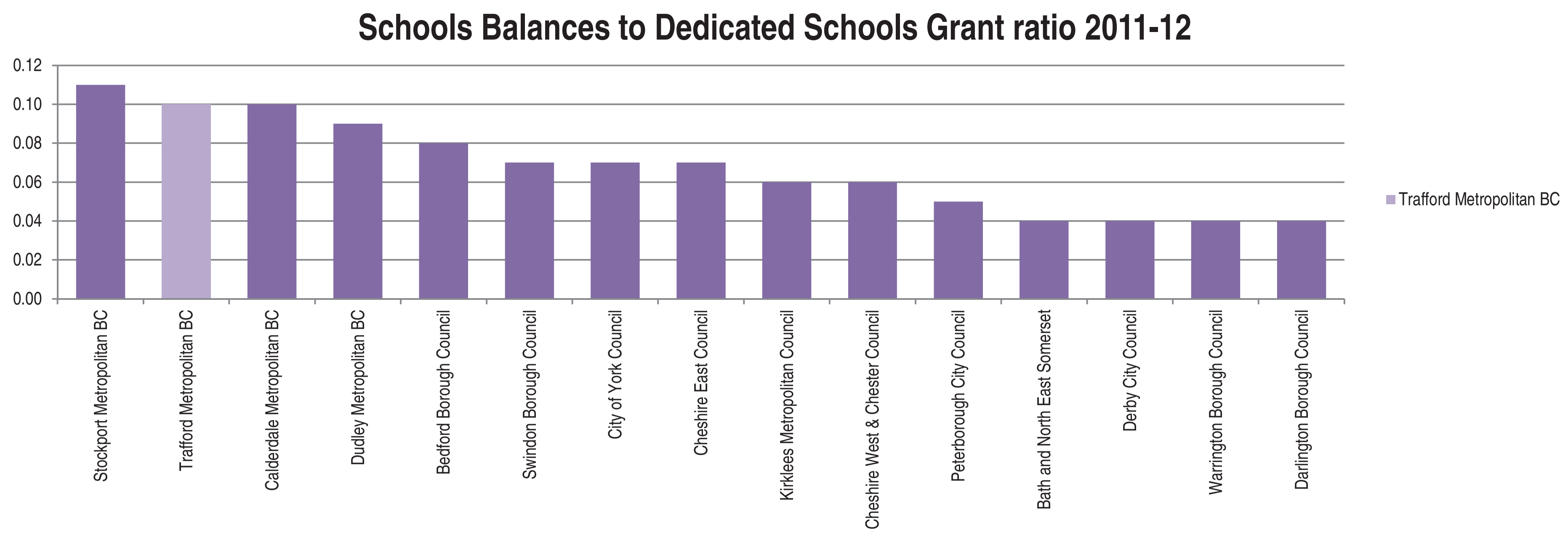
Source: Audit Commission financial ratios

Key Indicators of Financial Performance

Schools Balances to Dedicated Schools Grant 2011-2012

Definition The ratio shows the share of schools balances in relation to the total dedicated schools grant (DSG) allocation received for the year.

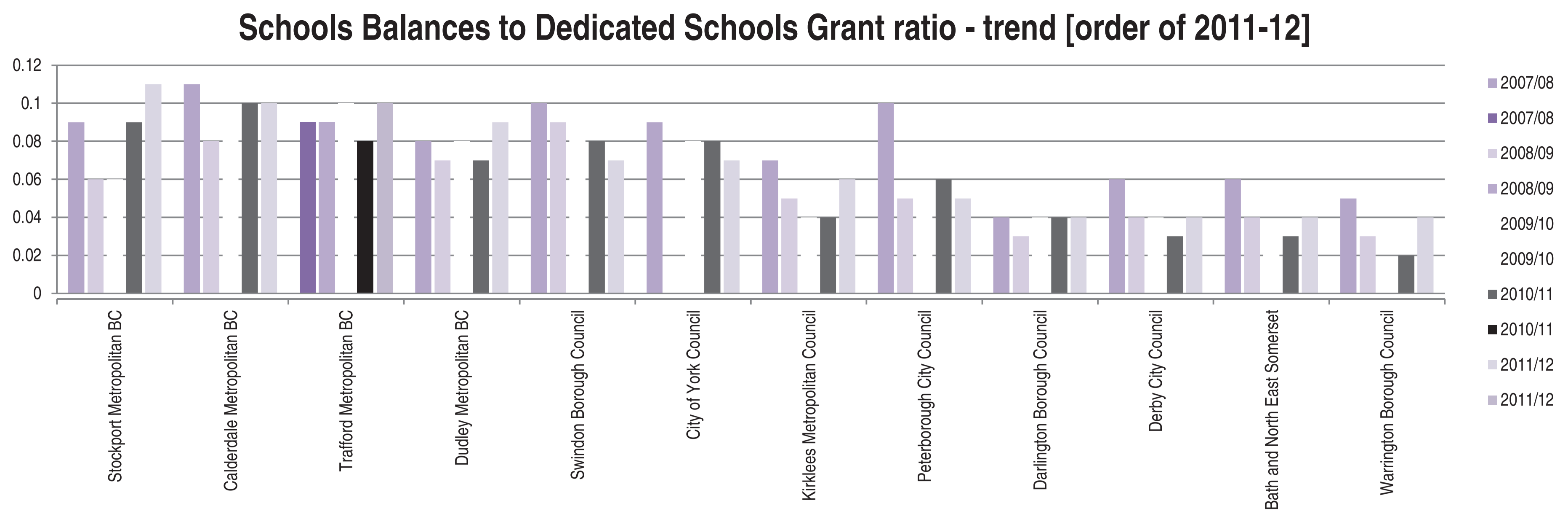
Findings Trafford has a higher than average level of unspent DSG allocation at the end of the year (10%), compared to a statistical average of 7%. This is the second highest in the group.



Source: Audit Commission financial ratios

Schools Balances to Dedicated Schools Grant Trend

Findings Trafford's unspent level of DSG has increased in 2011-12 and is now second highest compared to its statistical neighbours.



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Source: XXX

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TRAFFORD COUNCIL

DRAFT RESPONSE TO GRANT THORNTON FINANCIAL RESILIENCE REPORT, SEPTEMBER 2013

Area of Review	Key Points for Consideration	Responsibility	Timescale	Management Response
Key Performance Indicators	Trafford currently performs well in key areas of performance relative to statistical nearest neighbours. Faced with continuing uncertain financial climate it will become even more critical to ensure that the Council has appropriate levels of reserves and that it closely monitors and manages its net assets position to underpin its financial resilience.	Director of Finance	On-going	A review of the need and adequacy of reserves is carried out a minimum of two times per annum, in January when the budget is being finalised and in May when accounts are prepared. In addition a full report was made to the Accounts & Audit Committee in November 2012.
Strategic Financial Planning	Trafford has recognised that with continuing government funding reductions it will be essential going forward to secure effective partnership working to enable scarce resources to be most effectively used. Trafford has set out its Partnership Vision for locality working through the development of Vision 2015. The development of robust partnerships as set out will be key to achievement of the best possible outcomes based on the collective resources available.	Corporate Director for Transformation & Resources	On-going	Locality Partnerships were launched in April 2013 with membership consisting of Elected Members, Partners and Community Ambassadors. 'Big Picture' workshops took place over the Summer to determine priorities and action plans are being developed. It is anticipated that these will demonstrate a joint approach to demand reduction and pooling of partner resources

Area of Review	Key Points for Consideration	Responsibility	Timescale	Management Response
Financial Governance	The need for robust governance and financial planning and management in local government is greater than ever. Trafford Council has robust systems in place to face these challenges. It will need to ensure that it continues to provide support to members to ensure effective challenge and decision making.	Corporate Management Team	Annual	The Council has well established mechanisms in place to allow Members to review and challenge financial plans and management of resources. These arrangements include: a formal review of the draft budget proposals by the Overview & Scrutiny Committee; regular budget and performance reports and; review and approval of the annual statement of accounts.
Financial Control	The Council has continued to deliver Transformation Programme savings and at the end of 2012-13 has realised total savings for the year of over £12m. The Council faced with the continuing challenge of finding further savings which will become increasingly difficult. It will be essential therefore to ensure that its savings plans are clearly communicated, link to specific policy decisions, and that the impact on service levels and quality is clearly identifies and monitored.	Transformation Programme	Annual delivery	The Transformation Programme has robust governance arrangements in place to ensure that budget saving proposals take into account policy, impact and quality. There is a rigorous process to communicating the rationale for and process to achieving change activities leading to savings; this covers staff, residents, customers/clients, media, unions and politicians. A vision for the new organisational model has been communicated

Area of Review	Key Points for Consideration	Responsibility	Timescale	Management Response
				and partners are being engaged to ensure a common vision for Trafford and to maximise on partnership development of proposals as appropriate. This on-going work will form the foundation for the identification of budget savings into the medium term.

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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.

Grant Thornton

The Audit Findings for Trafford Council

Year ended 31 March 2013

September 2013

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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. 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.

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Section 1: Executive summary

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03. Value for Money
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Executive summary

Purpose of this report

This report highlights the key matters arising from our audit of Trafford Council's ('the Council') financial statements for the year ended 31 March 2013. 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 260 (ISA).

Under the Audit Commission's Code of Audit Practice we are required to report whether, in our opinion, the Council's financial statements present a true and fair view of the financial position, its expenditure and income 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 reach a formal conclusion on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources (the Value for Money conclusion).

Introduction

In the conduct of our audit we have not had to alter or change our planned audit approach, which we communicated to you in our Audit Plan dated March 2013.

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

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

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Council's Whole of Government Accounts (WGA) consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on the value for money conclusion.

We received draft financial statements and accompanying working papers at the start of our audit, in accordance with the agreed timetable. The financial statements submitted for audit were yet again of very good quality, delivered by an effective closedown process and supported by comprehensive working papers.

Key issues arising from our audit

Financial statements opinion

We did not identify any material audit adjustments in the statement of accounts that affected the Council's reported assets and liabilities.
We identified a small a number of adjustments to enhance disclosures and the presentation of the accounts, together with one non-material classification error relating to an adjustment from a prior year.
The key messages arising from our audit of the Council's financial statements are:

- the draft accounts and working papers were of a high quality
- the audit did not identify any material misstatements
- the audited financial statements contained one non material misstatement
- finance staff responded promptly to all audit queries, facilitating the prompt completion of the audit

Further details are set out in section 2 of this report.

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Value for money conclusion
We are pleased to report that, based on our review of the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources, we propose to give an unqualified VFM conclusion.

Further detail of our work on Value for Money is set out in section 3 of this report.

Whole of Government Accounts (WGA)
We will complete our work in respect of the Whole of Government Accounts in accordance with the national timetable.

Controls

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.

Whilst our work has not identified any control weaknesses within the Council's financial systems that we wish to highlight for your attention, our preliminary work assessing the Council's controls within the housing benefits system did identify some control weaknesses in the processing of claims.

Further details are provided within section 2 of this report.

The way forward

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

Acknowledgment

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

Grant Thornton UK LLP
September 2013

Section 2: Audit findings

01. Executive summary
02. Audit findings
03. Value for Money
04. Fees, non audit services and independence
05. Communication of audit matters

Audit findings

In this section we present our findings in respect of matters and risks identified at the planning stage of the audit and additional matters that arose during the course of our work. We set out on the following pages the work we have performed and findings arising from our work in respect of the audit risks we identified in our audit plan, presented to the Accounts and Audit Committee on 20 March 2013. We also set out the adjustments to the financial statements from our audit work and our findings in respect of internal controls.

Changes to Audit Plan

We have not made any changes to our Audit Plan as previously communicated to you in March 2013.

Audit opinion

We anticipate that we will provide the Council with an unmodified opinion. Our audit opinion is set out in Appendix B.

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 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.	**Improper revenue recognition** Under ISA 240 there is a presumed risk that revenue may be misstated due to improper recognition	• examined and tested the policies for recognising revenue • completed testing on material revenue streams • examined any unusual significant transactions	Our audit work has provided assurance that there are adequate controls in place to ensure income and expenditure is appropriately recorded and not subject to manipulation.
2.	**Management override of controls** Under ISA 240 there is a presumed risk of management over-ride of controls	• assessed entity-level controls at the Council e.g. journals and role of the Accounts and Audit Committee • reviewed information technology (IT) general controls • reviewed and tested significant accounting estimates, judgements and decisions made by management • tested a sample of journals entries using computer assisted audit techniques (CAATs) • reviewed any unusual significant transactions	Our audit work has not identified any evidence of management override 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 judgments.

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. Recommendations, together with management responses, are attached at Appendix A.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Operating expenses	Operating expenses understated	We have undertaken the following work in relation to this risk: • documented our understanding of processes and key controls over the operating expenses cycle • undertaken walkthrough of the key controls to assess the whether those controls are designed effectively • substantive testing of sample of expenses	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	We have undertaken the following work in relation to this risk: • documented our understanding of processes and key controls over the operating expenses cycle • undertaken walkthrough of the key controls to assess the whether those controls are designed effectively • substantive testing of creditors including post year end payment for cut-off	Our audit work has not identified any significant issues in relation to the risk identified.

Audit findings against other risks

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Employee remuneration	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 operating expenses cycle • undertaken walkthrough of the key controls to assess the whether those controls are designed effectively • substantive testing of sample of 60 items of salary payments to employees	Our audit work has not identified any significant issues in relation to the risk identified.
Welfare expenditure	Welfare benefits improperly computed	We have undertaken the following work in relation to this risk: • documented our understanding of processes and key controls over the welfare expenditure system • walked through the key controls to determine if those controls are designed effectively • substantive testing of a sample of benefit payments to individual claimants • substantive testing of IT access to the benefits system • substantive testing of payment rates used in the benefits system	Our audit work has not identified any significant issues in relation to the risk identified. .

Audit findings against other risks

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Property, plant & equipment	PPE activity not valid	We have undertaken the following work in relation to this risk: • documented our understanding of processes and key controls over the property, plant and equipment cycle • walked through the key controls to determine if those controls are designed effectively • substantively tested samples of additions and disposals	Our audit work has not identified any significant issues in relation to the risk identified.
Property, plant & equipment	Revaluation measurement not correct	• We have examined the work of the Council's expert property valuer	Our audit work has not identified any significant issues in relation to the risk identified.

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Accounting policies, estimates & 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	• Revenue from the provision of services is recognised when the Council can measure reliably the level of completion of the transaction and it is probable that benefits will flow to the Council • Government Grants are recognised when there is reasonable assurance that the Council will comply with any conditions attached to the payments	• The Council's policy is appropriate and consistent with the relevant accounting framework – the Local Government Code of Accounting Practice • Minimal judgement is involved • Accounting policy is properly disclosed	●
Judgements and estimates	Key estimates and judgements include: • useful life of capital equipment • pension fund valuations and settlements • revaluations • impairments • provisions/accruals	• The Council's policy is entirely appropriate and consistent with the relevant accounting framework – the Local Government Code of Accounting Practice • Reliance on experts is taken where appropriate • Accounting Policy is properly disclosed	●
Other accounting policies	• The Council has adopted accounting policies in accordance with the Local Government Code of Accounting Practice	• Our review of accounting policies has not highlighted any issues which we wish to bring to your attention	●

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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Adjusted misstatements

A number of adjustments to the draft financial statements have been identified during the audit process. We are required to report all misstatements to those charged with governance, whether or not the financial statements have been adjusted by management. The table below summarises the adjustments arising from the audit which have been processed by management.

Impact of adjusted misstatements

All adjusted misstatements are set out below along with the impact on the key statements and the reported financial position.

	Detail	Comprehensive Income and Expenditure Account £'000	Balance Sheet £'000	Impact on total net expenditure £000
1	Transfer of balance held in revaluation reserve relating to investment properties into the Capital Adjustment Account (per requirements of IFRS) Revaluation reserve Capital adjustment account		 Dr £2,582 Cr £2,582	
	Overall impact	-	-	**nil**

Misclassifications & 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	Cashflow	Minor amendments to recategorise some entries within the cashflow.
2	Disclosure	n/a	Movement in reserves	Adjustment to the opening balance on the movement in reserves to reflect the prior year adjustment (CAA)
3	Disclosure	n/a	PPE note 12	PPE balance sheet net book value 2011/12 (disclosed in the note) amended for the prior year adjustment of £489k
4	Disclosure	n/a	Airport Note 16(i)	Note now updated for figures from the audited accounts
5	Disclosure	n/a	Balance Sheet	Addition of column for 2010/11 due to prior year adjustment disclosure
6	Disclosure	n/a	Various	Various minor wording changes and other changes in notes to improve presentation: including financial instruments (note16ii), trading operations (note10)

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Other communication requirements

We set out below details of other matters which we are required by auditing standards 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 and 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 laws and regulations**	• We are not aware of any significant incidences of non-compliance with relevant laws and regulations.
3.	**Written representations**	• A standard letter of representation has been requested from the Council.
4.	**Disclosures**	• Our review found no material omissions in the financial statements
5.	**Matters in relation to related parties**	• We are not aware of any related party transactions which have not been disclosed
6.	**Going concern**	• Our work has not identified any reason to challenge the Council's decision to prepare the financial statements on a going concern basis.

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Section 3: Value for Money

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters

Value for Money

Value for Money conclusion

The Code of Audit Practice 2010 (the Code) describes the Council's responsibilities to put in place proper arrangements to:

- secure economy, efficiency and effectiveness in its use of resources
- ensure proper stewardship and governance
- review regularly the adequacy and effectiveness of these arrangements.

We are required to give our VFM conclusion based on the following two criteria specified by the Audit Commission which support our reporting responsibilities under the Code.

- **The Council has proper arrangements in place for securing financial resilience.** The Council has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.
- **The Council has proper arrangements for challenging how it secures economy, efficiency and effectiveness.** The Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

Key findings

Securing financial resilience

We have undertaken a review which considered the Council's arrangements against the following three expected characteristics of proper arrangements as defined by the Audit Commission:

- Financial governance;
- Financial planning; and
- Financial control

Overall our work concluded that whilst the Council faces financial challenges, particularly from 2015/16 onwards, its current arrangements for securing financial resilience are good. There is appropriate challenge and support from members, and the Council prepares and keeps under review its medium term financial plan. There are good arrangements in place to monitor and manage revenue and capital budgets, and regular reports to management and members on financial and service performance during the year.

Challenging economy, efficiency and effectiveness

We have reviewed whether the Council has prioritised its resources to take account of the tighter constraints it is required to operate within.
Our work examined the robustness of the Council' arrangements for delivery of savings and increased income which together amounted to £12.2m for 2012/13, and its plans for delivering further net savings of £38.9m over the next two years.

The Council has responded well to the challenges of the Local Government Finance Settlement, delivering savings successfully, and targeting its resources effectively. There are significant challenges on the horizon which will require further transformation to secure savings and secure quality services. The Council's disciplined and structured approach, will help ensure it meets these challenges successfully.

Overall VFM conclusion

On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2013.

Section 4: Fees, non audit services and independence

01. Executive summary
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03. Value for Money
04. Fees, non audit services and independence
05. Communication of audit matters

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Fees, non audit services and independence

We confirm below our final fees charged for the audit and other services

Fees

	Per Audit plan £	Actual fees £
Council audit	156,119	156,119
Grant certification	21,500	TBA
Total audit fees	**177,619**	**TBA**

Fees for other services

Service	Fees £
Additional testing on 2009/10 and 2010/11 Housing benefits claims	1,845
Additional audit work to consider and decide an objection on the 2011/12 accounts	15,740

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

01. Executive summary
02. Audit findings
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04. Fees, non audit services and independence
05. Communication of audit matters

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Communication of audit matters to those charged with governance

International Standard on Auditing (ISA) 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 the Audit Commission (www.audit-commission.gov.uk).

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. 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 Audit Commission and includes nationally prescribed and locally determined work. 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		✓
Compliance with laws and regulations		✓
Expected auditor's report		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓

Appendices

Appendix A: Audit opinion

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TRAFFORD COUNCIL

Opinion on the Authority financial statements

We have audited the financial statements of Trafford Council for the year ended 31 March 2013 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and 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 2012/13.

This report is made solely to the members of Trafford Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. 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 Director of Finance and auditor

As explained more fully in the Statement of the Director of Finance's Responsibilities, the Director of Finance 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, and for being satisfied that they 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 Director of Finance; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the foreword by the Director of Finance to identify material inconsistencies with the audited financial statements. 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:
give a true and fair view of the financial position of Trafford Council as at 31 March 2013 and of its expenditure and income for the year then ended; and
have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

Opinion on other matters

In our opinion, the information given in the foreword by the Director of Finance for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:
in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

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

Respective responsibilities of the Authority and the 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 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place 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 arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in November 2012, as to whether the Authority has proper arrangements for:
securing financial resilience; and
challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in November 2012, we are satisfied that, in all significant respects, Trafford Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

Certificate

We certify that we have completed the audit of the financial statements of Trafford Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

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

Appendix B: Overview of audit findings

In this section we present our findings in respect of matters and risks identified at the planning stage of the audit and additional matters that arose during the course of our work.

Changes to Audit Plan

We have not had to change our Audit Plan as previously communicated to you.

Account	Transaction cycle	Inherent relative risk	Risk consequence	Change to Trafford Council audit plan	Trafford Council audit findings
Cost of services - operating expenses	Operating expenses	Other	Operating expenses could be understated	No	None
Cost of services – employee remuneration	Employee remuneration	Other	Remuneration expenses could be incorrect	No	None
Costs of services – Housing & council tax benefit	Welfare expenditure	Other	Welfare benefits could be improperly computed	No	**None**
Cost of services – other revenues (fees & charges)	Other revenues	None		No	None
(Gains)/ Loss on disposal of non current assets	Property, Plant and Equipment	None		No	None
Payments to Housing Capital Receipts Pool	Property, Plant & Equipment	None		No	None
Precepts and Levies	Council Tax	None		No	None

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Account	Transaction cycle	Inherent relative risk	Risk consequence	Change to Trafford Council audit plan	Trafford Council audit findings
Interest payable and similar charges	Borrowings	None		No	None
Pension Interest cost	Employee remuneration	None		No	None
Interest & investment income	Investments	None		No	None
Return on Pension assets	Employee remuneration	None		No	None
Dividend income from Joint Venture	Revenue			No	None
Impairment of investments	Investments	None		No	None
Investment properties: Income expenditure, valuation, changes & gain on disposal	Property, Plant & Equipment	None		No	None
Income from council tax	Council Tax	None		No	None
NNDR Distribution	NNDR	None		No	None
PFI revenue support grant and other Government grants	Grant Income	None		No	None
Capital grants & Contributions (including those received in advance)	Property, Plant & Equipment	None		No	None

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Account	Transaction cycle	Inherent relative risk	Risk consequence	Change to Trafford Council audit plan	Trafford Council audit findings
(Surplus)/ Deficit on revaluation of non current assets	Property, Plant & Equipment	None		No	None
Actuarial (gains)/ Losses on pension fund assets & liabilities	Employee remuneration	None		No	None
Other comprehensive (gains)/ Losses	Revenue/ Operating expenses	None		No	None
Property, Plant & Equipment	Property, Plant & Equipment	Other	PPE activity could be not valid	No	None
Property, Plant & Equipment	Property, Plant & Equipment	Other	Revaluation measurements could be incorrect	No	None
Heritage assets & Investment property	Property, Plant & Equipment	None		No	None
Intangible assets	Intangible assets	None		No	None
Investments (long & short term)	Investments	None		No	None
Debtors (long & short term)	Revenue	None		No	None
Assets held for sale	Property, Plant & Equipment	None		No	None
Inventories	Inventories	None		No	None

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Account	Transaction cycle	Inherent relative risk	Risk consequence	Change to Trafford Council audit plan	Trafford Council audit findings
Borrowing (long & short term)	Debt	None		No	None
Creditors (long & short term) including deferred liabilities	Operating Expenses	Other	Creditors could be understated or not recorded in the correct period	No	None
Provisions (long & short term)	Provision	None		No	None
Pension liability	Employee remuneration	None		No	None
Reserves	Equity	None		No	None
Grants receipts in advance	Grant and other contribution	None		No	None

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Grant Thornton

TRAFFORD COUNCIL

Report to: **Accounts & Audit Committee**
Date: **26 September 2013**
Report for: **Decision**
Report of: **Director of Finance**

Report Title

Approval of the Final Accounts 2012/13 (Accounts 2013)

Summary

The pre-audited 2012/13 accounts were considered by the Committee on 27 June 2013. On 1 July the accounts were submitted to the Council's external auditors, Grant Thornton, and placed on deposit for public inspection for four weeks.

Attached are the redrafted Final Accounts for 2012/13, accommodating changes agreed with Grant Thornton following their audit, which Members are requested to review and approve. All changes are highlighted in grey. Most changes are cosmetic in nature such as formatting, enhancements to improve readability and typographical errors. There is one change which affects the main statements which is discussed in the Audit Commission's Annual Governance Report, also on the agenda. The effect of correcting for this matter is:

- An adjustment of £2.582m has been made within the Balance Sheet between the Revaluation Reserve and Capital Adjustment Account (CAA) in respect of historic revaluation adjustments to the value of Investment Property, which since the introduction of International Financial Reporting Standards are now held within the CAA.

Recommendation

Members are requested to approve the Final Accounts for 2012/13.

Contact person for access to background papers and further information:

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

Background Information

- None
-

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

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HOLD FAST THAT WHICH IS GOOD

TRAFFORD
COUNCIL

ACCOUNTS 2013

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foreword by the director of finance

Introduction

The Accounts 2013 contains a summary of the Council's financial performance for the financial year 1 April 2012 to 31 March 2013.

The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011. 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 2012/13 (the Code) and the Service Reporting Code of Practice (SeRCOP) 2012/13, supported by International Financial Reporting Standards (IFRS).

Major Changes Reflected in the Accounts

Changes affecting the Primary Statements:

- The Balance Sheet has been restated to :-
  - accommodate £0.5m of assets that were disposed of as part of a town centre regeneration scheme but not written out of the books in previous years (see note 53, page 117).
  - Reflect an adjustment of £2.582m between the Revaluation Reserve and Capital Adjustment Account (CAA) in respect of historic revaluation adjustments to the value of Investment Property, which since the introduction of International Financial Reporting Standards are now held within the CAA (see note 53, page 117).
- The overspend position on the Learning Disability Pool of £1.5m has been brought forward as a debtor as at 1 April 2012, which upon reversal had the effect of inflating in-year expenditure. This is incorrect and the practice discontinued for 2012/13, and the balance is carried forward alongside other service earmarked reserves.

Changes affecting disclosures/notes:

- The proposed change in 2012/13 for IFRS 7 Financial Instruments disclosures has been deferred to 2013/14.

Business changes:

There were no major changes to business activity during the year. However, the following are notable matters drawn to your attention:

- Upon the Manchester Airport Group acquiring Stansted Airport, the Council's holdings in MAG were restructured such that its shareholding has reduced to 3.22% from 5%, however, there has been a valuation increase in this holding of £19.1m (see note 5, page 32).
- During the year 7 schools transferred to Academy status.

Brief Guide to Accounts Contents:

Please note that a glossary of terms can be found on page 121.

A description of the responsibilities of the Council regarding the Accounts 2013 is provided at page 9, and the Audit certificate can be found on page 10.
The Accounts are drawn from systems which in themselves must operate satisfactorily in order for the figures to be true and dependable. More information on the effective operation of the Council's systems, governance arrangements and control environment can be found in the Annual Governance Statement (AGS). The AGS does not form part of the Accounts, but it is published alongside so that it can be read in conjunction.

There can be choices in accounting conventions and/or treatment that would be more practical for a given organisation in order for it to show a truer reflection of economic activity or value. The Council's choices are outlined in detail in the Accounting Policies (note 1) on pages 18 to 29.

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

The Comprehensive Income and Expenditure Statement (page 11-12) shows the Council's financial performance for the year, measured in terms of the resources consumed and generated, as defined in the Code, over the period 1 April 2012 to 31 March 2013. 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);
- The law 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 2013 are adjusted for within the Movement in Reserves Statement on pages 15 to 16, with more detail in note 7 on pages 33 to 41. A summary reconciliation between the CIES net gain and the management accounts net declared underspend position is provided later on in the foreword.

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

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

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

Explanatory notes to the primary statements are provided on pages 18 to 117. These notes expand on the figures, providing greater detail and information as prescribed or as necessary. Included within these notes is a statement on 2012/13 capital expenditure and how this was funded on pages 93 to 95.

The Council has the responsibility for collecting all Council Tax due in the Borough on behalf of itself, the Greater Manchester Police Authority, the GM Fire and Rescue Authority and Partington Town Council. It also has the responsibility for collecting all of the National Non-Domestic Rates (Business Rates) on behalf of the Government. The financial activity relating to local taxation is contained in the Collection Fund statement, pages 118 to 120.

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 (surplus)/deficit on the provision of services on the CIES is £21.9m (2011/12 £(12.2)m). However, the management accounts declare an outturn underspend of £(2.5)m (2011/12 £(4.8)m), and a carry forward overspend on the Learning Disability Pool fund of £1.5m (2011/12 £1.4m). 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 foreword.

- the total balance on the CIES has reduced from a £54.4m to a £45.1m deficit. The movement in the CIES primarily relates to; a reduction in the sale of assets, £26.1m, a revaluation of assets £(14.7)m, reduction in Government grants adjusted for increase in retained business rates, £3.3m, and changes in the valuation of net pension liability and net interest costs £(24.8)m.

Balance Sheet:

There has been a net decrease in asset value of £(45.1)m, primarily due to an increase in assessed pension liabilities of £(42.4)m. Other notable movements are:

- £(13.8)m reduction in cash and cash equivalents, balanced by
- a reduction in Government grants paid in advance of £8m,
- and the repayment of long term borrowing of £2.6m.
- Increases in long term asset acquisitions of £32.4m from the Capital Programme, are balanced by depreciation £(9.3)m, revaluations £(10.8)m, and disposals of £(7.5)m.
- £(4.3)m net other movements.

Collection Fund:

- For the seventh consecutive year, Council Tax collection rates have improved, and are for the fourth year running the highest in Greater Manchester. However, back dated revaluations and discount awards have impacted on the available surplus, which for 2012/13 has been reduced to only £(6,159).
- There was a small growth in the Council tax base of 339 Band D equivalent properties worth £(0.4)m, however the majority of this was already estimated into the budget to support service expenditure.

General Fund

The budget was set by the Council on 22 February 2012 in the sum of £155.395m. There was no increase in Council Tax for any service, which remained a Band D Council Tax of £1,105.23 for services which are the responsibility of the Council to deliver, or £1,302.21 when precepts for the Greater Manchester Police Authority and Greater Manchester Fire and Rescue Authority are included. This is £93.89 (6.7%) below the average tax level of Metropolitan Authorities. The budget was financed as follows:

	£m
Government RSG	1.3
Redistributed Business Rates	64.5
Council Tax	88.6
Reserves	1.0
	155.4

Outturn of Financial Performance

2012/13 presented a number of financial and other challenges:

- The budget was based on the successful delivery of £(12.3)m of budget savings, which were delivered. Whilst this was a significant reduction on the £(21.3)m of savings required in 2011/12, this was the third successive austerity budget with a cash reduction in Government support of £5.8m;
- Investment rates remained low, and the expected rise during the year did not happen, though this was compensated by higher cash balances caused by grants received in advance and rescheduling of capital spend;
- Across the Council income levels were suppressed and trading made more difficult by the economic climate. In addition, it was more difficult to sell non-operational capital assets;
- There continued to be increasing demand in terms of both numbers and need in children's and adult social care services, particularly in the area of Learning Disabilities, which reflects in the LD Pool balance (note 34) being taken forward of £1.5m (2011/12 £1.5m);
- Above inflation increases in GM Waste Disposal Authority, and Transport levies of £1.5m.

The budget of £155.395m was monitored against actual activity on a monthly basis from June 2012. The actual spending in the year was £152.931m, representing an underspend on overall planned activity of £(2.464)m, with a deficit carry forward on the Learning Disability Pooled Fund of £1.472m in addition to this:

	Budget £m	Actual £m
Trafford provided services:		
- Children & Young People's Service	25.5	24.9
- Communities & Well-Being	49.1	49.3
- Environment, Transport & Operations	18.1	19.4*
- Economic Growth & Prosperity	3.4	3.2
- Transformation & Resources	19.7	19.0
- Council-Wide budgets	8.9	7.8
Levies to other organisations:		
- Integrated Transport	15.8	15.8
- Waste Disposal	14.2	12.7*
- Other levies	0.7	0.8
Total	**155.4**	**152.9**

* Notable activity during the year includes for a rebate from the Greater Manchester Waste Disposal Authority for reduced tonnages relative to other member Authorities of £(1.5)m. This money has been placed in an earmarked reserve to mitigate future rises in the waste levy, and appears as expenditure in the ETO Directorate.

The major variations from the budget are:

Area of Variation from budget:	£m
Demand led services:	
- Children's Social Care	0.4
- Adult Social Care	0.6
Cost control / austerity measures	(1.5)
Tonnages rebate on waste levy	(1.5)
Transfer waste rebate to reserve, to fund future expenditure	1.5
Accelerated savings / rephased projects	(0.6)
Treasury Management	(0.5)
Net Income variations	(0.4)
Reduction in s117 Mental Health Act provision	(0.3)
Improved debt collection	(0.2)
Outturn Variance	**(2.5)**
Learning Disability Pooled Fund	0.0
Total Outturn Variance	**(2.5)**

Reconciliation between Statutory Accounts and Management Accounts

The Council's management accounts outturn position is an underspend of £(2.5)m (analysed above), whereas the Surplus/Deficit on the Provision of Services in the CIES on pages 11 to 12 shows an overspend of £21.9m.

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

The increase in General Fund Balance is £(0.8)m, 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	**21.9**
Accounting adjustments in MiRS:	
- Capital charges	(33.7)
- Capital Grants	21.0
- Pensions	(4.5)
- Net transfers to earmarked reserves	(1.0)
- Net transfer (from) schools reserves	(4.4)
- Other	(0.1)
Total adjustments	**(22.7)**
Increase in GF Balance	**(0.8)**
Add back:	
Budgeted support for GF	(1.0)
Additional spend from GF	0.8
Transfer from service reserves*	(1.5)
Outturn Variance	**(2.5)**

* The transfer to service reserves is the total of net service under/overspends in 2012/13 (Table 1 of the Revenue Budget Outturn report). These will be carried forward into 2013/14.

General Reserve

The General Reserve represents the aggregate of net under spends from past financial years of monies that have not been specifically identified for other future purposes. It is used as a working balance, and to allow a 'cushion' against unforeseen or emergency expenditure. It is traditional that some amount of General Reserve is used to fund the overall budget, however, the extent of which has been reduced steadily over the years so that main service expenditure is more reliant on sustainable income sources.

The balance at the start of the year was £9.802m and following a number of authorised transfers to support projects and initiatives (see Table 4 of the Revenue Budget Outturn Report – the Management Accounts), and including the 2012/13 net underspend, the balance at the end of the year is £10.644m.

On 20 February 2013 the Council agreed to maintain a minimum reserve of £6m for the year 2013/14, and of the brought forward balance £0.906m is planned to support the 2013/14 base budget, and additional project expenditure in the year of a further £0.799m. The balance to the year ending 31 March 2014 as projected in August 2013 is £10.3m, of which £2.094m is planned to support the 2014/15 budget.

Trading Organisations

The Council maintains a number of trading operations (see note 31 page 80), which made a surplus in the year on normal activity of £(0.263)m.

Capital Investment

Capital expenditure for the year amounted to £58.0m, details of which can be found on pages 94 to 96:

Expenditure	£m
Schools investment	18.3
Supporting infrastructure	20.4
Regeneration Projects	10.0
Highways improvements	4.7
Social Services	2.8
ICT Investment	0.5
Recreation & Culture	1.3
	58.0

Major projects included the completion of the rebuild of Trafford Town Hall and St Ambrose College, further investment in the schools estate to address capacity and condition issues and investment in highways.

The expenditure was financed by:

	£m
Borrowing	19.8
Grants and Contributions	22.1
Capital Receipts	15.8
Earmarked Reserves	0.3
	58.0

The Council has approved a Capital Strategy and an Asset Management Plan which are in place to identify priorities for capital investment. The strategy and plan are supported by the three year capital programme, which is the budget year plus two additional years of proposed spend. The programme is reviewed every year in the light of available resources, and during the year schemes can be moved (deferred or accelerated) in the programme dependent upon the progress to either maximise capital investment spend or avoid overspending.

During the year a number of surplus assets were disposed of, with the proceeds of £3.2m being used to support capital expenditure. These assets were written out of the Council's asset register.

Treasury Management

The Council proactively manages both long term loans and both 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 2012/13 the Council complied with its legislative and regulatory requirements, including compliance with all treasury management prudential indicators.

Debt Summary
At 1 April 2012 the Council's total level of debt was £100.7m and as a result of planned debt repayments of £0.2m to the Public Works Loans Board (PWLB) this decreased to £100.5m as at 31 March 2013. The Council continues to remain in a position of being under borrowed in order to counteract the continuing uncertain economic situation and counterparty security and as a result of this action debt interest was saved.

The average external rate of interest payable during the year was 5.25%, which compares with 5.26% in 2011/12. The following table provides further details, including the average interest loan rate at 31 March 2012 and 2013.

	as at 01.04.12	as at 31.03.13
Average weighted maturity of long term loans (in years)	27.1	26.1
Number of loans	37	37
Value of loans	£100.7m	£100.5m
Average loan rate	5.26%	5.25%

Further details can be found in note 51 on page 108.

Investments Summary

The Council operates its own trading function for the investment of surplus cash deposits. The Council's investments, excluding cash at bank, totalled £52.3m as at 31 March 2013 and this compares to £76.9m as at 31 March 2012. For reference the total number of investments undertaken in 2012/13 was 302, totalling £570m in 24 institutions and this compares to 2011/12 when 395 investments were placed totalling £570m in 29 institutions. In 2012/13 an average investment rate of 0.88%, 0.49% above the market benchmark (London Inter-bank BID rate), was achieved. This compares with the rate above LIBID for 2011/12 of 1.11%. Further details can be found in note 16 page 56.

Collection of Council Tax and Business Rates

The Council collects Council Tax on behalf of itself, the Greater Manchester Police Authority, the GM Fire and Rescue Authority, and Partington Town Council. It collects National Non-Domestic Rates (NNDR) on behalf of the Government on an agency basis. There are major changes with regard to the share and retention of business rates from 1 April 2013, see note 6.

A total of £90m of Council Tax was collected in respect of 2012/13, a performance of 98.1% (97.8% in 2011/12). Details of the Collection Fund can be found on page 118, which shows an overall surplus of £(0.006)m. This surplus is apportioned to the Council, the Greater Manchester Police Authority and the GM Fire and Rescue Authority on a proportionate basis. Trafford's share of the surplus is £(0.005)m which is shown in the Balance Sheet (page 14).

For the fourth year running collection rates are the highest ever achieved by the Council, and the best rates amongst fellow Greater Manchester authorities.

£153m of NNDR was collected, a performance of 97.9% (97.4% in 2011/12). This is the highest amongst Greater Manchester authorities. The Government re-distributes NNDR to all local authorities on a per capita basis, from which the Council received £65m in 2012/13.

Net Pensions Asset / Liability

The Council participates in the Local Government Pension Scheme, administered by Tameside Metropolitan Borough Council. At 31 March 2013 the Council had a net liability for pensions of £201.1m, which compares with £159.2m at 31 March 2012. This increase in net liability of £41.9m is mainly due to less favourable financial assumptions, particularly relating to a lower real discount rate. This increase in liabilities, has been partly offset by a higher than expected return on investments.

The Council also has liabilities for the Teachers' Pension Scheme, administered nationally by the Teachers Pension Agency, at 31 March 2013 totalling £21.3m, which compares with £20.7m at 31 March 2012.

Further details on the Council's overall net pensions asset/liability are included in notes 47 and 48 on pages 99 to 100.

Provisions and write-offs

Total income due to the Council which was written off as uncollectable during 2012/13 included £0.6m of Council Tax and £0.5m of other debts. These were within expectations and the Council continues to review and provide for bad and doubtful debts as appropriate.

A new insurance provision of £0.419m has been introduced which relates to an increase in liability for insurance claims prior to 1992 insured via Municipal Mutual Insurance. The Council is responsible for both its own insurance claims and a proportion of claims relating to the previous Greater Manchester Council (see note 23 on page 66).

There has been an increase of £0.667m in the provision set aside to meet the costs of claims arising from Equal Pay legislation. This increase reflects negotiations on settlement with claimants' legal representatives (see note 23 on page 67).

Contingent Liabilities

There are a number of changes in the Council's contingency liabilities which are discussed on page 104:

- Municipal Mutual Insurance potential claw back has now been realised and become a provision
- The Planning Appeal against the Council's decision not to grant planning permission for a Biomass Plant in Davyhulme has been heard and found in favour of the Appellant, and all known costs have been settled as part of the 2012/13 accounts.
- The Council has underwritten an element of the costs associated with the major refurbishment of Altrincham Interchange in the event that developer contributions are not forthcoming.
- There has been a negotiated settlement on a business disruption claim made against the Council which was determined in June 2013. This has been included in the accounts as a contingent liability (note 49, page 105), but has now been settled and charged to the 2013/14 revenue account.

Events after the Balance Sheet Date

Attention is drawn to the major change in the share and retention of business rates and the risks arising that came into force on 1 April 2013. This is discussed in more detail in note 6 on page 32.

Future Budgets

Information on the planned future expenditure and the financial environment of the Council can be found in the Council's 2013/14 Revenue Budget and 2013/16 Capital Programme Report, which can be found on the Council's website.

Future Developments

There are a number of future events that will have a bearing on the normal activities of the Council:

- The economic climate and continued Government austerity budgets which may continue to 2017/18 or beyond reducing funding will have significant impacts on the size and style of the Council as an organisation and the extent of service provision.
- The availability of capital resources is expected to be constrained in future years and be limited to the capital grants from Government or from internal resources in the form of capital receipts from the disposal of surplus assets. There will be pressure on the latter due to the finite nature of such assets. This will place an even greater emphasis on asset rationalisation programmes, agile working and a partnership approach for the provision of capital assets.
- Business Rate retention changes that came into force on 1 April 2013 have made a significant change to the potential revenues and financial liability risks to the Council (discussed further in note 6 on page 33).
- The change from the Council Tax Benefit to the reduced funded Council Tax Support Scheme, and the transfer of the Social Care Fund from the Department of Work and Pensions to the Council which both took place on 1 April 2013, and further changes under Welfare Reform, such as benefit capping and the introduction of Universal Credit, will have significant impact on the residents and businesses of the Borough.
- The Greater Manchester County area is a Government pilot for Community Budgets. As a consequence there could be further major changes to how public services in the area are funded through both the 2013 Comprehensive Spending Review and the possibility of a 'Place Based Settlement'. Certainly many 'people-facing' services are undertaking service changes as part of the Greater Manchester Public

Service Reform that supports the Community Budget Pilot.

- The Government continues to encourage schools to become academies, after which such schools become independent of the Council. Furthermore, Schools funding is also more restricted than it has been in the past causing schools to identify cost saving measures. A mix of Academies and a harder trading market with schools could have a consequential impact on service delivery and the recovery of overheads with non-schools trading services, as well as changes to funding distribution.
- As Government Departments respond to the higher austerity targets, there may be further changes to services and funding, which will not become clear until after the Comprehensive Spending Review, and potentially not until much later in 2013 or even 2014.
- In response to these many changes to services, funding, and overarching environment, and the requirements of the Localism Act 2011, the Council is also reviewing 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.
- The code will change to accommodate IAS 19 Pension Benefit changes next year. In simple terms, how the rate of return on future investments is calculated will change. Should such changes have occurred this year, an additional £3.6m of expense would have been charged to the CIES, though this would have been mitigated by a transfer to the Pension Reserve such that there would have been no overall effect on the Council's funding.
- Other changes are; IAS1 Presentation to Financial Statements, IAS 12 Income Taxes and IFRS 7 Financial Instruments. These are briefly discussed in note 2, page 30, but it is not expected that these changes will have an effect on the primary statements or disclosure notes.

Ian Duncan CPFA
Director of Finance
26 September 2013

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 Director of Finance;
- 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 Director of Finance
The Director of Finance 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 Director of Finance has:

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

The Director of Finance has also:

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

Certification

By the Director of Finance
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 2013, and its income and expenditure for the year ended 31 March 2013.

Ian Duncan CPFA
Director of Finance
26 September 2013

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

Councillor Michael Whetton
Chairman of the Accounts & Audit Committee
26 September 2013

audit opinion

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

comprehensive income and expenditure statement

About this Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

	2011/12		**Year ended 31 March**			**2012/13**	
Gross Expenditure £000	**Gross Income £000**	**Net Expenditure £000**	**Service**	**Note**	**Gross Expenditure £000**	**Gross Income £000**	**Net Expenditure £000**
20,258	(17,613)	2,645	Central services to the public		18,171	(15,624)	2,547
13,825	(2,118)	11,707	Cultural & Related Services		13,632	(1,493)	12,139
18,598	(6,102)	12,496	Environmental & Regulatory services		18,733	(6,696)	12,037
18,942	(1,708)	17,234	Planning Services		16,183	(1,929)	14,254
207,703	(165,824)	41,879	Education and children's services		200,843	(151,056)	49,787
15,805	(3,307)	12,498	Highways and transport services		14,057	(2,746)	11,311
73,058	(63,122)	9,936	Housing services		74,324	(65,506)	8,818
72,447	(15,718)	56,729	Adult social care		70,281	(13,155)	57,126
4,207	(156)	4,051	Corporate and Democratic Core		4,335	(1,318)	3,017
4,364	(12)	4,352	Non Distributed Costs	47/48	4,765	0	4,765
449,207	**(275,680)**	**173,527**	**Cost of Services**		**435,324**	**(259,523)**	**175,801**
39,777	(29,254)	10,523	Other operating expenditure	9	37,967	(3,215)	34,752
38,121	(34,832)	3,289	Financing and investment income and expenditure	10	37,510	(30,588)	6,922
0	0	0	Surplus or deficit of discontinued operations		0	0	0
0	(199,495)	(199,495)	Taxation and non-specific grant income	11/39	0	(195,578)	(195,578)
		(12,156)	**(Surplus) or Deficit on Provision of Services**				**21,897**

comprehensive income and expenditure statement (continued)

2011/12 Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Year ended 31 March Service	Note	2012/13 Gross Expenditure £000	Gross Income £000	Net Expenditure £000
		(12,156)	**(Surplus) or Deficit on Provision of Services**				**21,897**
		53	(Surplus) or deficit on revaluation of Property, Plant and Equipment assets	12			4,410
		0	(Surplus) or deficit on revaluation of available for sale financial assets	25(ii)			(19,086)
		66,500	Actuarial (gains)/losses on pension assets / liabilities	25(v)			37,900
		66,553	**Other Comprehensive (Income) and Expenditure**				**23,224**
		54,397	**Total Comprehensive (Income) and Expenditure**				**45,121**

balance sheet

About this Statement

The Balance Sheet shows the net value of all assets and liabilities recognised by the Council at a specific date, 31 March 2013, being the last day of the relevant accounting period for the financial year 2012/13. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories; usable or “cash-backed” reserves, and unusable which are accounting adjustment reserves that hold timing differences shown in the Movement in Reserves Statement line ‘Adjustments between accounting basis and funding basis under regulations’. The opening balance sheet has been adjusted in two areas. Firstly an adjustment of £2.582m has been made between the Revaluation Reserve and Capital Adjustment Account (CAA) in respect of historic revaluation adjustments to the value of Investment Property, which since the introduction of International Financial Reporting Standards are now held within the CAA. Notes 25 and 53 include details of the adjustment. The second adjustment is to take account of properties that were previously demolished as part of a town centre regeneration scheme but were not deleted from the balance sheet in earlier years. Note 53 details this adjustment of £489k.

31 March 2011 Restated £000	31 March 2012 Restated £000		Notes	31 March 2013 £000
410,077	407,985	Property, Plant & Equipment	12/53	410,638
1,023	1,017	Heritage Assets	13	1,011
29,925	29,061	Investment Property	14	28,707
1,147	2,468	Intangible Assets	15	2,398
0	0	Assets Held for Sale	21	0
12,216	10,214	Long Term Investments	16	29,300
12,175	12,064	Long Term Debtors	19	13,903
466,563	**462,809**	**Long Term Assets**		**485,957**
56,818	49,532	Short Term Investments	16	32,513
9,702	3,692	Assets Held for Sale	21	990
456	496	Inventories	17	370
38,149	27,212	Short Term Debtors	19	24,318
32,500	42,114	Cash and Cash Equivalents	20	28,351
137,625	**123,046**	**Current Assets**		**86,542**
(1,202)	(1,225)	Short Term Borrowing	16	(4,110)
(42,650)	(40,785)	Short Term Creditors	22	(37,222)
(1,329)	(4,227)	Short Term Provisions	23	(5,425)
(21,052)	(7,865)	Grants Receipts in Advance (Revenue)	39	(1,921)
(14,944)	(5,842)	Grants Receipts in Advance (Capital)	39	(3,186)
(81,177)	**(59,944)**	**Current Liabilities**		**(51,864)**

balance sheet (continued)

31 March 2011 Restated £000	31 March 2012 Restated £000		Notes	31 March 2013 £000
(36)	(36)	Long Term Creditors	22	(36)
(5,464)	(2,971)	Provisions	23	(2,544)
(101,667)	(101,901)	Long Term Borrowing	16	(99,330)
(17,089)	(2,754)	Revenue Grants & Contributions – Long-Term Receipts in Advance (REFFCUS)	39	(2,754)
0	(6,492)	Grants Receipts in Advance (Capital)	39	(7,095)
(112,136)	(179,947)	Other Long Term Liabilities – Pensions	25/48	(222,381)
(10,824)	(10,408)	Other long-term liabilities – Deferred	22	(10,214)
(247,216)	**(304,509)**	**Long Term Liabilities**		**(344,354)**
275,795	**221,402**	**Net assets**		**176,281**
(8,022)	(9,802)	General Fund Balance	7/8	(10,644)
(38,595)	(37,322)	Earmarked General Fund Reserves	7/8/24	(32,580)
(10,085)	(23,273)	Capital Receipts Reserve	7/24	(10,011)
(500)	(479)	Revenue Grants Unapplied (REFFCUS)	7	(271)
(5,377)	(15,586)	Capital Grants Unapplied	7	(24,916)
(62,579)	**(86,462)**	**Usable Reserves**	24	**(78,422)**
(27,684)	(24,495)	Revaluation Reserve	25	(18,119)
0	0	Available For Sale Financial Instruments Reserve	25	(19,086)
(308,345)	(300,098)	Capital Adjustment Account	25/53	(292,597)
6,614	6,411	Financial Instruments Adjustment Account	25	6,180
112,136	179,947	Pensions Reserve	25/48	222,381
(307)	(294)	Collection Fund Adjustment Account	25	(5)
0	0	Equal Pay Adjustment Account	25	0
4,369	3,589	Accumulated Absences Account	25	3,387
(213,217)	**(134,940)**	**Unusable Reserves**		**(97,859)**
(275,795)	**(221,402)**	**Total Reserves**		**(176,281)**

Ian Duncan CPFA
Director of Finance
26 September 2013

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 unusable 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. These are 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 2012/13

	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 2012	**9,802**	**37,322**	**23,273**	**479**	**15,586**	**86,462**	**134,940**	**221,402**
Movement in reserves during 2012/13								
Surplus or (deficit) on the provision of services	(21,897)	0	0	0	0	**(21,897)**	**0**	**(21,897)**
Other Comprehensive Income and Expenditure	0	0	0	0	0	**0**	**(23,224)**	**(23,224)**
Total Comprehensive Income and Expenditure	**(21,897)**	**0**	**0**	**0**	**0**	**(21,897)**	**(23,224)**	**(45,121)**
Adjustments between accounting basis & funding basis under regulations (note 7) *	17,328	667	(13,261)	(208)	9,331	**13,857**	**(13,857)**	**0**
Net Increase/(Decrease) before transfers to Earmarked Reserves	**(4,569)**	**667**	**(13,261)**	**(208)**	**9,331**	**(8,040)**	**(37,081)**	**(45,121)**
Transfers to/(from) Earmarked Reserves (note 8)	5,410	(5,410)	0	0	0	**0**	**0**	**0**
Increase/(Decrease) in 2012/13	**841**	**(4,743)**	**(13,261)**	**(208)**	**9,331**	**(8,040)**	**(37,081)**	**(45,121)**
Balance as at 31 March 2013	**10,643**	**32,579**	**10,012**	**271**	**24,917**	**78,422**	**97,859**	**176,281**

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

movement in reserves statement (continued)

Movement in Reserves during 2011/12 - Comparative 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**
Balance as at 31 March 2011	**8,022**	**38,595**	**10,085**	**500**	**5,377**	**62,579**	**213,217**	**275,796**
Movement in reserves during 2011/12								
Surplus or (deficit) on the provision of services	12,156	0	0	0	0	**12,156**	**0**	**12,156**
Other Comprehensive Income and Expenditure	0	0	0	0	0	**0**	**(66,553)**	**(66,553)**
Total Comprehensive Income and Expenditure	**12,156**	**0**	**0**	**0**	**0**	**12,156**	**(66,553)**	**(54,397)**
Adjustments between accounting basis & funding basis under regulations (note 7) *	(11,647)	0	13,188	(21)	10,209	**11,729**	**(11,729)**	**0**
Net Increase/(Decrease) before transfers to Earmarked Reserves	**509**	**0**	**13,188**	**(21)**	**10,209**	**23,885**	**(78,282)**	**(54,397)**
Transfers to/(from) Earmarked Reserves (note 8)	1,271	(1,271)	0	0	0	**0**	**0**	**0**
Increase/(Decrease) in 2011/12	**1,780**	**(1,271)**	**13,188**	**(21)**	**10,209**	**23,885**	**(78,282)**	**(54,397)**
Balance as at 31 March 2012	**9,802**	**37,322**	**23,273**	**479**	**15,586**	**86,462**	**134,940**	**221,402**

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

cash flow statement

About this Statement

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

2011/12 £000	Year Ended 31 March	2012/13 £000
(12,156)	Net (surplus) or deficit on the provision of services	21,897
(17,026)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(20,791)
49,113	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	24,069
19,931	**Net cash flows from Operating Activities (note 26)**	**25,175**
(27,792)	Investing Activities (note 27)	(12,524)
(1,753)	Financing Activities (note 28)	1,112
(9,614)	**Net increase or decrease in cash and cash equivalents**	**13,763**
(32,500)	Cash and cash equivalents at the beginning of the reporting period	(42,114)
(42,114)	**Cash & cash equivalents at the end of reporting period (note 20)**	**(28,351)**

notes to the accounts

1. Accounting Policies

(a) General Principles

The Statement of Accounts summarises the Council's transactions for the 2012/13 financial year and its position at the year-end of 31 March 2013. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011, 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 2012/13 (the Code) and the Service Reporting Code of Practice (SeRCOP) for Local Authorities 2012/13, 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.

(c) Acquisitions and Discontinued Operations

There are no acquisitions or discontinued operations to report.

(d) 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.

(e) 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.

(f) 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.

(g) 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.

(h) 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, then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits
Termination benefits are benefits 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 two separate pension schemes:

- the Teachers' Pension Scheme, administered nationally by the Teachers' Pensions Agency;
- the Greater Manchester Pensions Fund (part of the Local Government Pension Scheme), administered by Tameside MBC.

Contributions are paid to the Department for Education (DfE) for the teachers' pension scheme. The scheme is not funded, but the DfE uses a notional fund as the basis for calculating the employer's contribution rate.

For other staff, contributions are paid to the Greater Manchester Pension Fund, administered by Tameside MBC on behalf of the ten Greater Manchester District Councils. It is a contributory, final salary type, occupational pension scheme, which is contracted out of the state earnings related scheme. The contribution rate is determined by the Fund's Actuary, based on triennial valuations, the last full review being at 31 March 2010. Under Superannuation Regulations, contribution rates are set to meet 100% of overall liabilities.

The accounts are prepared in accordance with Accounting Standards which require all Councils to immediately recognise the total difference between the attributable net assets of the pension fund and the total actuarially assessed future payments to pensioners, and pensions due to the current workforce.

The actuarial valuation of pension liabilities are in accordance with CIPFA guidance, and for 2012/13 the discount rate employed is the yield available on long-dated, high quality corporate bonds at the valuation date of 31 March 2013 (which was 4.5% per annum, 4.8% as at 31 March 2012).

The service cost makes allowance for the removal of the "Rule of 85" for new members from 1 October 2006. No allowance is made for the removal of "Rule of 85" for new entrants since 31 March 2010. The actuary has advised that the effect of this is not considered material in actuarial terms. The service cost figures include an allowance for administration expenses of 0.2% of payroll.

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.

(i) 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:

- 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;
- 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.

(j) 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.

  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. 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.

(k) 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.

(l) 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.

Council Tax Compensation, New Homes Bonus (NHB) and Local Services Support Grants (LSSG) are general grants allocated by central government directly to local authorities as additional revenue funding. They are all non-ringfenced and are credited to Taxation and Non-specific Grant Income in the Comprehensive Income and Expenditure Statement.

(m) 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.

(n) 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.

(o) 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.

(p) 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.

(q) 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 amount at which the asset could be exchanged between knowledgeable parties in an arm's length transaction. 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.

(r) Jointly Controlled Operations and Jointly Controlled Assets

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

(s) 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.

(t) 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 2012/13* (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.

(u) Property, Plant and Equipment (PPE)

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

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

Measurement
Assets are initially measured at cost comprising:

- the purchase price;
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

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

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

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

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

Assets are revalued on a five-year rolling programme, or where there has been a material change in value and any resulting change in value is debited or credited to the Revaluation Reserve as appropriate, to recognise losses or unrealised gains. 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.

These revaluations are undertaken by a qualified internal valuer, with the exception of land relating to Manchester Airport, which is included in the accounts from a valuation provided by Manchester City Council's Valuer in 2012/13, based on the market value of the land.

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.

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.

Minimum Revenue Provision
In accordance with the Capital Finance & Accounting Regulations 2008, the Council is required to set aside a prudent Minimum Revenue Provision for repayment of debt. This is based on a prescribed formula and charged to the General Fund Balance in accordance with Council policy. This includes the amortisation of capitalisation directions for pay restructuring from the Secretary of State over 20 years.

(v) 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.

(w) 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.

(x) 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 £275,000 and property insurance £250,000. 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.

(y) Revenue Expenditure Funded from Capital Under Statute (REFFCUS)

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.

(z) VAT

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

2. Accounting Standards that have been Issued but have not yet been adopted

There have been several significant changes in relation to International Accounting Standard 19 Employee Benefits. IAS19 is changing for accounting years starting on or after 1 January 2013 and this will affect the budgeted pension expense for the next financial year. The key change affecting Local Government Pension Scheme employers relates to the expected return on assets. Advance credit for anticipated outperformance of return seeking assets (such as equities) will no longer be permitted. The expected return on assets is currently credited to profit and loss, however from 2013 this is effectively replaced with an equivalent figure calculated using the discount rate (as opposed to that calculated using the Expected Return on Assets assumption). For 2012/13 this would result in a £3.6m expense increase in the CIES. However, this expense would be balanced by a transfer to the 'accounting adjustment' or unusable Pension Reserve, such that the effect would not impact on the funding of the Council.

The Code of Practice on Local Council Accounting in the United Kingdom 2012/13 (the Code) has introduced several changes in accounting policies which will be required from 1 April 2013, the following changes are not considered to have a significant impact on the Statement of Accounts as demonstrated below:

- IAS 1 Presentation of Financial Statements – The changes require authorities to disclose separately the gains or losses classifiable into the Surplus or Deficit on the Provision of Services. The gains and losses are separately identified on the Comprehensive Income and Expenditure Statement and therefore no further disclosure required.

- IAS 12 Income taxes – This change in the accounting policy particularly affects investment properties. It is not considered that this change will affect the Statement of Accounts

- IFRS 7 Financial Instruments: Disclosures – The change in accounting policy is in relation to the offsetting of financial assets and liabilities. During 2012/13 the Council did not offset and transactions.

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 judgment has been based upon the degree to which the lease transfers the risks and rewards of ownership to the Council in accordance with IAS 17. It has been determined that all current lease arrangements are operating leases, with the exception of the PFI for Sale Waterside;
- Group accounts - arrangements with partners and third party bodies have been reviewed to assess the extent to which the Council is able to influence decisions or exert control over their operations. It has been determined that no group relationships exist with such bodies;
- Liabilities – liabilities have been reviewed and the appropriate accounting treatment applied based on a determination on the ability to estimate the amount, and also the level of certainty. Liabilities have been included accordingly in the accounting statements as either accruals, provisions or contingent liabilities;

- 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.

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 2013 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
Property, Plant and Equipment	Assets are depreciated over their useful life and these are dependent on certain levels of repair and maintenance regimes. The current funding pressures on local government pose an element of uncertainty on future levels of repair and maintenance which could have an impact on asset lives.	Changes in useful life will impact on future depreciation charges.
Provisions	**Equal Pay**: The Council has made a provision of £3.8m for the settlement of claims relating to equal pay. There is some certainty over the payments required on current claims as negotiations with the legal representatives for most claimants are at an advanced stage. However, there remains the potential for future claims, particularly as this area of law is new and could allow for claims on grounds not yet foreseen. The legislation is retrospective covering employment going back to 2001, however, the Council has taken steps to limit liability and a senior team of officers maintain a careful watching brief.	Based on the experience of other Councils it is anticipated that the current provision should prove sufficient. However, there is considerable uncertainty in this area, and a substantial increase in liability is not impossible. Such an increase would impact on available reserves, the application of capital receipts, and the revenue budget – particularly if the level of liability required prudential borrowing to smooth its effect over a number of future years.
	Insurance Claims: Annually the Council receives an independent actuary report that determines the amount to be set aside to cover the cost of outstanding liability claims. As at 31/3/13 the provision stands at £3.306m.	In the event that the cost of insurance claims exceeds this amount then the excess will be met from the insurance reserve.
	MMI: A provision of £0.419m has been made as a consequence of the Council's former insurer, MMI, triggering a scheme of arrangement (Note 23 vi refers). The amount was based on an initial levy imposed on scheme creditors.	Should MMI request additional levy payments then this 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.
Arrears	At 31 March 2012, the Council had a balance on trade debtors of £3.7m. 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 £0.2m

This list does not include assets and liabilities that are carried at fair value based on a recently observed market price.

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

During 2012/13, Manchester Airport Group acquired Stansted Airport, resulting in a change of structure. The Council's shareholding in Manchester Airport Holdings has reduced from a 5% holding to 3.22% of the airports 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 2013 is shown at fair value. Valuers have confirmed that it is impracticable to provide a retrospective fair valuation and therefore the value as at 31 March 2012 is shown at historic cost. The Council at this point in time is to retain these shares. The value of the shareholding as at 31 March 2013 is £29.3m representing an increase of £19.086m and this increase 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.

The Comprehensive Income and Expenditure Statement includes a net loss of £6.045m on the sale of assets; included in this figure is a loss of £4.9m relating to the disposal of two schools who transferred to academy status during the year.

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.

The accounts also include some significant one-off costs in relation to the Council's investment in the long term accommodation scheme which related primarily to the costs associated with the decant arrangements to Quay West. In 2011/12 these costs amounted to £1.3m and were financed from reserves.

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

Adjusting events after the reporting period
The draft 'pre-audit' Statement of Accounts were certified on 20 June 2013 by Ian Duncan CPFA, Director of Finance. Events taking place after this date are not reflected in the financial statements, however, a listing of potential matters that may become reflected in the final, 'post-audit' Statement of Accounts by virtue of them taking place before mid-September, have been included at the end of the foreword. Any material matters taking place after the draft Accounts date will be included in the final publication of the Statement of Accounts up to a publication date in mid-September.

Non-adjusting events after the reporting period

Non Domestic Rates – Appeals Outstanding at 31 March 2013
The following relates to a change in the distribution and share of business rates between Government and Local Authorities, which legally comes into force on 1 April 2013. This change does not affect the balance sheet as at 31 March 2013 because the law is not yet in force, however, as there are potential liabilities that could be material attention is drawn to the matter.

The current system of business rate collection can be characterised as the Council collecting business rates on behalf of the Government on an agency basis, and the Government redistributing the total of national business rates to all Local Authorities on a per head of population basis. From 1 April 2013 the Council will now retain 49% of business rates, which, up to the Government estimated baseline level will be similar funding to the previous system. The change in the system relates to the share of any gains or losses above or below this threshold. Previously all business rates, whether gain or loss on estimates, collected would go to the Government, whereas the new system will apportion gains and losses as follows:

	Gain	Loss	Loss to a maximum
Trafford Council	24.5%	49.0%	£2.4m in any year
Government	74.5%	50.0%	No maximum
GM Fire & Rescue	1.0%	1.0%	£48.7k in any year

One of the main issues that can impact on the level of business rates collected is the extent of back-dated revaluation awards made by the local Valuation Office, which is an agency of HMRC Treasury. There were outstanding appeals on rateable value in relation to 2012/13 and previous years in the sum of £187m of rateable value as at December 2012. It can take some time before a determination on an appeal is made, and more appeals can be made. Further, not all appeals will be successful, and those that are will not be awarded at 100%. There are other issues that could affect the achievement of the baseline, most notably, economic conditions, and bad debts or other non-collection.

As at 31 March the rateable value of all businesses in the Borough was £383m, with a tax yield of £163.4m. The Council has budgeted to achieve the baseline established by the Government of £151.6m, which suggests a margin of £11.8m for all of the above issues that would affect collection of business rates, including movement within the rateable value during the year. The Government has announced its intention to enact regulations which will allow for any liability arising out of failing to achieve the baseline to be spread over a five year period. It is also expected that any such legislation would defer the effect of any provision that may need to be established to recognise the extent of appeals outstanding such that it does not affect the budget of the Council until an actual loss is incurred, and even then, allowing it to be spread over five years.

7. Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year (see following tables). This is in accordance with proper accounting practice to the resources that are specified by statutory provision as being available to the Council to meet future capital and revenue expenditure.

7. Adjustments between Accounting Basis and Funding Basis under Regulations

2012/13	Usable Reserves 2012/13						2012/13
	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
<u>Adjustments primarily involving the Capital Adjustment Account:</u>							
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:							
Charges for depreciation and impairment of non-current assets.	12,361	0	0	0	0	0	**(12,361)**
Revaluation losses on Property, Plant & Equipment.	6,381	0	0	0	0	0	**(6,381)**
Movements in the market value of Investment Properties.	395	0	0	0	0	0	**(395)**
Amortisation of intangible assets.	295	0	0	0	0	0	**(295)**
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.	13,126	0	0	0	0	0	**(13,126)**
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.	6,044	0	3,215	0	0	0	**(9,259)**
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:							
Statutory provision for the financing of capital investment.	(4,423)	0	0	0	0	0	**4,423**
Capital expenditure charged against the General Fund and HRA balances.	(239)	0	0	0	0	0	**239**

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

	Usable Reserves 2012/13 (continued)						2012/13
2012/13	**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.	(21,024)	0	0	0	0	21,024	**0**
Application of grants to capital financing transferred to the Capital Adjustment Account.	0	0	0	0	(208)	(11,693)	**11,901**
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	667	(16,455)	0	0	0	**15,788**
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.	21	0	(21)	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 2012/13 (continued)						2012/13
2012/13	**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 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.	(231)	0	0	0	0	0	**231**
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).	19,800	0	0	0	0	0	**(19,800)**
Employer's pension contributions and direct payments to pensioner's payable in the year.	(15,266)	0	0	0	0	0	**15,266**
Adjustments primarily involving the Collection Fund Adjustment Account: 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.	289	0	0	0	0	0	**(289)**

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

2012/13	Usable Reserves 2012/13 (continued)						2012/13
	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.	(202)	0	0	0	0	0	**202**
Total Adjustments	**17,328**	**667**	**(13,261)**	**0**	**(208)**	**9,331**	**(13,856)**

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

2011/12 Comparative Figures	Usable Reserves 2011/12 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	2011/12 Movements in Unusable Reserves £000
<u>Adjustments primarily involving the Capital Adjustment Account:</u>							
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:							
Charges for depreciation and impairment of non-current assets.	11,649	0	0	0	0	0	**(11,649)**
Revaluation losses on Property, Plant & Equipment.	7,205	0	0	0	0	0	**(7,205)**
Movements in the market value of Investment Properties.	663	0	0	0	0	0	**(663)**
Amortisation of intangible assets.	93	0	0	0	0	0	**(93)**
Capital grants and contributions applied.	0	0	0	0	0	0	**0**
Movement in the Donated Assets Account.	(1,600)	0	0	0	0	0	**1,600**
Revenue expenditure funded from capital under statute.	12,218	0	0	0	0	0	**(12,218)**
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.	(16,772)	0	29,228	0	0	0	**(12,456)**
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:							
Statutory provision for the financing of capital investment.	(4,523)	0	0	0	0	0	**4,523**
Capital expenditure charged against the General Fund and HRA balances.	(920)	0	0	0	0	0	**920**

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

	Usable Reserves 2011/12 (continued)						2011/12
2011/12 Comparative Figures	**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**
<u>Adjustments primarily involving the Capital Grants Unapplied Account:</u>							
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement.	(20,038)	0	0	0	0	20,038	**0**
Application of grants to capital financing transferred to the Capital Adjustment Account.	0	0	0	0	(20)	(9,829)	**9,849**
<u>Adjustments primarily involving the Capital Receipts Reserve:</u>							
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	(16,006)	0	0	0	**16,006**
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.	35	0	(35)	0	0	0	**0**
Transfer from Deferred Capital Receipts Reserve upon receipt of cash.	0	0	0	0	0	0	**0**
<u>Adjustments primarily involving the Deferred Capital Receipts Reserve:</u>							
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 2011/12 (continued)						2011/12
2011/12 Comparative Figures	**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**
<u>Adjustment primarily involving the Major Repairs Reserve:</u>							
Reversal of 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**
<u>Adjustment primarily involving the Financial Instruments Adjustment Account:</u>							
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.	(203)	0	0	0	0	0	**203**
<u>Adjustments primarily involving the Pension Reserve:</u>							
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see note 48).	16,500	0	0	0	0	0	**(16,500)**
Employer's pension contributions and direct payments to pensioner's payable in the year.	(15,189)	0	0	0	0	0	**15,189**
<u>Adjustments primarily involving the Collection Fund Adjustment Account:</u>							
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.	13	0	0	0	0	0	**(13)**

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

	Usable Reserves 2011/12 (continued)						2011/12
2011/12 Comparative Figures	**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.	(778)	0	0	0	0	0	**778**
Total Adjustments	**(11,647)**	**0**	**13,187**	**0**	**(20)**	**10,209**	**(11,729)**

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

This note sets out the amounts set aside from the General Fund balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2013/14.

	Balance as at 1 April 2011 £000	Movements out 2011/12 £000	Movements in 2011/12 £000	Balance at 31 March 2012 £000	Movements Out 2012/13 £000	Movements In 2012/13 £000	Balance at 31 March 2013 £000
General Fund	**8,022**	(2,261)	4,042	**9,803**	(4,871)	5,712	**10,644**
Earmarked Reserves:							
Balances held by schools under a scheme of delegation	**11,018**	(272)	2,649	**13,395**	(4,913)	497	**8,979**
Other Earmarked Reserves:							
Computer Reserve To finance planned developments in network infrastructure, new systems and hardware.	**431**	(184)	0	**247**	(247)	0	**0**
Accommodation Strategy Reserve The Council is rationalising its office accommodation and short term finance has been made available to improve those premises being retained.	**106**	(25)	0	**81**	(81)	0	**0**
Synthetic Pitch Replacement Reserve This will be used towards replacing synthetic pitches across the Borough.	**514**	(226)	15	**303**	(213)	15	**105**
Training Reserve To undertake some corporate training across the Council.	**25**	(13)	402	**414**	(133)	231	**512**

Transfers to/from Earmarked Reserves (continued)

	Balance as at 1 April 2011 £000	Movements out 2011/12 £000	Movements in 2011/12 £000	Balance at 31 March 2012 £000	Movements Out 2012/13 £000	Movements In 2012/13 £000	Balance at 31 March 2013 £000
Insurance Reserve Funds earmarked for future claims and to carry out various risk management initiatives.	**8,047**	(1,787)	47	**6,307**	(2,652)	267	**3,922**
Delegated Service Budgets Revenue budget under/overspends to be carried forward as part of the Council's Medium Term Financial Plans.	**1,427**	(588)	1,795	**2,634**	(2,479)	1,941	**2,096**
ICT Development Investment in new ICT to improve efficiency Council-wide.	**600**	0	97	**697**	(63)	277	**911**
Job Evaluation To pay for the additional costs associated with the Job Evaluation (PARIS) team and any additional legal/ancillary costs associated with the Equal Pay review.	**396**	(95)	0	**301**	(301)	0	**0**
Community Safety Investment in Community Safety initiatives.	**22**	0	0	**22**	0	0	**22**
Dedicated Schools Grant (DSG) Government grant specifically for the funding of schools and schools' related services.	**981**	(810)	0	**171**	0	2,134	**2,305**
Adult Social Care Reserve To facilitate and finance the transformational change of adult social services in order to deliver Putting People First and market transformation.	**431**	(400)	0	**31**	(31)	0	**0**

Transfers to/from Earmarked Reserves (continued)

	Balance as at 1 April 2011 £000	Movements out 2011/12 £000	Movements in 2011/12 £000	Balance at 31 March 2012 £000	Movements Out 2012/13 £000	Movements In 2012/13 £000	Balance at 31 March 2013 £000
Economy Contingency/Olympic Reserve To cover potential adverse effects of economic conditions on the Council's finances, such as reduced income streams.	**392**	(76)	0	**316**	(263)	0	**53**
Elections Reserve To smooth the elections budget across the 4 year Municipal cycle.	**166**	(59)	0	**107**	(107)	0	**0**
Transformation Reserve Money set aside to pump prime the achievement of the next stage of efficiencies through the Transformation Programme.	**2,079**	0	0	**2,079**	(259)	0	**1,820**
Interest Rate Reserve To smooth the effect on the Council's budget of volatile movements in interest rates.	**55**	0	437	**492**	0	616	**1,108**
Waste Levy Reserve To smooth the effects on the Council's budget of movements in the waste levy over the medium term	**1,144**	0	914	**2,058**	0	1,307	**3,365**
Long Term Accommodation Decant Reserve To cover the cost of accommodation changes arising from the Long Term Accommodation Project	**2,549**	(1,759)	382	**1,172**	(1,351)	852	**673**
Employment Rationalisation Reserve To cover the cost of rationalising the employment of staff by the Council	**3,716**	(987)	86	**2,815**	(749)	88	**2,154**

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Transfers to/from Earmarked Reserves (continued)

	Balance as at 1 April 2011 £000	Movements out 2011/12 £000	Movements in 2011/12 £000	Balance at 31 March 2012 £000	Movements Out 2012/13 £000	Movements In 2012/13 £000	Balance at 31 March 2013 £000
Telecare Reserve Investment in technology to help in enabling older and more vulnerable people to live independently in their own home.	**500**	(376)	0	**124**	(124)	0	**0**
Capital Reserve Investment in disabled facility schemes	**1,000**	(751)	800	**1,049**	(460)	1,517	**2,106**
LAA Performance Reward Grant Reserve Revenue element of grant to be allocated to schemes via the Trafford Partnership	**1,579**	(210)	0	**1,369**	(454)	0	**915**
Manchester Airport Debt Restructure Reserve Smoothing of airport debt restructure costs over the medium term	**329**	0	181	**510**	0	198	**708**
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 repayment are attached. Balance is required to be offset future costs.	**874**	(874)	195	**195**	(195)	289	**289**
Winter Maintenance Reserve To provide emergency funds to cover the costs of highway & footway maintenance during periods of adverse weather conditions.					0	120	**120**
Other Reserves Other amounts earmarked for specific purposes.	**214**	0	220	**434**	(26)	8	**416**
Total Earmarked Reserves (incl. Schools)	**38,595**	**(9,492)**	**8,220**	**37,323**	**(15,102)**	**10,357**	**32,579**
Total Reserves	**46,617**	**(11,753)**	**12,262**	**47,126**	**(19,973)**	**16,069**	**43,223**

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

2011/12 £000		2012/13 £000
88	Parish council precepts (i)	88
27,172	Levies (ii)	28,598
35	Payments to the Government Housing Capital Receipts Pool (iii)	21
12,482	Amount written off on disposal of non-current assets (iv)	9,259
(29,254)	Sale proceeds from disposal of non-current assets (iv)	(3,214)
10,523	**Total**	**34,752**

(i) Partington Town Council at its meeting of 13 December 2011 elected to set a precept of £88,358 which kept the level of council tax per Band D property in Partington at £42.50 in 2012/13, the same as in 2011/12.

(ii) Included are levies as follows:

2011/12 Expenditure £000		2012/13 Expenditure £000
126	Flood Defence	127
11,786	Waste Disposal Authority	12,668
15,260	Integrated Transport Authority	15,803
27,172	**Total**	**28,598**

(iii) In accordance with the Local Authority (Capital Finance and Accounting) Regulations 2003, from 1 April 2004 75% of capital receipts from the sale of council houses, after costs and mortgage repayments, are required to be paid to the Department for Communities and Local Government. This replaces the previous regulations whereby 75% of such receipts were required to be set aside by the Local Authority against the repayment of its own debt.

CIPFA guidance requires any amount paid to the pool to be disclosed as expenditure in the Comprehensive Income & Expenditure Statement within Net Operating Expenditure, but wholly offset in the Statement of Movement on the General Fund Balance.

The amount paid to the pool in 2012/13 is £0.021m (£0.035m in 2011/12), and has a neutral effect on the Council's General Fund Balance.

(iv) During 2012/13 a net (gain)/loss on the disposal of assets was realised of £6.045m £(16.772)m in 2011/12) . This arises where the value of proceeds received is less than the value of those assets held on the balance sheet.

Gains and losses on the disposal of assets are reflected in the Comprehensive Income and Expenditure Statement and cancelled out in the Movement in Reserves Statement as there is no impact on the General Fund Balance of the Council.

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

2011/12 £000		2012/13 £000
6,216	Interest payable and similar charges	6,143
1,300	Pensions interest cost and expected returns on pensions assets (i)	5,100
(2,116)	Interest receivable and similar income (ii)	(1,795)
(744)	Income and expenditure in relation to investment properties and changes in their fair value (iii)	(1,257)
(367)	Residual (Surplus)/deficit on trading undertakings (iv)	(263)
(1,000)	Other investment income (v)	(1,006)
3,289	**Total**	**6,922**

(i) Pension interest cost is £30.2m (£30.6m in 2011/12) and expected return on assets £(25.1)m (£(29.3)m in 2011/12).

(ii) During 2012/13 the average amount invested in the money market was £79.4m, at an average interest rate of 0.88%. Investment interest generated for the year was £(1.795)m, including £(1.043)m 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 2011/12 the average amount invested was £99.1m at an average rate of 1.11%, producing £(2.116)m of investment interest, including £(1.043)m from the Airport.

(iii) Includes increase/(decrease) in the fair value of investment properties £(0.395)m (£(0.663)m in 2011/12). Net expenditure/(income) on investment properties is £(1.652)m, (£(1.408)m in 2011/12), also included in note 14.

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

(v) During 2012/13 a share dividend of £(1.006)m was received from Manchester International Airport (£(1.000)m in 2011/12).

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

2011/12 £000		2012/13 £000
(88,307)	Council tax income	(88,401)
(1,600)	(Gains)/losses on donated assets	0
(53,895)	Non domestic rates*	(64,547)
(35,655)	Non-ringfenced government grants*	(21,606)
(20,038)	Capital grants and contributions*	(21,024)
(199,495)	**Total**	**(195,578)**

* Further detail on grants is shown in note 39.

12. Property, Plant and Equipment (Balance Sheet page 13)

Movements on Balances 2012/13:

	Other land & buildings £000	Vehicles, plant & equipment assets £000	Infra - structure assets £000	Community assets £000	Surplus Assets £000	Assets under construc-tion £000	Total £000
Cost or Valuation:							
As at 1 April 2012	**246,100**	**26,931**	**183,249**	**18,495**	**17,353**	**11,881**	**504,009**
Additions	6,055	152	3,841	564	38	21,747	32,397
Disposals (incl. adj. for academy school transfers)	(7,497)						(7,497)
Reclassification to Assets Held for Sale							
Other Reclassifications	1,620	155	12	370	(370)	(1,894)	(107)
Accumulated depreciation and impairment written out on revaluation adj	18,694	(6,212)	(1,541)		**(1,095)**		9,846
Revaluation increases/(decreases) recognised in the revaluation reserve	(4,527)			(1)	118		(4,410)
Revaluation increases/(decreases) recognised in the surplus/deficit on the provision of services	(6,176)				(205)		(6,381)
As at 31 March 2013	**254,270**	**21,026**	**185,561**	**19,428**	**15,839**	**31,733**	**527,857**
Depreciation and Impairments:							
As at 1 April 2012	**(26,488)**	**(21,524)**	**(40,979)**	**(2,956)**	**(4,076)**		**(96,023)**
Depreciation charged to CIES (ii)	(6,349)	(1,601)	(3,974)	(407)			(12,331)
Impairment charged to CIES							
Impairment written off to Revaluation Reserve							
Revaluation Reserve							
Disposals	982						982
Reclassifications							
Accumulated depreciation and impairment written out on revaluation adj	(18,694)	6,212	1,541		**1,095**		(9,846)
Revaluations							
As at 31 March 2013	**(50,549)**	**(16,913)**	**(43,412)**	**(3,363)**	**(2,981)**		**(117,218)**
Net Book Value:							
Balance Sheet amount as at 31 March 2013*	**203,720**	**4,113**	**142,149**	**16,065**	**12,858**	**31,733**	**410,638**
Balance Sheet amount as at 1 April 2012*	**219,611**	**5,407**	**142,270**	**15,539**	**13,277**	**11,881**	**407,985**

Nature of Asset Holding

Owned	191,299	**4,113**	**142,149**	**16,065**	**12,858**	**31,733**	**398,217**
Finance Lease	-						-
PFI(i)	12,421						12,421
Total	**203,720**	**4,113**	**142,149**	**16,065**	**12,858**	**31,733**	**410,638**

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

Movement in PFI Asset Value	£000
Opening Value 1 April 2012	**12,490**
Additions	115
Less Depreciation	(184)
Less Impairment	0
Closing Value 31 March 2013	**12,421**

(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 55 years

There are no changes to depreciation methods used between 2011/12 and 2012/13.

Comparative Movements in 2011/12:

	Other land & buildings £000	Vehicles, plant & equipment assets £000	Infra - structure assets (ii) £000	Community assets (iv) £000	Surplus Assets £000	Assets under construc-tion £000	Total £000
Cost or Valuation:							
As at 1 April 2011	**242,360**	**26,613**	**182,930**	**17,422**	**18,350**	**7,357**	**495,032**
Restatement (*)	(556)						(556)
Restated Opening Balances	**241,804**	**26,613**	**182,930**	**17,422**	**18,350**	**7,357**	**494,476**
Additions	7,838	318	3,721	1,075	708	8,702	22,362
Disposals	(1,047)		(1,612)		(2,226)		(4,885)
Reclassification to Assets Held for Sale	(131)						(131)
Other Reclassifications	3,350		(90)	(2)	359	(4,178)	(561)
Revaluations	(5,714)		(1,700)		162		(7,252)
As at 31 March 2012	**246,100**	**26,931**	**183,249**	**18,495**	**17,353**	**11,881**	**504,009**
Depreciation and Impairments:							
As at 1 April 2011	**(20,873)**	**(19,789)**	**(37,153)**	**(2,575)**	**(4,076)**		**(84,466)**
Restatement (*)	67						67
Restated Opening Balances	**(20,806)**	**(19,789)**	**(37,153)**	**(2,575)**	**(4,076)**		**(84,399)**
Depreciation charged to CIES (iii)	(5,683)	(1,735)	(3,826)	(381)			(11,625)
Impairment charged to CIES			(1,700)				(1,700)
Impairment written off to Revaluation Reserve							0
Revaluation Reserve							0
Disposals			1,700				1,700
Reclassifications							0
Revaluations							0
As at 31 March 2012	**(26,489)**	**(21,524)**	**(40,979)**	**(2,956)**	**(4,076)**		**(96,024)**
Net Book Value:							
Balance Sheet amount as at 31 March 2012*	**219,611**	**5,407**	**142,270**	**15,539**	**13,277**	**11,881**	**407,985**
Balance Sheet amount as at 1 April 2011*	**220,998**	**6,824**	**145,777**	**14,847**	**14,274**	**7,357**	**410,077**
Nature of Asset Holding							
Owned	207,121	5,407	142,270	15,539	13,277	11,881	395,495
Finance Lease							
PFI(i)	12,490						12,490
Total	**219,611**	**5,407**	**142,270**	**15,539**	**13,277**	**11,881**	**407,985**

(*) The opening balance sheet has been adjusted to take account of properties that were previously demolished as part of a town centre regeneration scheme but were not deleted from the balance sheet in earlier years. Note 53 details this adjustment of £489k.

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 and Prosperity. The basis for valuation is set out in the statement of accounting policies.

	Other land & buildings £000	Vehicles, plant & equipment £000	Surplus Assets £000	Total £000
Held at historic cost		4,113		**4,113**
Valued at current value in:				
Current Year (1 April 2012)	50,365		3,542	**53,907**
Previous year (1 April 2011)	8,909		202	**9,111**
Two years ago (1 April 2010)	26,300		1,606	**27,906**
Three years ago (1 April 2009)	71,714		6,941	**78,655**
Four years ago (1 April 2008)	46,432		567	**46,999**
Total	**203,720**	**4,113**	**12,858**	**220,691**

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.

Treatment of Non-Community Schools

The Non-Current Assets and Long-Term Liabilities of Foundation Schools remain vested in the Governing Bodies of the Schools and therefore values and amounts have not been consolidated in the Council's Balance Sheet. The same principle also applies to Voluntary-Aided and Voluntary Controlled Schools. In this area there are 3 Foundation Schools (three transferred to academy status during 2012/13) and 23 Voluntary-Aided Schools (two transferred to academy status during 2012/13 and there was a merger of a junior and infant school into a primary school) and one Voluntary Controlled School.

Significant commitments under capital contracts as at 31 March 2013

As at 31 March 2013 the Council was contractually committed to capital expenditure which amounted to approximately £12.5m. Major contracts included the following schemes:

	£000
Springfield Primary School – Additional Places	5,048
Kings Road Primary School – Additional Places	4,400
Worthington Primary School	3,088
Total at 31 March 2013	**12,536**

13. Heritage Assets (Balance Sheet page 13)

In accordance with FRS 30, the Council is required to recognise and measure Heritage Assets at fair valuation in the 2012/13 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	2010/11 £000	2011/12 £000	2012/13 £000
Opening Value 1 April	1,029	1,023	1,017
Additions	0	0	0
Disposals	0	0	0
Less Depreciation	(6)	(6)	(6)
Less Impairment	0	0	0
Closing Value 31 March	**1,023**	**1,017**	**1,011**

14. Investment Properties (Balance Sheet page 13)

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

	2011/12 £000	2012/13 £000
Balance at start of year	**29,925**	**29,061**
Additions:		
§ Purchases		
§ Construction		
§ Subsequent expenditure		
Disposals		
Net gains/losses from fair value adjustments	(663)	(395)
Transfers:		
§ to/from Inventories		
§ to/from Property, Plant & Equipment	(199)	64
Other changes	(2)	(23)
Balance at end of year	**29,061**	**28,707**

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:

	2011/12 £000	2012/13 £000
Rental income from investment property	(2,049)	(2,425)
Direct operating expenses arising from investment	641	773
Net (gain)/loss	**(1,408)**	**(1,652)**

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

15. Intangible Assets (Balance Sheet page 13)

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

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. The useful lives assigned to the major software suites used by the Council are:

Useful Life	Other Assets
5 years	Telephony Software System – Voice over IP
7 years	New Payroll System
10 years	Easy Software Upgrade
20 years	SAP - Social Care system
	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 £0.297m charged to revenue in 2012/13 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:

	2011/12			2012/13		
	Internally Generated Assets	Other Assets	**Total**	Internally Generated Assets	Other Assets	**Total**
	£000	£000	**£000**	£000	£000	**£000**
Balance at start of year:						
§ Gross carrying amounts	0	1,659	**1,659**	0	3,073	**3,073**
§ Accumulated amortisation		(512)	**(512)**		(605)	**(605)**
Net carrying amount at start of year	**0**	**1,147**	**1,147**	**0**	**2,468**	**2,468**
Additions:						
§ Internal development		327	**327**		194	**194**
§ Purchases		200	**200**		32	**32**
§ Acquired through business combinations						
Assets reclassified as held for sale						
Other disposals						
Revaluations increases or decreases						
Impairment losses recognised or reversed directly in the Revaluation Reserve						
Impairment losses recognised in the Surplus/Deficit on the Provision of Services						
Amortisation for the period		(93)	**(93)**		(297)	**(297)**
Other changes		887	**887**			
Net carrying amount at end of year		**2,468**	**2,468**		**2,397**	**2,397**
Comprising:						
§ Gross carrying amounts		3,073	**3,073**		3,299	**3,299**
§ Accumulated amortisation		(605)	**(605)**		(902)	**(902)**
		2,468	**2,468**		**2,397**	**2,397**

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.

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

16. Financial Instruments

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

	Long Term Balance at 31 March 2012 £000	Short Term Balance at 31 March 2012 £000	Long Term Balance at 31 March 2013 £000	Short Term Balance at 31 March 2013 £000
Investments				
Available For Sale Financial Assets (AFSFA) - Long Term (i)				
MAG Shareholding (See note on "Interest in Companies" on page 57) (a)	10,214	0	29,300	0
Principal	0	0	0	0
Accrued Interest	0	0	0	0
Sub-total Long Term	**10,214**	**0**	**29,300**	**0**
Loans and Receivables (L&R) - Short Term (ii)				
Principal	0	49,300	0	32,400
Accrued interest	0	232	0	113
Sub-total Short Term	**0**	**49,532**	**0**	**32,513**
Loans and Receivables - Cash and cash equivalent:				
Cash at Bank	0	14,745	0	8,554
Principal	0	27,299	0	19,760
Accrued interest	0	70	0	37
Sub-total Cash and cash equivalent	**0**	**42,114**	**0**	**28,351**
Total investments	**10,214**	**91,646**	**29,300**	**60,864**
Financial Liabilities at Amortised Cost(FLAC) - Borrowings (iii)				
Loan (Principal amount)	100,472	272	97,415	3,056
Accrued Interest	0	953	0	1,054
Market loans EIR adjustments	1,429	0	1,915	0
Total Borrowings (b)	**101,901**	**1,225**	**99,330**	**4,110**
Other Financial Instruments				
L&R - MAG Loans (c) - included within Long term debtors	8,693	0	8,693	0
L&R - Section 106 debtors - included within Short Term debtors	0	3,308	0	2,479
L&R - Trade Debtors - included within Short Term debtors	0	6,601	0	3,679
Other long term liabilities (OLTL) - PFI and finance lease liabilities	6,540	163	6,367	173
FLAC - Trade Creditors included within short term creditors	0	15,818	0	14,616

(a) The value of shareholding as at 31 March 2012 was shown at historic cost and previously classified as unquoted equity at cost. Following the restructure in 2012/13 BDO LLP have provided a valuation of the Council's shareholding as at 31 March 2013 and this is now shown at fair value within available for sale financial assets.

(b) Under accounting requirements the carrying value of the financial instrument value 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.

(c) This reflects the reclassification of the Manchester Airport Group loans following their successful restructuring in February 2010.

(i) Interest in Companies - Long Term Investments (Balance Sheet page 13)

31.03.11 £000	**31.03.12 £000**		**31.03.13 £000**
10,214	10,214	Shareholdings (i), (ii)	29,300
		Investments over 364 days	
0	2,002	Balance b/fwd	0
2	0	Add interest accrual	0
2,000	(2,002)	Net increase/(decrease) in investments	0
2,002	0	**Sub-total investments over 364 days**	0
12,216	**10,214**	**Total**	**29,300**

<u>Shareholdings</u>

Manchester Airport Group plc.

31.03.11 £000	**31.03.12 £m**	***Manchester Airport Consolidated Profit and Loss Account and Balance Sheet (Extract)***	**31.03.13 £m**
80.1	(6.7)	Profit/(Loss) before Tax	(30.1)
84.7	(9.2)	Profit/(Loss) after Tax	(21.8)
817.0	761.9	Net Assets	1,523.7

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

Dividends of £(1.006)m were received in the year 2012/13 (£(1.000)m in 2011/12). Further information on these accounts can be obtained from the Group Financial Accountant, Manchester Airport Group plc., 6th Floor Olympic House, Manchester Airport, Manchester M90 1QX (telephone no. 0161 489 5833).

MaST Lift Co.

The Council has a 2% shareholding of £200 (200 £1 equity shares) in the MaST Lift Co. 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: MaST LIFT Company, Quay West, 5th Floor, West Wing, Trafford Wharf Road, Trafford Park, Manchester M17 1HH.

(ii) Short Term Investments (Balance Sheet page 13)

31.03.12 £000		31.03.13 £000
56,818	**Balance b/fwd 1 April**	**49,532**
232	Add interest accrual	113
(7,518)	Net increase/(decrease) in investments	(17,132)
49,532	**Total**	**32,513**

A figure of £52.3m (total investments of £60.9m less cash at bank of £8.6m) included within Short Term Investments (£76.9m in 2011/12, £91.6m less cash at bank of £14.7m) represents the investment of funds that are temporarily surplus to requirements placed for short periods and earn market rates of interest.

(iii) Long-Term Borrowing (Balance Sheet page 13)

31.03.11 £000	at 31.03.12 £000		Interest Rates	at 31.03.13 £000
		Analysis by type of loan		
44,990	44,745	Public Works Loan Board	**4.55%-11.5%**	44,472
(245)	(273)	Less repayments due		(3,056)
0	0	Net increase/(decrease) in borrowings		0
44,745	44,472	Balance		41,416
36,932	56,922	Money Market Loans	**2.0% - 4.99%**	57,429
(10)	(10)	Net increase/(decrease) in annual charge		(10)
20,000	517	Net increase/(decrease) in borrowings		495
56,922	57,429	Balance		57,914
101,667	**101,901**	**Total Loan Debt Outstanding**		**99,330**
		Analysis by date of maturity		
283	2,571	1 year to 2 years		1,964
7,283	7,527	2 years to 5 years		8,270
15,517	14,409	5 years to 10 years		15,593
10,709	8,570	10 years to 15 years		4,714
67,875	68,824	15 years+		68,789
101,667	**101,901**	**Total Loan Debt Outstanding**		**99,330**

Figures exclude amounts due to be repaid within 12 months.

In accordance with the Code the long term loans outstanding carrying amount shown on the balance sheet now includes the effective interest rate adjustment for the Council's three stepped interest rate market loans and positive attributable premium for both PWLB and market loans.

Movements in borrowings

	£000
Closing Balance 31 March 2012	**101,901**
Less Maturing Debt not replaced*	(3,056)
Net increase/(decrease) in annual charge	(10)
Add Stepped EIR adjustment	495
Add New debt taken	0
Closing Balance 31 March 2013	**99,330**

* Represents principal falling due for repayment in accordance with the terms of the loans.

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;
- 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.

The fair values calculated are as follows:

Financial Liabilities –

	31 March 2012		31 March 2013				
Liability	**Carrying Amount**	**Fair Value**	**Principal**	**Add EIR adjustment**	**Add accrued Interest**	**Carrying Amount**	**Fair Value**
	£000	**£000**				**£000**	**£000**
FLMAC - PWLB	45,414	62,087	44,472	0	813	45,285	61,614
FLMAC-Market	57,712	49,516	56,000	1,914	241	58,155	51,460
Total debt	**103,126**	111,603	100,472	1,914	1,054	**103,440***	113,074
OLTL - PFI finance lease	6,703	6,703	6,540	0	0	6,540	6,540
FLMAC-Trade creditors	15,818	15,818	0	0	0	14,616	14,616
Total	125,647	134,124	107,012	1,914	1,054	124,596	134,230

*Comprises – Long and Short Term Borrowing of £99.330m and £4.110m as indicated on Balance Sheet respectively.

Financial Assets

Investments	31 March 2012 Carrying Amount £000	31 March 2012 Fair Value £000	31 March 2013 Principal Advances £000	31 March 2013 Add accrued Interest £000	31 March 2013 Carrying Amount £000	31 March 2013 Fair Value £000
L&R - Cash & Cash equivalents						
- Cash at bank	14,745	14,745	0	0	8,554	8,554
- Deposits	27,369	27,369	19,760	37	19,797	19,797
Total	**42,114**	42,114	19,760	37	**28,351**	28,351
L&R - Deposits over 1 year	0	0	0	0	0	0
L&R - Deposits under 1 year	**49,532**	49,532	32,400	113	**32,513**	32,513
AFSFA - Airport shares	**10,214**	10,214	29,300	0	**29,300**	29,300
L&R-MAG Loans	8,693	8,693	8,693	0	8,693	8,693
L&R-Section 106 debtors	3,308	3,308	2,479	0	2,479	2,479
L&R-Trade debtors	6,601	6,601	0	0	3,679	3,679
Total Financial Assets	**120,462**	**120,462**	**92,632**	**150**	**105,015**	**105,015**

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 increases the fair value of financial liabilities and raises the value of Investments.

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. The comparator market rates have been taken from indicative investment rates at each balance sheet date. 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.

Income, Expense, 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;

	2011/12			2012/13		
	Financial Liabilities measured at amortised cost £000	**Financial Assets: Investments £000**	**Total £000**	**Financial Liabilities measured at amortised cost £000**	**Financial Assets: Investments £000**	**Total £000**
Interest Expense	6,216		**6,216**	6,142		**6,142**
Total expense in Surplus or Deficit on the Provision of Services	**6,216**		**6,216**	**6,142**		**6,142**
Interest income		(3,116)	**(3,116)**		(2,801)	**(2,801)**
Total income on Surplus or Deficit on the Provision of Services		**(3,116)**	**(3,116)**		**(2,801)**	**(2,801)**
Net gain/(loss) for the year	**6,216**	**(3,116)**	**3,100**	**6,142**	**(2,801)**	**3,341**

Note – The share dividend received from Manchester Airport Group is included within interest income

17. Inventories (Balance Sheet page 13)

The Council held the following inventories at 31 March 2012 and 2013. All are related to consumable stores.

	Consumable Stores	
	31.3.12 **£000**	**31.3.13** **£000**
Balance outstanding at start of year	**456**	**496**
Purchases	2,275	2,463
Recognised as an expense in the year	(2,235)	(2,491)
Written off balances		(98)
Reversals of write-offs in previous years		
Balance outstanding at year-end	**496**	**370**

18. Work in Progress (Construction Contracts)

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

19. Debtors (Balance Sheet page 13)

Long Term Debtors & Prepayments

31.3.11 £000	**31.3.12 £000**		**31.3.13 £000**
93	47	Council Houses (Mortgages)	23
22	6	Private Dwellings (Mortgages)	0
1,210	1,143	Probation Service (i)	1,050
13	6	Car Loans to Staff	0
8,693	8,693	Manchester Airport Plc. (ii)	8,693
573	658	Sale PFI – lifecycle replacement (iii)	680
300	240	MUFC Deferred Debtor (iv)	180
1,271	1,271	Homestep Loans (v)	1,277
0	0	Local Authority Mortgage Scheme (vi)	2,000
12,175	**12,064**	**Total**	**13,903**

(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, although with minimal risk. 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 the 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 £0.060m instalment due in 2013/14 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. The fair value of the debtor remains at £2m due to no defaults occurring in 2012/13.

Short Term Debtors and Payments in Advance

31 March 2011 £000	**31 March 2012 £000**	**Amounts falling due within one year**	**31 March 2013 £000**
8,352	8,417	Council Tax	8,003
3,586	1,435	Business Rates – Government debtor	2,141
4,044	2,055	Other Government Departments	3,406
4,333	4,281	Payments in advance	4,300
10,426	0	S106 agreement – Barton Square	0
19,248	23,075	Other	18,646
49,989	39,263	Sub Total	36,496
(11,840)	(12,051)	*Less* Provision for Bad and Doubtful Debts	(12,178)
38,149	**27,212**	**Total**	**24,318**

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

31 March 2011 £000	31 March 2012 £000		31 March 2013 £000
7,630	3,490	Central Government Bodies	5,548
452	467	Other Local Authorities	323
253	137	National Health Service Bodies	41
56	158	Public Corporations and Trading Funds	83
29,758	22,960	Bodies External to General Government	18,323
38,149	**27,212**	**Total**	**24,318**

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

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

31 March 2011 £000	31 March 2012 £000		31 March 2013 £000
11,147	14,745	Cash held by the Council/Bank current accounts	8,554
21,353	27,369	Short-term deposits	19,797
32,500	**42,114**	**Total Cash and Cash Equivalents**	**28,351**

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

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

	Current assets	
	2011/12	2012/13
	£000	£000
Balance outstanding at start of year	**9,702**	**3,692**
Assets newly classified as held for sale:		
§ Property, Plant and Equipment	131	
§ Intangible Assets		
§ Other assets/liabilities in disposal group	1,669	
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	(7,597)	(2,744)
Transfers from non-current to current		
(Other movements)	(213)	42
Balance at year-end	**3,692**	**990**

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

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

Long Term Creditors

This includes £0.036m (£0.036m in 2011/12) for the maintenance of graves at cemeteries.

Long-Term Liabilities – Deferred

31 March 2011 £000	31 March 2012 £000		31 March 2013 £000
6,702	6,540	Sale PFI – Finance Lease liability (i)	6,367
1,081	1,160	Sale PFI liability (ii)	1,277
1,223	1,127	Greater Manchester Debt Administration Fund – MIA (iii)	1,027
133	74	Council house mortgages (iv)	42
181	174	Trafford Park Development Corporation (v)	174
1,504	1,333	Commuted sums/S106 agreements (vi)	1,327
10,824	**10,408**	**Total**	**10,214**

(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) This is the deferred long term liability relating to Manchester Airport debt (see note 49b).

(iv) £0.042m 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.

(v) 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 £0.174m as at 31 March 2013.

(vi) 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 2011 £000	31 March 2012 £000		31 March 2013 £000
4,008	3,761	HM Revenue and Customs	3,581
34	1,558	Other Government Departments – sundry	0
28,226	24,946	Sundry Creditors	24,323
0	210	Carbon Reduction Commitment *	260
4,368	3,589	Employees – accumulated absences	3,387
3,554	3,588	Receipts in Advance – Council Tax	3,415
2,460	3,133	Other Receipts in Advance	2,256
42,650	**40,785**	**Total**	**37,222**

* The authority is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This scheme is currently in its introductory phase which will last until 31 March 2014. The authority is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted (i.e. as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. An estimated liability of £255k (£203k schools and £52k non schools) has been charged to the Consolidated Income & Expenditure Account in 2012/13 and is included in Short Term Creditors above.

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

31 March 2011 £000	31 March 2012 £000		31 March 2013 £000
4,040	3,761	Central Government Bodies	3,581
1,303	1,533	Other Local Authorities	1,590
12	66	National Health Service Bodies	204
225	88	Public Corporations and Trading Funds	161
37,070	35,337	Bodies External to General Government	31,686
42,650	**40,785**	**Total**	**37,222**

23. Provisions (Balance Sheet page 13)

The Council has the following total provisions at 31 March 2013:

Total Provision	Balance 1 April 2011 £000	Net Movement in Year £000	Balance 1 April 2012 £000	Net Movement in Year £000	Balance 31 March 2013 £000
Insurance (i)	2,746	717	3,463	(157)	3,306
Equal Pay (ii)	3,221	(53)	3,168	667	3,835
S117 Mental Health Act (iii)	488	(70)	418	(300)	118
VAT on Parking income (iv)	135	0	135	0	135
Employee Rationalisation (v)	203	(189)	14	142	156
MMI Clawback (vi)	0	0	0	419	419
Total	**6,793**	**405**	**7,198**	**771**	**7,969**

(i) Insurance £3.306m – 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 2012/13 was primarily Travellers. 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 independently each year by an actuary, for 2012/13 this was AON Global Risk Consultants. In 2012/13, from a starting balance of £3.463m contributions of £0.748m were made to the provision, £0.905m of claims were paid, leaving a balance on the provision of £3.306m which is deemed an appropriate balance to cover any outstanding liabilities.

(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 £3.835m. Of this £1.391m has been capitalised. The Council is actively engaged in trying to settle the majority of claims in the next period.

(iii) Provision of £0.118m (£0.418m in 2011/12) for charges which may have been unlawfully levied under S117 of the Mental Health Act 1983 and which may be required to be repaid. This is as a result of court and subsequent Ombudsman rulings affecting all local authorities who have made such charges.

(iv) VAT on car parking of £0.135m (£0.135m in 2011/12). These monies are held pending the outcome of outstanding litigation affecting all local authorities in respect of the VAT liability for off-street car parking.

(v) Employee 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 £0.156m (£0.014m in 2011/12).

(vi) In January 1994, the Council's insurer at that time, Municipal Mutual Insurance (MMI), made a Scheme of Arrangement 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 claw back clause will be triggered, which could affect claims already paid. At 31 March 2013 £1.942m of Trafford Council claims had already been paid (£1.900m at 31 March 2012), with outstanding claims of £0.160m (£0.245m at 31 March 2012).

The Greater Manchester Council's (GMC) former insurer was also MMI. At 31 March 2013 £10.711m of claims relating to GMC had already been paid (£10.711m at 31 March 2012) with outstanding claims estimated at £0.0m (£0.025m at 31 March 2012). GMC ceased to exist on 31 March 1986 and any residual liabilities are shared between the ten local authorities of AGMA based on the population estimated by the Registrar General on the 30 June which falls 21 months before the beginning of the financial year in which any sum recoverable falls. The Council's share of this liability is presently 8.46%. and the share of the ex-GMC claims paid and outstanding at 31 March 2013 is £0.902m.

On 13 November 2012, the directors of MMI 'triggered' MMI's Scheme of Arrangement ('the Scheme') under section 899 of the Companies Act 2006. This was because solvent run off could not be foreseen and there was no alternative to insolvent liquidation. The Scheme Administrator has set an initial levy of 15% of claims for which scheme creditors have received settlement of more than £50,000. Where scheme creditors are owed amounts from claims not yet paid by MMI, the settlement will be reduced to 85%.

It is now known that the claw back clause will be invoked and therefore a provision for the potential liability has been made in the balance sheet set at the initial 15% levy. This presently equates to £0.283m for Trafford and £0.136m for the share of the former GMC.

Movement in provisions at 31 March 2013 is summarised as follows:

	Outstanding Legal Cases	Injury and Damage Compensation Claims	Other Provisions	Total
	£000	**£000**	**£000**	**£000**
Balance at 1 April 2012	**3,303**	**3,463**	**432**	**7,198**
Additional provisions made	667	748	575	**1,990**
Amounts used		(905)	(314)	**(1,219)**
Unused amounts reversed				**0**
Unwinding of discounting				**0**
Balance as at 31 March 2013	**3,970**	**3,306**	**693**	**7,969**

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 2011	Balance 31 March 2012		Balance 31 March 2013
£000	**£000**	**Provisions**	**£000**
1,126	1,045	Insurance	1,015
0	3,168	Equal Pay	3,835
203	14	Employee Rationalisation	156
0	0	MMI Clawback	419
1,329	**4,227**	**Total Short Term**	**5,425**
1,620	2,418	Insurance	2,291
3,221	0	Equal Pay	0
488	418	S117 Mental Health Act	118
135	135	VAT on Parking income	135
5,464	**2,971**	**Total Long Term**	**2,544**
6,793	**7,198**	**Total**	**7,969**

24. Usable Reserves (Balance Sheet page 13)

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

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

In accordance with the Council's approved scheme for delegating budgets to schools, the amount of any budget not spent in the year is carried forward. These reserves are not available to the Council for general use, it is for each school to determine how they are spent. The surplus balances at 31 March 2013 were £(8.961)m (£(13.396)m at 31 March 2012, including 7 schools who transferred to Academy status in 2012/13), which includes £(8.929)m of revenue balances and £(0.032)m of capital balances.

At 31 March 2013 there were 4 schools with a deficit balance on their revenue reserves, amounting to £0.127m, whilst 72 schools had surplus balances amounting to £(9.056)m.

In addition, there are unspent devolved formula capital balances of £(1.230)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.

2012 £000		**2013 £000**
(10,085)	**Balance carried forward at 1 April**	**(23,273)**
(29,229)	Capital receipts in the year from sale of assets(net of disposal costs)	(3,209)
(39,314)	**Sub-total**	**(26,482)**
35	Less amount payable to Government re pooling liability	21
16,006	Amount used to finance capital expenditure in year	15,783
	Amounts used to cover the increase in the Equal Pay provision	667
(23,273)	**Balance carried forward at 31 March**	**(10,011)**

25. Unusable Reserves (Balance Sheet page 13)

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

31 March 2011 £000	31 March 2012 £000	Unusable Reserves	31 March 2013 £000
(27,684)	(24,495)	Revaluation Reserve (i)	(18,119)
0	0	Available for Sale Financial Instruments Reserve (ii)	(19,086)
(308,345)	(300,098)	Capital Adjustment Account (iii)	(292,597)
6,614	6,411	Financial Instruments Adjustment Account (iv)	6,180
112,136	179,947	Pensions Reserve (v)	222,381
(307)	(294)	Collection Fund Adjustment Account (vi)	(5)
4,369	3,589	Accumulated Absences Account (vii)	3,387
(213,217)	**(134,940)**	**Total Unusable Reserves**	**(97,859)**

(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. The Account has been restated by £2.582m in respect of an historic balance relating to the revaluation of Investment Property, which since the introduction of International Financial Reporting Standards, is now held within the Capital Adjustment Account.

2011/12 £000		2012/13 £000
(30,266)	**Balance as at 1 April**	**(24,495)**
2,582	Adjustment to Capital Adjustment Account for pre IFRS revaluations on investment property	
(27,684)	**Restated Balance**	
(1,393)	Upward revaluation of assets	(3,981)
1,441	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	8,391
48		4,410
0	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	0
432	Difference between fair value depreciation and historical cost depreciation	381
2,709	Accumulated gains on assets sold or scrapped	1,585
3,141	Amount written off to the Capital Adjustment Account	1,966
(24,495)	**Balance as at 31 March**	**(18,119)**

(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 2012/13 the Council revalued its shareholding in Manchester Airport which resulted in an increase in value from £10.214m to £29.300m, the increase of £19.086m is reflecting in the Available for Sale Financial Instruments reserve, the original investment of £10.214m forms part of the Capital Adjustment Account balance.

2011/12 £000		2012/13 £000
0	**Balance as at 1 April**	**0**
0	Upward revaluation of investment	(19,086)
0	Downward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	0
0		(19,086)
0	Accumulated gains on assets sold and maturing assets written out to the Comprehensive Income and Expenditure Statement as part of Other Investment Income	0
0	**Balance as at 31 March**	**(19,086)**

(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. The Account has been restated by £2.582m in respect of an historic balance relating to the revaluation of Investment Property, which since the introduction of International Financial reporting Standards, are now held within the Capital Adjustment Account.

2011/12 £000		£000	2012/13 £000
(306,252)	**Balance as at 1 April**		**(300,098)**
489	Adjustment to opening value for assets previously disposed of:-		
(2,582)	Adjustment from Revaluation Reserve for pre IFRS revaluations on investment property		
(308,345)	**Restated opening balance:-**		
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
18,855	- Charges for depreciation and impairment of non-current assets	18,741	
	- Revaluation losses on Property, Plant and Equipment		
93	- Amortisation of intangible assets	297	
12,219	- Revenue expenditure funded from capital under statute	13,126	
12,482	- 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	9,259	
43,649		41,423	
(3,141)	Adjusting amounts written out of the Revaluation Reserve	(1,966)	39,457
	Net written out amount of the cost of non-current assets consumed in the year		
	Capital financing applied in the year:		
(16,006)	- Use of the Capital Receipts Reserve to finance new capital expenditure	(15,784)	
(9,828)	- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(11,901)	
(4,523)	- Statutory provision for the financing of capital investment charged against the General Fund Balance	(4,424)	
(920)	- Capital expenditure charged against the General Fund Balance	(239)	
(31,277)		(32,348)	
663	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	395	
(1,600)	Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement		
(47)	Other Adjustments	(3)	(31,956)
(300,098)	**Balance as at 31 March**		**(292,597)**

(iv) Financial Instruments Adjustment Account

2011/12 £000		2012/13 £000
6,614	**Balance as at 1 April**	**6,411**
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
(203)	Less annual charge for premiums incurred in previous financial years and stepped loan EIR adjustment	(231)
0	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	0
6,411	**Balance at 31 March**	**6,180**

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 income & expenditure changing from that actually incurred to one calculated on an Effective Interest Rate basis. The balance on the account at 31 March 2013 will be charged to the General Fund in accordance with statutory arrangements over the next 30 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.

2011/12 £000		2012/13 £000
112,136	**Balance as at 1 April**	**179,947**
66,500	Actuarial (gains) or losses on pensions assets and liabilities	37,900
16,500	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	19,800
(15,189)	Employer's pension contributions and direct payments to pensioners payable in the year	(15,266)
179,947	**Balance as at 31 March**	**222,381**

(vi) Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2011/12 £000		2012/13 £000
(307)	**Balance as at 1 April**	**(294)**
13	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	289
(294)	**Balance as at 31 March**	**(5)**

(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. The reduction in the balance at 31 March 2013, relates to schools transferring to academy status during 2012/13.

2011/12 £000		2012/13 £000
4,369	**Balance as at 1 April**	**3,589**
(4,369)	Settlement or cancellation of accrual made at the end of the preceding year	(3,589)
3,589	Amounts accrued at the end of the current year	3,387
(780)	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	(202)
3,589	**Balance as at 31 March**	**3,387**

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

The cash flows for operating activities include the following items:

2011/12 £000		2012/13 £000
(2,037)	Interest received	(1,880)
5,310	Interest paid	5,143
(1,000)	Dividends received	(1,006)

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

The cash flows for investing activities include the following items:

2011/12 £000		2012/13 £000
25,873	Purchase of property, plant and equipment, investment property and intangible assets	29,582
(9,288)	Purchase / (proceeds) of short-term and long-term investments	(17,019)
0	Other payments for investing activities	0
(29,228)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(3,209)
(15,149)	Other receipts from investing activities	(21,878)
(27,792)	**Net cash flows from investing activities**	**(12,524)**

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

The cash flows for financing activities include the following items:

2011/12 £000		2012/13 £000
0	Cash receipts of short and long-term borrowing	0
(2,105)	Other receipts from financing activities	0
153	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	163
199	Repayments of short and long-term borrowing	199
0	Other payments for financing activities	750
(1,753)	**Net cash flows from investing activities**	**1,112**

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 2012/13	**Children & Young People Services**	**Communities & Wellbeing**	**Economic Growth & Prosperity / Environment Transport & Operations**	**Transformation & Resources**	**Council Wide**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Fees, charges & other service income	(5,980)	(14,022)	(17,332)	(8,934)	(7,794)	**(54,062)**
Government grants	(141,952)	(10,394)	(1,034)	(2,953)	(81,699)	**(238,032)**
Total income	**(147,932)**	**(24,416)**	**(18,366)**	**(11,887)**	**(89,493)**	**(292,094)**
Employee expenses	100,739	14,546	10,264	19,263	2,831	**147,643**
Other service expenses	71,408	59,157	43,462	11,641	111,063	**296,731**
Support service recharges	651	0	0	0	0	**651**
Total expenditure	**172,798**	**73,703**	**53,726**	**30,904**	**113,894**	**445,025**
Net expenditure	**24,866**	**49,287**	**35,359**	**19,017**	**24,401**	**152,931**

Directorate Income and Expenditure 2011/12	Children & Young People Services	Communities & Wellbeing	Economic Growth & Prosperity / Environment Transport & Operations	Transformation & Resources	Council Wide	Total
	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(5,932)	(14,762)	(16,676)	(7,161)	(6,631)	**(51,162)**
Government grants	(158,382)	(14,185)	(1,300)	(3,791)	(78,847)	**(256,505)**
Total income	**(164,314)**	**(28,947)**	**(17,976)**	**(10,952)**	**(85,478)**	**(307,667)**
Employee expenses	103,855	17,042	9,738	20,367	3,305	**154,307**
Other service expenses	85,836	66,735	40,448	9,927	106,066	**309,012**
Support service recharges	649	0	0	0	0	**649**
Total expenditure	**190,340**	**83,777**	**50,186**	**30,294**	**109,371**	**463,968**
Net expenditure	**26,026**	**54,830**	**32,210**	**19,342**	**23,893**	**156,301**

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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.

	2011/12	2012/13
	£000	£000
Net expenditure in the Directorate Analysis	**156,301**	**152,931**
Net expenditure of services and support services not included in the Analysis	0	0
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	26,352	26,645
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	(9,127)	(3,775)
Cost of Services in Comprehensive Income and Expenditure Statement	**173,526**	**175,801**

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.

2012/13	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	(51,261)	(23,391)	0	8,821	23,391	**(42,438)**	(2,687)	**(45,125)**
Surplus or deficit on associates and joint ventures	0	0	0	0	0	**0**	0	**0**
Interest and investment income	(2,800)	0	0	2,800	0	**0**	(2,800)	**(2,800)**
Income from council tax	0	0	0	0	0	**0**	(88,401)	**(88,401)**
Government grants and contributions	(238,033)	0	(10,302)	20,354		**(227,981)**	(107,178)	**(335,159)**
Total income	**(292,094)**	**(23,391)**	**(10,302)**	**31,975**	**(23,391)**	**(270,419)**	**(201,066)**	**(471,484)**
Employee expenses	147,644	0	(768)	0	0	**146,876**	5,100	**151,976**
Other service expenses	261,990	0	23,102	(1,011)	0	**284,081**	1,169	**285,250**
Support Service recharges	651	23,391	0	0	0	**24,042**	0	**24,042**
Depreciation, amortisation and impairment	0	0	14,613	0	0	**14,613**	0	**14,613**
Interest Payments	6,142	0	0	(6,142)	0	**0**	6142	**6,142**
Precepts & Levies	28,597	0	0	(28,597)	0	**0**	28,686	**28,686**
Payments to Housing Capital Receipts Pool	0	0	0	0	0	**0**	21	**21**
Gain or loss on Disposal of Non-Current Assets	0	0	0	0	0	**0**	6,044	**6,044**
Total expenditure	**445,024**	**23,391**	**36,947**	**(35,750)**	**0**	**469,612**	**47,162**	**516,774**
Surplus or deficit on the provision of services	**152,930**	**23,391**	**26,645**	**(3,775)**	**(23,391)**	**175,800**	**(153,904)**	**21,896**

2011/12	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	(48,046)	0	0	3,711	(24,676)	**(69,011)**	(2,415)	**(71,426)**
Surplus or deficit on associates and joint ventures	0	0	0	0	0	**0**	0	**0**
Interest and investment income	(3,116)	0	0	3,116	0	**0**	(3,116)	**(3,116)**
Income from council tax	0	0	0	0	0	**0**	(88,307)	**(88,307)**
Government grants and contributions	(256,505)	0	(19,002)	18,995		**(256,512)**	(109,587)	**(366,099)**
Total income	**(307,667)**	**0**	**(19,002)**	**25,822**	**(24,676)**	**(325,523)**	**(203,425)**	**(528,948)**
Employee expenses	154,307	0	(767)	0	0	**153,540**	1,300	**154,840**
Other service expenses	275,624	0	31,697	(1,561)	0	**305,760**	1,304	**307,064**
Support Service recharges	649	24,676	0	0	0	**25,325**	0	**25,325**
Depreciation, amortisation and impairment	0	0	14,424	0	0	**14,424**	0	**14,424**
Interest Payments	6,216	0	0	(6,216)	0	**0**	6,216	**6,216**
Precepts & Levies	27,172	0	0	(27,172)	0	**0**	27,260	**27,260**
Payments to Housing Capital Receipts Pool	0	0	0	0	0	**0**	35	**35**
Gain or loss on Disposal of Non-Current Assets	0	0	0	0	0	**0**	(18,372)	**(18,372)**
Total expenditure	**463,968**	**24,676**	**45,354**	**(34,949)**	**0**	**499,049**	**17,743**	**516,792**
Surplus or deficit on the provision of services	**156,301**	**24,676**	**26,352**	**(9,127)**	**(24,676)**	**173,526**	**(185,682)**	**(12,156)**

30. Acquired and Discontinued Operations

None to report.

31. Trading Operations (See also note 10)

		2010/11 £000	2011/12 £000	2012/13 £000
Building Cleaning	Turnover	(2,127)	(2,333)	(2,247)
	Expenditure	1,923	2,142	2,102
	(Surplus)/Deficit	(204)	(191)	(145)
Cumulative Surplus over last three financial years: £(540)k				
Education Catering	Turnover	(5,504)	(5,636)	(5,735)
	Expenditure	5,378	5,460	5,617
	(Surplus)/Deficit	(126)	(176)	(118)
Cumulative Surplus over last three financial years: £(463)k				
Net (surplus)/deficit on trading operations		**(330)**	**(367)**	**(263)**

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):

	2011/12 £000	2012/13 £000
Net surplus on trading operations	**(367)**	**(263)**
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	**(367)**	**(263)**

32. Agency Services

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 Greater Manchester Police Authority and the Greater Manchester Fire and Rescue Authority. No fee is chargeable for this service;
- National Non-Domestic Rates (NNDR) – the billing authority acts as agent for Central Government in collecting NNDR. The Government paid Trafford an allowance for the cost of this collection in 2012/13 of £0.454m (£0.461m in 2011/12).

The Council has not acted in an agency capacity for any other external bodies in the 2012/13 financial year.

33. Road Charging Schemes

The Council does not operate any such schemes.

34. Pooled Budgets

Trafford has operated a pooled fund for *Learning Disability Services* in conjunction with 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 PCT. 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 2012/13 budget was £22.229m, which after grant income and fees of £(6.494)m left net planned expenditure of £15.735m to be funded jointly by the Council and the PCT. The net budget was exceeded by £0.004m in year, however, the reversal of a debtor representing the previous year's overspend of £1.468m added to this, bringing the total carry forward deficit on the pool to £1.472m.

	2011/12 £000	**2012/13 £000**
Funding provided to the pooled budgets:		
§ the Council	(12,960)	(13,667)
§ Trafford PCT	(2,106)	(2,068)
	(15,066)	(15,735)
Expenditure met from the pooled budget:		
§ the Council	13,856	13,671
§ Trafford PCT	2,106	2,068
	15,962	15,739
Net (surplus)/deficit arising on the pooled budget during the year	896	4
Previous year's (surplus)/deficit carried forward	572	1,468
Balance to be carried forward	1,468	1,472

35. Members' Allowances

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

	2011/12 £000	2012/13 £000
Basic Allowances	408	407
Special Responsibility Allowances	313	308
Expenses	1	1
Total	**722**	**716**

The Council consists of 63 Members (Councillors) to whom £0.716m was paid in allowances in the year (£0.722m in 2011/12).

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 2012/13 was:

2011/12		Remuneration Band	2012/13	
Schools Staff	Other Staff		Schools Staff	Other Staff
-	-	£145,000 - £149,999	-	1
-	1	£140,000 - £144,999	-	1 (1)
-	-	£135,000 - £139,999	-	-
-	-	£130,000 - £134,999	-	-
-	-	£125,000 - £129,999	-	-
-	1	£120,000 - £124,999	-	1
-	-	£115,000 - £119,999	-	-
-	1	£110,000 - £114,999	-	-
-	-	£105,000 - £109,999	-	-
-	1	£100,000 - £104,999	-	2 (1)
-	2	£95,000 - £99,999	-	1
-	-	£90,000 - £94,999	-	-
3	1	£85,000 - £89,999	1	2 (1)
2	6 (1)	£80,000 - £84,999	3	4
2	2 (1)	£75,000 - £79,999	-	2
5	3 (1)	£70,000 - £74,999	5	-
7	4	£65,000 - £69,999	9 (2)	3 (2)
16	16 (1)	£60,000 - £64,999	10	11
12 (1)	12 (1)	£55,000 - £59,999	15 (1)	12 (1)
18	23 (2)	£50,000 - £54,999	24	22 (1)
65 (1)	**73 (7)**	**Total**	**67 (3)**	**62 (7)**

Note : Leavers in (brackets)

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

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

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

(a) R&ER package cost band (including special payments)	(b) Number of compulsory redundancies		(c) Number of other departures agreed		(d) Total number of R&ER packages by cost band [(b) + (c)]		(e) Total cost of R&ER packages in each band		(f) Number of pension strain costs agreed		(g) Total cost of pension strain in each band	
	2011/12	**2012/13**	**2011/12**	**2012/13**	**2011/12**	**2012/13**	**2011/12**	**2012/13**	**2011/12**	**2012/13**	**2011/12**	**2012/13**
£0 - £20,000	53	12	113	94	166	106	1,332,645	683,652	65	16	519,798	135,010
£20,001 - £40,000	3	5	10	6	13	11	357,389	299,771	16	10	398,768	288,711
£40,001 - £60,000	0	0	0	1	0	1	0	56,058	2	5	85,073	250,288
£60,001 - £80,000	0	0	0	0	0	0	0	0	1	0	65,824	0
Total	**56**	**17**	**123**	**101**	**179**	**118**	**1,690,034**	**1,039,481**	**84**	**31**	**1,069,463**	**674,009**

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 officer (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.

Senior Officers Salary 2012/13 **Postholder**	**Note**	**Salary (incl. fees & allowances)**	**Compen -sation for loss of office**	**Bonuses**	**Expense allowances**	**Benefits in kind (e.g. Car allowance)**	**Total remuneration excluding pension contributions 2012/13**	**Pension contributions**	**Total remuneration including pension contributions 2012/13**
		£000		**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Acting Chief Executive *(Head of Paid Service)*	(1)	145	0	0	0	2	**147**	20	**167**
Corporate Director (Children & Young People Service)		122	0	0	0	2	**124**	21	**145**
Corporate Director (Communities & Wellbeing)	(2)	83	56	0	0	2	**141**	14	**155**
Corporate Director (Environment, Transport & Operations)		99	0	0	0	2	**101**	17	**118**
Corporate Director (Economic Growth & Prosperity)	(3)	41	0	0	0	1	**42**	7	**49**
Corporate Director (Economic Growth & Prosperity)	(3)	17	0	0	0	0	**17**	3	**20**
Corporate Director (Transformation & Resources)	(4)	19	0	0	0	0	**19**	3	**22**
Director of Finance & Acting Corporate Director (Transformation & Resources) *(Chief Financial Officer)*	(5)	96	0	0	0	2	**98**	16	**114**
Acting Director of Legal & Democratic Services *(Monitoring Officer)*		78	0	0	0	1	**79**	0	**79**

Notes :

	(1) The Acting Chief Executive also received fees from the Council of £5,036 as Returning Officer for the May 2012 local elections.
	(2) The Corporate Director (Communities & Wellbeing) left the authority on 31 December 2012.
	(3) The previous Corporate Director (Economic Growth & Prosperity) left the authority on 31 August 2012. The new Corporate Director (Economic Growth & Prosperity) was appointed on 1 February 2013.
	(4) The new Corporate Director (Transformation & Resources) was appointed on 21 January 2013.
	(5) The Director of Finance and Acting Corporate Director (Transformation & Resources) reverted back to The Director of Finance on 21 January 2013.
	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.

Senior Officers Salary 2011/12 **Postholder**	**Note**	**Salary (incl. fees & allowances)**	**Bonuses**	**Expense allowances**	**Benefits in kind (e.g. Car allowance)**	**Total remuneration excluding pension contributions 2011/12**	**Pension contributions**	**Total remuneration including pension contributions 2011/12**
		£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Chief Executive (Mrs J Callender) *(Head of Paid Service)*	(1)	111	0	0	2	**113**	7	**120**
Acting Chief Executive/Deputy Chief Executive & Corporate Director (Transformation & Resources)	(2)	138	0	1	2	**141**	19	**160**
Corporate Director (Children & Young People Service)		122	0	0	2	**124**	20	**144**
Corporate Director (Communities & Wellbeing)		110	0	0	2	**112**	18	**130**
Corporate Director (Economic Growth & Prosperity)		99	0	1	2	**102**	16	**118**
Corporate Director (Environment, Transport & Operations)		95	0	1	2	**98**	15	**113**
Acting Director (Transformation & Resources) & Director of Finance *(Chief Financial Officer)*	(3)	96	0	0	2	**98**	15	**113**
Acting Director of Legal & Democratic Services *(Monitoring Officer)*		76	0	0	2	**78**	0	**78**

Notes :

(1) The annualised salary for the Chief Executive, Mrs J Callender, in 2011/12 was £170,000, the same as in 2010/11. Mrs Callender left the authority on 28 August 2011.
(2) The Corporate Director (Transformation & Resources) & Deputy Chief Executive also received fees from the Council of £4,747 as Returning Officer for the May 2011 local elections. The Corporate Director (Transformation & Resources) & Deputy Chief Executive was appointed as Acting Chief Executive on 1 June 2011 on an annualised salary of £145,000.
(3) The Director of Finance was also appointed as Acting Director (Transformation & Resources) on 1 September 2011.
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

In July 2011 the Government announced that all work relating to the audit of local public bodies was to be transferred to the private sector. In Trafford this audit work transferred from the Audit Commission to Grant Thornton with effect from 1 November 2012.

The Council has incurred the following costs in relation to external audit and inspection:

	2011/12 £000	2012/13 £000
Fees payable with regard to external audit services carried out by the appointed auditor	239	155
Fees payable in respect of statutory inspection	0	0
Fees payable for the certification of grant claims and returns	40	53
Fees payable in respect of other services provided by the appointed auditor	2	2
Total	**281**	**210**

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 Department 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 from this note.

DSG allocations to:-

	Central Expenditure £000	ISB £000	Total £000
Final DSG 2012/13 before Academy recoupment			(167,352)
Academy figure recouped for 2012/13			44,990
Total DSG 2012/13 after Academy recoupment			(122,362)
Brought forward from 2011/12			(171)
Carry forward to 2013/14 agreed in advance			0
Agreed initial budgeted distribution in 2012/13	**(14,304)**	**(108,229)**	**(122,533)**
In year adjustments	714	(714)	0
Final budgeted distribution for 2012/13	(13,590)	(108,943)	(122,533)
Less actual central expenditure	11,246		11,246
Less actual ISB deployed to schools		108,930	108,930
Carry forward to 2013/14	**(2,344)**	**(13)**	**(2,357)**

DSG was allocated via a national formula using factors that did not reflect local conditions and need. This has contributed significantly to the in-year underspend.

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

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

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

	2011/12 £000	2012/13 £000
Credited to Taxation and Non Specific Grant Income		
Revenue Grants:		
Revenue Support Grant	16,659	1,251
New Homes Bonus	625	955
Council Tax Compensation Grant	2,201	2,210
Early Intervention Grant	8,737	9,297
Learning Disability Health & Reform Grant	4,920	-
Learning Disability Pooled NHS monies		5,097
Benefits Admin Grant	1,639	1,568
Local Innovation Award	223	17
Local Services Support Grant	571	479
Other	80	732
Revenue Grants Sub-total	**35,655**	**21,606**
Contribution from NNDR Pool	**53,895**	**64,547**
Capital Grants :		
Primary Capital Programme	10,896	12,249
Schools Devolved Formula Capital Grant	1,462	406
Schools Condition and Modernisation	2,987	2,700
Sure Start	0	
Schools diploma Funding	256	1,974
Social Care Grants	496	571
Local Area Agreement Reward Grant	0	
Integrated Transport Grant/Highway Structural Maintenance	2,372	2,449
Playbuilder Schemes	0	
LDDF Intensive Support and LD Scheme	0	
Other Grants and Contributions	1,569	674
Capital Grants Sub-total	**20,038**	**21,024**
Total Credited to Taxation & Non Specific Grant Income	**109,588**	**107,177**

	2011/12 £000	2012/13 £000
Grants Credited to Services		
Revenue Grants Credited to services:-		
Dedicated School Grant (DSG)	137,526	122,362
Rent Allowances, Rent Rebates and Council Tax Benefit Subsidy	73,747	77,306
Other Education Grants	9,701	8,104
Social Care Reform Grant	733	83
Other	4,789	4,318
Revenue Grants Credited to Services Sub-total	**226,496**	**212,173**
Capital Grants Credited to services (REFFCUS):-		
Sixth Form Funding	2,272	74
BSF One School Pathfinder	14,696	6,963
14-19 Diploma	1,032	
Primary Capital Programme		804
Disabled Facilities	827	918
Devolved Formula Capital	0	239
Sure Start	0	
Housing – Private Sector	0	59
SWiTch – HR/Payroll System	0	
Food Technology	0	
Extended Schools	214	
Other	641	1,151
Capital Grants Credited to services (REFFCUS) Sub-total	**19,682**	**10,208**
Total Grants Credited to Services	**246,178**	**222,381**

(ii) 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:

2010/11 £000	2011/12 £000		2012/13 £000
		Short Term Liabilities:-	
		Capital Grants & Contributions Receipts in Advance:-	
3,583	0	Primary Capital Programme	1,022
3,488	1,981	14-19 Diploma Funding	
2,533	1,383	Devolved Formula Capital	1,230
1,000	2,478	Basic Need	
75	0	School Travel Plans	
0	0	Extended Schools	
4,223	0	S106 & S278 Contributions	934
42	0	Other Grants and Contributions	
14,944	**5,842**	**Total**	**3,186**

2010/11 £000	2011/12 £000		2012/13 £000
		Revenue Grants & Contributions Receipts in Advance (REFFCUS):-	
15,941	5,270	BSF One School Pathfinder	781
1,993	69	Altrincham College of Arts – Sixth Form Funding	
2,140	2,140	St Ambrose College Contribution	
228	55	S106 Contributions	
0	0	Learning Schools Council	
0	0	Devolved Formula Capital (REFFCUS)	
79	32	Other Grants and Contributions	(70)
20,381	**7,566**	**Total REFFCUS**	**711**
		Other Revenue Grants Receipts in Advance:-	
0	0	Council tax Subsidy	678
473	0	Pothole Funding	0
0	32	Housing Benefit Transitional Arrangements	0
0	54	Innovation Fund Data Observatory	0
198	0	Multi Systemic Therapy	0
0	147	Social Worker Improvement Fund	103
0	35	Intensive Fostering	0
0	29	Munroe	23
0	0	Troubled Families Grant	307
0	0	Adoption Improvement Grant	21
0	0	Bikeability Grant	18
0	0	Road Safety Grant	15
0	0	European Community Grant	4
0	0	Arts Council Grant	40
0	2	Youth Offending Service	1
671	**299**	**Total Other**	**1,210**
21,052	**7,865**	**Total Short Term Grants Receipts in Advance (Revenue)**	**1,921**
		Long Term Liabilities	
		Capital Grants & Contributions Receipts in Advance:-	
0	6,492	Section 106 and S278 Contributions	7,095
0	**6,492**	**Total Capital Grants**	**7,095**
		Revenue Grants & Contributions Receipts in Advance (REFCUS):-	
4,064	0	BSF One School Pathfinder	0
13,025	2,754	S106 & S111 Contributions	2,754
17,089	**2,754**	**Total REFCUS**	**2,754**
		Other Revenue Grants & Contributions Receipts in Advance (Long Term) : -	
0	0		0
0	**0**	**Total Other**	**0**
17,089	**9,246**	**Total Long Term Grants Receipts in Advance**	**9,849**

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 £9.8m 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 2012 £000	Receivable in year £000	Contributions applied £000	Balance at 31 March 2013 £000
Open Space schemes	2,303	224	(343)	2,184
Education Schemes		106	(1)	105
Affordable Housing schemes	434	643		1,077
Highways/Transport schemes	6,310	602	(488)	6,424
Total	**9,047**	**1,574**	**(832)**	**9,790**

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. 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 (note 47) and precept payments are shown in the collection fund accounts.

A levy of £15.803m (£15.260m in 2011/12) was paid to Transport for Greater Manchester (TfGM) and £12.668m (£11.786m in 2011/12) to Greater Manchester Waste Disposal Authority.

The Council no longer provides services directly through its leisure centres. These leisure centres have been leased to Trafford Community Leisure Trust (TCLT) who provide relevant leisure services direct to the public. The Council makes 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 2012/13 the Council paid £1.103m (£1.153m in 2011/12) to TCLT under a Partnership Delivery Plan agreement. Other than minor ICT maintenance support and CCTV monitoring contracts the Council has no other formal business contracts with the TCLT.

The Council has paid *grants to voluntary organisations* for 2012/13 as follows:

2012 £ amount	Organisation	2013 £ amount
20,000	St. John's Day Centre	0
16,674	Voluntary Community Action Trafford	0
19,000	Manchester/Salford/Trafford Groundwork	0
20,000	Sale Moor Community Partnership	0
30,000	United Response in Business Ltd	0
1,125	Action for Sustainable Living	0
1,791	Carrington Parish Council	0
4,990	Dunham Massey Parish Council	5,140
22,688	Partington Town Council	23,369
1,791	Warburton Parish Council	1,845
138,059	**Total Grants**	**30,354**

The Council no longer operates 'Earmarked' grants from the Voluntary Sector Grants pot. Grants are now 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. A total of £0.320m of grants were awarded in 2012/13 to 56 projects at these events, of which payments totalling £0.247m were made during the year.

The Council also makes payments to Citizens Advice Trafford for advice services, managed under a Service Level Agreement within Adult Social Services. The payment in 2012/13 was £0.180m (£0.200m in 2011/12). It also provides free accommodation to Citizens Advice Trafford.

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/PP 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 has yet to be refinanced. The CFR is analysed in the second part of this note.

	2011/12 £000	2012/13 £000
Opening Capital Financing Requirement Capital Investment	**128,611**	**132,326**
Capital Investment:-		
Property, Plant and Equipment	22,362	32,622
Intangible Assets	527	
Long Term Debtors		2,000
Revenue Expenditure Funded from Capital under Statute	31,901	23,334
Sources of finance		
Capital receipts	(16,006)	(15,784)
Government Grants and other Contributions	(29,510)	(22,109)
Sums set aside from revenue:		
Direct revenue contributions	(920)	(239)
MRP/loans fund principal	(4,523)	(4,424)
Other Adjustments	(116)	(131)
Closing Capital Financing Requirement	**132,326**	**147,595**
Explanations of movement in the year		
Increase in underlying need to borrowing (supported by government financial assistance)		
Increase in underlying need to borrowing (unsupported by government financial assistance)	3,715	15,269
Assets acquired under finance leases		
Assets acquired under PFI/PPP contracts		
Increase/(decrease) in Capital Financing Requirement	**3,715**	**15,269**

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

Year ended 31 March	2011/12 £000	2012/13 £000
Service:		
Children & Young People	26,727	18,332
Communities & Wellbeing	2,914	2,796
Economic Growth & Prosperity	18,814	30,709
Environment, Transport & Operations	5,480	5,613
Transformation and Resources	855	506
Total	**54,790**	**57,956**
The main items of capital expenditure during the year included:		
Long Term Accommodation Strategy		16,977
Lancashire CCC Redevelopment (*)		9,880
St Ambrose College – Rebuild (*)		6,963
Schools - Primary Capital Programme (incl. £874k *)		5,122
Highways Structural Maintenance (incl. bridges & street lighting & S278 schemes)		3,306
Housing Grants (Disabled Facility, Owner Occupier & Housing Standards Grants) (*)		2,648
Schools – Capital Maintenance Programme (incl. £389k *)		2,201
Stretford HS – New Sports Facilities (*)		2,054
Local Authority Mortgage Scheme (**)		2,000
Public Buildings – DDA Compliance, Repairs & Refurbishment		1,538
Traffic & Transport Schemes (incl. Integrated Transport)		1,400
Moorlands Junior School – Refurbishment		1,255
Parks, Playgrounds and Greenspace Improvements		661
Schools – Devolved Formula Capital (incl. £239k *)		645
ICT Initiatives		626
Waste Management & Recycling Initiatives		251
Other general infrastructure investment		429
Total		**57,956**

(*) REFCUS

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

	£000		£000
Property, Plant & Equipment	32,622	Borrowing	19,824
Revenue Expenditure Funded from Capital under Statute (i)	23,334	Grants and Contributions	22,109
(**) Long Term Debtor	2,000	Revenue Contributions & Reserves	239
		Capital Receipts	15,784
Total Capital Expenditure on an accruals basis	**57,956**		**57,956**

(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.

These costs were previously charged to the balance sheet and amortised to revenue as a deferred capital charge. As a change in accounting policy, 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 £23.334m under this category, offset by £(10.208)m of Government grants applied. This amounts to a net cost of £13.126m, 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.

Provision for Debt Repayment

The Council is required to set aside a minimum revenue provision (MRP) for the redemption of external debt. The annual provision is primarily based on 4% of the opening Capital Financing Requirement. Services are charged depreciation for the use of capital assets that amount to more than the minimum requirement. Therefore an adjustment is made in the Movement in Reserves Statement to the Capital Adjustment Account.

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 2012/13 was £1,091,336 (£1,132,711 in 2011/12).

Land and Buildings - the Council leases numerous buildings which have been accounted for as operating leases. The rentals payable in 2012/13 were £754,374 (£730,100 in 2011/12).*

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

	31 March 2012 £000	31 March 2013 £000
Not later than one year	1,804	1,345 *
Later than one year and not later than five years	1,491	2,548
Later than five years	58	1,004 **
	3,353	**4,897**

* The equivalent figure for 2013/14 included in the above table is £269,335 following the surrender of the lease of office accommodation at Quay West in March 2013 (annual liability at £479,791).

** Increase reflects extended lease for Carrington Depot and addition of miscellaneous long-dated ground rent payments.

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 seven 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 2012/13 these rents were £1.038m (£1.102m in 2011/12). This figure includes rent received by the Council in respect of its joint ownership of Manchester International Airport of £0.429m (£0.406m in 2011/12).

The rentals receivable in 2012/13 were £2.332m (£2.162m in 2011/12).

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

	31 March 2012	31 March 2013
	£000	£000
Not later than one year	1,294	1,506
Later than one year and not later than five years	4,500	4,737
Later than five years	77,046	85,247 *
	82,840	**91,490**

* Increase reflects rent review on long leasehold letting of site of Tesco Supermarket in Sale.

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, Cofely GDF-Suez, 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 our 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 Cofely GDF-Suez.

Cofely GDF-Suez 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	**Reimbursement of Capital Expenditure**	**Interest**	**Total**
	£000	**£000**	**£000**	**£000**
Payable in 2013/14	645	173	421	**1,239**
Payable within two to five years	2,779	811	1,565	**5,155**
Payable within six to ten years	3,965	1,345	1,625	**6,935**
Payable within eleven to fifteen years	4,576	1,838	1,133	**7,547**
Payable within sixteen to twenty years, and onwards.	515	2,373	153	**3,041**
Total	**12,480**	**6,540**	**4,897**	**23,917**

Note – the amounts above are based on the PFI contractors' 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 £24m. 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:

	2011/12	**2012/13**
	£000	**£000**
Balance outstanding as at start of year	6,855	6,703
Payments during the year	(152)	(163)
Capital expenditure incurred in the year	0	0
Balance outstanding at year-end	**6,703**	**6,540**
Split on Balance Sheet (see also note 22):		
Short term liability (creditor)	163	173
Long term liability – deferred	6,540	6,367

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 2012/13. 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

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by 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.

In 2012/13 the Council paid £6.926m (£8.462m in 2011/12) in respect of teachers' retirement benefits. This was based on 14.1% of the teachers' pensionable pay (14.1% in 2011/12).

The scheme is a defined benefit scheme. Although the scheme is unfunded, Teachers' Pensions use a notional fund as the basis for calculating the employers' contribution rate paid by the local education 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.

In addition, the Council is responsible for added years which it has awarded to teachers at its discretion, together with the related annual increases. In 2012/13, these amounted to £1.378m, representing 2.81% of pensionable pay (£1.385m or 2.31% previously). These benefits are fully accrued in the pension liability described below.

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 are phased in over the three years the actuarial valuation relates to. The Council's employer's contribution rate was 16.9% in 2012/13 and will be 17.9% in 2013/14. In 2012/13, the Council paid an employer's contribution of £12.822m (£12.770m in 2011/12) into the Greater Manchester Pension Fund, representing 16.9% of pensionable pay (15.9% in 2011/12). The Council is also responsible for pension payments relating to the award of added years, together with related increases. In 2012/13 these amounted to £1.019m, which is 1.3% of pensionable pay (£0.985m or 1.2% in 2011/12).

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).

Participation in Pensions Schemes

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The Council participates in two post-employment schemes:

- the Local Government Pension Scheme, administered by Tameside Metropolitan Borough Council. This is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into the Greater Manchester Pension Fund, calculated at a level intended to balance the pension liabilities with investment assets.
- the Council is also responsible for added years' benefits paid to teachers who are members of the Teachers' Pension Scheme, administered nationally by the Teachers' Pension Agency.

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:

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	2011/12 £000	2012/13 £000	2011/12 £000	2012/13 £000
Comprehensive Income & Expenditure Statement				
Cost of Services:				
§ current service cost	13,300	13,600		
§ past service costs*	100	300	-	-
§ settlements and curtailments	1,800	800		
Financing and Investment Income and Expenditure				
§ interest cost	29,600	29,200	1,000	1,000
§ expected return on scheme assets	(29,300)	(25,100)		
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	15,500	18,800	1,000	1,000
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement				
§ actuarial gains and losses	65,000	36,900	1,500	1,000
Total Post Employment Benefit Charged to the Comprehensive Income & Expenditure Statement	**80,500**	**55,700**	**2,500**	**2,000**
Movement in Reserve Statement				
§ reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(2,714)	(5,972)	1,403	1,438
Actual amount charged against the General Fund Balance for pensions in the year:				
§ employers' contributions payable to scheme	12,786	12,828		
§ retirement benefits payable to pensioners			2,403	2,438

In addition to the recognised gains and losses included in the Surplus or Deficit in Provision of Services in the Comprehensive Income and Expenditure Statement, actuarial losses of £37.9m (loss of £66.5m in 2011/12) are included in Other Comprehensive Income and Expenditure. The cumulative amount of actuarial gains and losses in the Movement in Reserves Statement is a loss of £192.8m.

Assets and Liabilities in Relation to Post-employment Benefits

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

	Funded liabilities: Local Government Pension Scheme		Unfunded liabilities: Discretionary Benefits	
	2011/12	**2012/13**	**2011/12**	**2012/13**
	£000	**£000**	**£000**	**£000**
Opening balance at 1 April	**(537,900)**	**(608,700)**	**(19,600)**	**(20,600)**
Current service cost	(13,300)	(13,600)		
Interest cost	(29,600)	(29,200)	(1,000)	(1,000)
Contributions by scheme participants	(5,000)	(4,700)		
Actuarial gains and losses	(42,100)	(76,800)	(1,500)	(1,000)
Benefits paid	21,100	20,500	1,500	1,400
Past service costs	(100)	(300)	-	-
Entity combinations				
Curtailments	(1,800)	(800)		
Settlements				
Closing balance at 31 March	**(608,700)**	**(713,600)**	**(20,600)**	**(21,200)**

Reconciliation of fair value of the scheme (plan) assets:

	Local Government Pension Scheme	
	2011/12	**2012/13**
	£000	**£000**
Opening balance as at 1 April	**445,600**	**449,500**
Expected rate of return	29,300	25,100
Actuarial gains and losses	(22,900)	39,900
Employer contributions	12,600	12,400
Contributions by scheme participants	5,000	4,700
Benefits paid	(20,100)	(19,500)
Entity combinations	0	0
Settlements	0	0
Closing balance as at 31 March	**449,500**	**512,100**

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

The actual return on scheme assets in the year was £65m (£6.5m in 2011/12).

Scheme History

	2008/09 £000	2009/10 £000	2010/11 £000	2011/12 £000	2012/13 £000
Present value of liabilities:					
Local Government Pension Scheme	(396,400)	(661,900)	(537,900)	(608,700)	(713,600)
Discretionary Benefits	(18,200)	(22,700)	(19,600)	(20,600)	(21,200)
Fair value of assets in the Local Government Pension Scheme	**309,800**	**423,700**	**445,600**	**449,500**	**512,100**
Surplus/(deficit) in the scheme:					
Local Government Pension Scheme	(86,600)	(238,200)	(92,300)	(159,100)	(201,400)
Discretionary Benefits	(18,200)	(22,700)	(19,600)	(20,700)	(21,300)
Total	**(104,800)**	**(260,900)**	**(111,900)**	**(179,800)**	**(222,700)**

The liabilities show the underlying commitments that the Council has in the long term to pay retirement benefits. The total liability of £223m 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 GM Pension Scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the actuary;

§ the value of assets will vary based on the various returns expected on investments made by the Fund;

§ finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total contributions expected to be made to the GM Pension Fund by the Council in 2013/14 is £13.0m.

Basis for Estimating Assets and Liabilities

Liabilities in respect of the GM Pension Scheme have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The scheme has been assessed by Hymans Robertson, an independent firm of actuaries. The latest formal valuation of the Fund for the purpose of setting employers' actual contributions was as at 31 March 2010, with the next formal valuations due as at 31 March 2014.

The main assumptions used by the actuary in their calculations are:

	Local Government Pension Scheme		Unfunded Liabilities: Discretionary Benefits	
	2011/12	**2012/13**	**2011/12**	**2012/13**
Long-term expected rate of return on assets in the scheme:				
Equity Investments	6.3%	4.5%		
Bonds	3.9%	4.5%		
Property	4.4%	4.5%		
Cash	3.5%	4.5%		
Mortality assumptions:				
Longevity at 65 for current pensioners:				
§ Men	20.1 years	20.1 years	20.1 years	20.1 years
§ Women	22.9 years	22.9 years	22.9 years	22.9 years
Longevity at 65 for future pensioners:				
§ Men	22.5 years	22.5 years		
§ Women	25.0 years	25.0 years		
Rate of inflation	2.5%	2.8%	2.5%	2.8%
Rate on increase in salaries	4.3%	4.6%		
Rate of increase in pensions	2.5%	2.8%	2.5%	2.8%
Rate for discounting scheme liabilities	4.8%	4.5%	4.8%	4.5%
Take-up of option to convert annual pension into retirement lump sum:				
§ Pre-April 2008 service	50%	50%		
§ Post-April 2008 service	75%	75%		

The Council has no assets or liabilities in relation to the Teachers Pension Scheme. The Local Government Pension Scheme's assets consist of the following categories, by proportion of the following categories, by proportion of the total assets held:

	31 March 2012	**31 March 2013**
	%	**%**
Equity investments	70%	72%
Debt Instruments	18%	17%
Property	5%	5%
Cash	7%	6%
	100%	**100%**

History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2007/08 to 2011/12 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2009 to 2013:

	2008/09	**2009/10**	**2010/11**	**2011/12**	**2012/13**
	%	**%**	**%**	**%**	**%**
Differences between the expected and actual return on assets	(29.0)	21.7	(1.8)	(5.1)	7.8
Experience gains and losses on liabilities	0.0	(0.0)	(6.4)	1.2	(0.0)

Pensions - Summary
The overall Pension deficit at 31 March 2013 in the Balance Sheet is £222.4m, which is comprised of £201.1m GM Pension Fund and £21.3m in respect of unfunded teachers. This is £(0.3)m lower than the actuarial report figures above as the actuary requires information to be provided in advance of the final year end position.

49. Contingent Liabilities

(a) Municipal Mutual Insurance

See Note 23 (vi) - 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 has been made based on an initial levy of 15%, equating to £0.419m. 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) Modesole Ltd

The Council's shares in Modesole were sold on 26 March 2010 to Destination Manchester Ltd. Under the Share Purchase Agreement the Council is entitled to additional payment if the shares are sold on at a profit before 29 July 2015. In addition, the Council is covenanted to pay a percentage of losses, should they occur, associated with the Midland Hotel purchase. This liability is capped at £1,016,716 and expires on 29 July 2015, unless notice of any claim has been given by that date.

(d) 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 Head of Legal and Democratic Services.

i) TUPE Warranty; the Council has indemnified THT against any liability arising from employment matters that had started or originated before the transfer date relating to staff who transferred under the TUPE regulations. It is likely that the risk of this warranty will diminish quickly with time, and no liabilities have so far been reported.

ii) 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.

iii) 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.

iv) 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.

v) Street Lighting on unadopted roads; a joint survey will be undertaken to identify the condition of street lighting on unadopted roads. On completion of this the Council will pay to THT, as a capital lump sum, the estimated repair and maintenance costs of such street lighting for a 30 year period above a total of £85,000. Although no payment is anticipated to be made, any such sum will come from either capital or revenue sources in later years.

vi) 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.

vii) 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 expected VAT receipts from the works done by THT on the Council's behalf (see above) over ten years amounting to £21m. The liabilities and risks of the warranties will be kept under constant review, and monies put aside from the VAT receipts as appropriate.

viii) The expected VAT Receipts of £21m (see above) are contingent to works being carried out under the Development Agreement agreed with THT on the date of stock transfer. A total of £16.2m has been received to date leaving £4.8m due to the Council as a contingent asset.

ix) 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.

x) 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.

(e) 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. Under the terms of the agreement the Council, as landlord, agreed to make an initial capital payment towards the improvement costs of the current pitch of £0.080m, £0.020m and £0.020m on 31 March 2006, 2007 and 2008 respectively. In acknowledgement of the Tenant's repair obligations in respect of the pitch, a further sum of £0.100m (index linked from the date of the agreement) is due to be paid on 31 March 2016 by the Council. An amount has already been set aside which is held in an Earmarked Reserve and further amounts will continue to be set aside annually up to 2016, to cover this liability.

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.

(f) Synthetic Pitches

Funds have now been transferred to all four schools in respect of replacement of synthetic pitches.

(g) May Gurney (previously Translinc)

The Council no longer operates vehicle fleet management directly having undertaken a contract during 2007/08 for supply of vehicles and maintenance thereof with a private company. Existing Council staff were transferred under the TUPE regulations, and minor warranties in relation to those staff have been provided to the contractor, May Gurney (previously Translinc).

(h) Equal Pay

As a consequence of Equal Pay legislation and the National Single Status Agreement of 1997, the Council embarked on a Job Evaluation project to ensure that employees receive equal pay for equal work.

A new pay structure, terms and conditions were approved by Council on 29 April 2009, with the pay structure coming into effect on 1 January 2009. An accrual for back-pay was made in the 2008/09 financial year and the costs of fully implementing the pay line and new terms and conditions have been included in the Council's medium term financial plan.

Some employees have made equal pay claims against the Council, and the potential cost to the Council has been provided for in terms of a provision (note 23), and the costs of defending those claims has been provided for in a reserve (note 24).

The Council has taken legal advice and implemented a number of measures to prevent claims arising. However, this area of law is relatively untested and it is possible that future claims could be received once the law is clarified.

(i) Metrolink

Phase 3a: The Association of Greater Manchester Authorities (AGMA), the Greater Manchester Combined Authority (GMCA) and Transport for Greater Manchester (TfGM) and the Department for Transport (DfT) have entered into a partnership funding approach for the construction of this phase.

Within the agreement the DfT contribution is capped at £244m in cash and TfGM and the AGMA authorities are jointly and severally responsible for meeting all costs over and above that sum on the strict understanding that the scope of the scheme granted full approval is delivered. The scheme is fully funded at present and the above arrangement will only be operative if the amount is exceeded. Strict monitoring arrangements are in place to minimize the impact of that happening.

Approval has also been given for **Phase 3b** of the scheme and there is a capped DfT grant of £121m for the Ashton and Didsbury sections of the programme.

(j) 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 £26.6m.

(k) Pooled funds

The Council operates pooled budget arrangements with Trafford Primary Care Trust, as detailed in note 34. There is a total deficit on the pooled budgets at 31 March 2013 of £1.472m. The pooled budgets are planned to be balanced over the medium term.

(l) 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.

- Trafford Community Leisure Trust submitted a claim relating to business interruption as a result of the temporary closure of Altrincham Leisure Centre whilst asbestos work takes place. A negotiated settlement was agreed in June 2013 and the associated costs charged to the 2013/14 revenue account.

- The owners of a residential home have lodged a claim that the Council acted inappropriately in 2007 which led to a significant loss in profit. The Council disputes this claim in its entirety.

(m) 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.

50. Contingent Assets

The Council has contingent assets in relation to Modesole Ltd. (note 49 (c)), Section 106 Agreements (note 49 (j)) and Insurance Claim (note 49(l).

Ref	Title	Description	Value
49 (c)	Modesole Ltd	Profit from future sale of shares	Unknown
49 (j)	Section 106 Agreements	Developers meeting the agreement conditions.	Estimated value £26.6m
49 (l)	Insurance Claim	Major Fidelity Guarantee Policy Claim	Unknown

51. Nature and Extent of Risks Arising from Financial Instruments

Key Risks

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

§ Credit risk – the possibility that other parties might fail to pay amounts due to the Council;

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

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

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

Overall Procedures for Managing Risk

The Council's overall risk management procedures focus on the unpredictability of financial markets, and 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 2012/13 was approved by Council on 22 February 2012 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	Take up of new debt be postponed or taken up in accordance with information obtained from the Council's advisors.	No new debt was taken in 2012/13.
	Debt restructuring exercises to be undertaken which produce revenue savings.	No opportunities arose during 2012/13 presenting significant revenue savings to be obtained.
Investment	All investments placed in the continuation of previous year's practice of Security, Liquidity & Yield.	This was fully complied with.
	In compliance with CLG Investment Guidance the maximum amount of investments which could be placed in Non-specified investments was set at £50m.	This limit was not exceeded and at 31 March 2013 there were no Non Specific Investments held by the Council apart from the £29.3m for Manchester International Airport shares which are not tradable in any market.

Prudential indicators	2012/13 Actual	2012/13 Indicator set by Council (max)
Authorised Borrowing Limit This is the maximum level of external debt & other long term liabilities (PFI & leases) that the Council requires – this is statutory limit under section 3(1) of the Local Government Act 2003.	£107m	£156m
Operational Boundary Calculated on a similar basis as the Authorised limit & represents the expected level of external debt & other long term liabilities (PFI & leases) may reach during the year, it is not a limit.	£107m	£136m
Upper limits on fixed interest rates Maximum limit of fixed interest rate exposure – debt interest less investment interest	£3.6m	£4.0m
Upper limits on variable interest rates Maximum limit of fixed interest rate exposure – debt interest less investment interest	£1.4m	£1.9m
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, and are required for upper and lower limits.		
Under 1 year (this includes the next call date for Market loans)	33.9%	50%
1 year to 2 years	22.3%	50%
2 years to 5 years	13.1%	50%
5 years to 10 years	15.4%	75%
10 years to 20 years	4.5%	75%
20 years to 30 years	5.8%	75%
30 years to 40 years	0.0%	75%
40 years and above	5.0%	75%
Maximum principal funds invested exceeding 364 days excluding MIA shares with a value of £29.3m Reduces the need for early sale of an investment	£0m	£50.0m

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 Sector 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 a maximum amount and time limits in respect of each financial institution. Deposits are not made with banks and financial institutions domiciled in a country which has a minimum Sovereign long term rating of AA and meet the requirements of the investment criteria outlined 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		
	Financial Strength: C		
	Support: 3		
Banks & Building Societies	Short Term: F1	£5m	1 Year
	Long Term: A-		
	Financial Strength: C		
	Support: 3		
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	3 Years
Bank or Building Society which is an Eligible Institution for the HM Treasury Credit Guarantee Scheme.	Short Term: F1 Long Term A-	£10m	1 Year
The Council's own bank if the bank falls below the above criteria	N/A	£5m	3 month

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 2013 £000	Historical experience of default* %	Estimated maximum exposure to default £000
AAA rated counterparties	12,260	0.00%	0
AA rated counterparties	7,000	0.02%	1
A rated counterparties	31,900	0.09%	29
BBB rated counterparties	1,000	0.23%	2
Trade debtors **	3,679		1,042
Total	**55,839**		**1,074**

* The historical default rate has been calculated by using the average 1 year default rates from all three main rating agencies at March 2012

** The estimated maximum exposure to default for trade debtors of £1.0m 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 2013.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £32k 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 2013 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 it's counterparties in relation to its investments.

Whilst the current credit crisis in international markets has raised the overall possibility of default the Council maintains strict credit criteria for investment counterparties.

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:

	31 March 2013 £000s	%
UK	47,160	90%
United Arab Emirates	5,000	10%
Total	**52,160**	**100%**

The Council does not generally allow credit for its trade debtors, such that £3.7m of the £55.8m balance is past its due date for payment. The past due amount can be analysed by age as follows:

	31 March 2012 £000s	31 March 2013 £000s
Less than one year	5,071	2,835
More than one year	1,530	844
Total	**6,601**	**3,679**

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.

The maturity analysis of financial assets based on the original principal lent is as follows, and excludes the Manchester Airport loan and Section 106 debtors:

	31 March 2012 £000	31 March 2013 £000
Less than one year	76,599	52,160
Total	**76,599**	**52,160**

Refinancing and Maturity Risk

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved prudential indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council's approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. 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 following is the maturity analysis of financial liabilities based on the carrying amount - all trade and other payables are due to be paid in less than one year and are not shown in the table below.

	31 March 2012	31 March 2013
	£000	£000
Under 1 year	1,410	4,316
1 year to 2 years	3,251	2,641
2 years to 5 years	8,599	8,931
5 years to 10 years	15,668	16,986
10 years to 20 years	13,229	9,178
20 years to 30 years	21,213	37,570
30 years to 40 years	16,387	220
40 years and above	30,072	30,138
Total	**109,829**	**109,980**

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.

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 favorable, 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 with all other variables held constant, the financial effect would be calculated as follows:

	£000
Increase in interest receivable on variable rate investments	(198)
Decrease in fair value of fixed rate borrowings liabilities (no impact on Comprehensive Income & Expenditure Statement)	12,807

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 £29.3m in Manchester International Airport. 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 £1.47m 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 £0.473m at 31 March 2013 and are listed below.

Value of Fund £ 31.03.12		Value of Fund £ 31.03.13
1,928	J Birkhead Trust Fund	1,932
385,495	Del Panno Trust	388,092
14,561	Miss Muckley Dec'd Legacy	14,561
39,116	Clifford Wilcox	39,270
441,100	**Sub-total**	**443,855**
29,560	Monies held in Criminal Injuries Compensation Scheme Trust	29,560
470,660	**Total monies held in Trusts**	**473,415**

53. Effect of Prior Period Adjustments

There were two prior year period adjustments as follows:

Property, Plant & Equipment – refer to note 12 for further details and
Revaluation Reserve – refer to note 25 for more details;

The above prior period adjustment has had the following effect on the 2010/11 and 2011/12 Accounts:

Extract for restated items only

2010/11	**31 March 2011 £000**	**Restatement £000**	**Restated 31 March 2011 £000**
Property, Plant & Equipment	410,566	(489)	410,077
Long Term Assets	**467,052**	**(489)**	**466,563**
Net Assets	**276,284**	**(489)**	**275,795**
Revaluation Reserve	(30,266)	2,582	(27,684)
Capital Adjustment Account	(306,252)	(2,093)	(308,345)
Unusable Reserves	**(213,706)**	**489**	**(213,217)**
Total Reserves	**(276,284)**	**489**	**(275,795)**

2011/12	**31 March 2012 £000**	**Restatement £000**	**Restated 31 March 2012 £000**
Property, Plant & Equipment	408,474	(489)	407,985
Long Term Assets	**463,298**	**(489)**	**462,809**
Net Assets	**221,891**	**(489)**	**221,402**
Revaluation Reserve	(27,077)	2,582	(24,495)
Capital Adjustment Account	(298,005)	(2,093)	(300,098)
Unusable Reserves	**(135,429)**	**489**	**(134,940)**
Total reserves	**(221,891)**	**489**	**(221,402)**

collection fund

About this account

This account reflects the statutory requirement for billing authorities to maintain a separate Collection Fund, which shows the transactions of the billing authority in relation to non-domestic rates and council tax, and illustrates the way in which these have been distributed to precepting authorities and the Council's own General Fund.

2012 £000	**Year ended 31 March**	**Notes**	**2013 £000**
	INCOME		
(91,254)	Income from Council Tax Payers	**1**	(91,942)
(13,175)	Transfer from General Fund for Council Tax Benefits		(12,955)
(147,997)	Income from Non-Domestic Rate Payers	**2**	(145,874)
(252,426)	**TOTAL INCOME**		**(250,771)**
	EXPENDITURE		
	Precept Demands :		
88,116	- Trafford Council		88,490
11,495	- Greater Manchester Police Authority		11,544
4,193	- Greater Manchester Fire & Rescue Authority		4,211
	Non-domestic Rates :		
147,536	- Payment to national pool	**2**	145,420
461	- Costs of Collection		454
	Bad and Doubtful Debts/Appeals :		
	Council Tax		
52	- Debt written off		563
347	- Increase/(decrease) in provision for doubtful debts		193
	Contributions :		
242	- Distribution of previous years' estimated Collection Fund Surplus	**3**	236
252,442	**TOTAL EXPENDITURE**		**251,111**
16	**(Surplus) / Deficit for year**		**340**
(362)	(Surplus) / Deficit as at 1 April		(346)
(346)	**(Surplus) as at 31 March**	**4**	**(6)**
	Allocated to:		
(294)	- Trafford		(5)
(38)	- Greater Manchester Police Authority		(1)
(14)	- Greater Manchester Fire & Rescue Authority		(0)
(346)			**(6)**

notes to the collection fund

1. 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 2012/13, the calculation was as follows:

	Total No. Dwellings (i)	Specified Fraction	Band 'D' Equivalent
Band A (disb)	12	X5/9	7
Band A	15,025	x6/9	10,017
Band B	18,008	x7/9	14,006
Band C	23,383	x8/9	20,785
Band D	13,211	x9/9	13,211
Band E	6,974	x11/9	8,524
Band F	4,048	x13/9	5,847
Band G	3,820	x15/9	6,367
Band H	872	x18/9	1,745
	85,353		**80,509**
Less allowance for losses on collection			**(524)**
Council Tax Base			**79,985**

i) The actual number of properties was 96,842, after adjusting for single person discounts, empty properties, etc., the notional number of dwellings is 85,353.

ii) The Band D Council Tax levied for the year was £1,302.21 (£1,302.21 in 2011/12).

2. Non-Domestic Rates

The Council collects non-domestic rates for its area, which are calculated by reference to the rateable value determined by the District Valuer and multiplied by the uniform rate as set by the Government. The income from Business Ratepayers is as follows:

2011/12			2012/13	
£000	£000		£000	£000
	165,561	Gross Debit for Year		169,100
		Less:		
(16,227)		Allowances and Reliefs	(16,686)	
(1,337)		Provision for Bad Debts	(5,787)	
0		Deferral Scheme liabilities	(753)	
	147,997	Income from Ratepayers		145,874
	(461)	Less Costs of Collection		(454)
	147,536	**Payment to NNDR Pool**		**145,420**

The total non-domestic rateable value at 31 March 2013 is £382,184,293, and the national multiplier applicable for 2012/13 is 45.8p (45.0p for small businesses).

3. 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. In January 2012 there was an estimated surplus of £(0.236)m (£(0.242)m in January 2011). This was distributed to the relevant precepting bodies as shown below, with Trafford's element utilised to support General Fund expenditure during the year.

2011/12 £000	Distribution of Surplus on Collection Fund	2012/13 £000
(205)	Trafford	(200)
(27)	Greater Manchester Police Authority	(26)
(10)	Greater Manchester Fire & Rescue Authority	(10)
(242)	**Estimated Collection Fund Surplus**	**(236)**

4. Year End Surplus 2012/13

The opening balance for the Collection Fund for 2012/13 was £(0.346)m surplus. The £(0.006)m surplus which had accrued at the year-end is in respect of Council Tax transactions and will be distributed in subsequent years to the Council's General Fund, the GM Police Authority and the GM Fire and Rescue Authority.

2011/12 £000	Allocation of year-end Surplus on Collection Fund	2012/13 £000
(294)	Trafford	(5)
(38)	Greater Manchester Police Authority	(1)
(14)	Greater Manchester Fire & Rescue Authority	(0)
(346)	**Estimated Collection Fund Surplus**	**(6)**

In the Balance Sheet at 31 March 2013, the Council has included the £(0.006)m surplus on a disaggregated basis as a Creditor to the GM Police Authority and the GM Fire & Rescue Authority to the value of £(0.001)m, and a £(0.005)m attributable surplus on the Collection Fund balance alongside the General Fund.

glossary

Actuarial Gains and Losses

For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because:

(A) events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or

(B) the actuarial assumptions have changed.

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.

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 a defined benefit scheme's liabilities expected to arise 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.

Expected Rate of Return on Pensions Assets
For a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

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.

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.

NNDR
National non-domestic rates, payable by businesses.

NNDR 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
For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employees service in prior periods arising in the current period as a result of the introduction of, or improvements to, retirement benefits.

Precept
The amount levied by one authority which is collected on its behalf by another.

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 (REFFCUS)

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

An irrevocable action that relieves the employer (or the defined benefit scheme) of the primary responsibility for a pension obligation and eliminates significant risks relating to the obligation and the assets used to effect the settlement. Settlements include:

- a lump-sum cash payment to scheme members in exchange for their rights to receive specified pension benefits;
- the purchase of an irrecoverable annuity contract to cover vested benefits; and
- the transfer scheme assets and liabilities relating to a group of employees leaving the scheme.

Soft Loan

This is where credit is given to 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.

TRAFFORD COUNCIL

Report to: Accounts and Audit Committee
Date: 26 September 2013
Report for: Approval
Report of: Audit and Assurance Manager

Report Title

Annual Governance Statement – 2012/13

Summary

The Committee previously received a report on the Annual Governance Statement in June 2013 which included the 2012/13 draft Annual Governance Statement which had been reviewed and agreed by a sub-group of the Accounts and Audit Committee. This report provides the final version of the 2012/13 Annual Governance Statement.

The final version is substantially the same as the draft with only a small number of wording amendments in Section 3 (under CIPFA/SOLACE principles 1,2 and 4 to reflect recent developments). The significant governance issues are as reported in the draft Statement.

It should also be noted that the Council's updated Corporate Governance Code, presented to the Accounts and Audit Committee in June 2013, was approved by the Executive on 29 July 2013.

Recommendation

The Committee is asked to approve the 2012/13 Annual Governance Statement.

Contact person for access to background papers and further information:
Name: Mark Foster – Audit and Assurance Manager
Extension: 1323

Background Papers: - None

ANNUAL GOVERNANCE STATEMENT 2012/13

Trafford Council - 2012/13 Annual Governance Statement

Contents

1. Scope of Responsibility

2. The Purpose of the Governance Framework

3. The Governance Framework

4. Review of Effectiveness

5. Significant Governance Issues

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/cme/live/dynamic/DocMan2Document.asp?document_id=A11CE6BB-DC70-4E12-A1F1-651099586309. This statement explains how Trafford Council has complied with the code and also meets the requirements of Accounts and Audit (England) Regulations 2011, regulation 4 (3), 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.

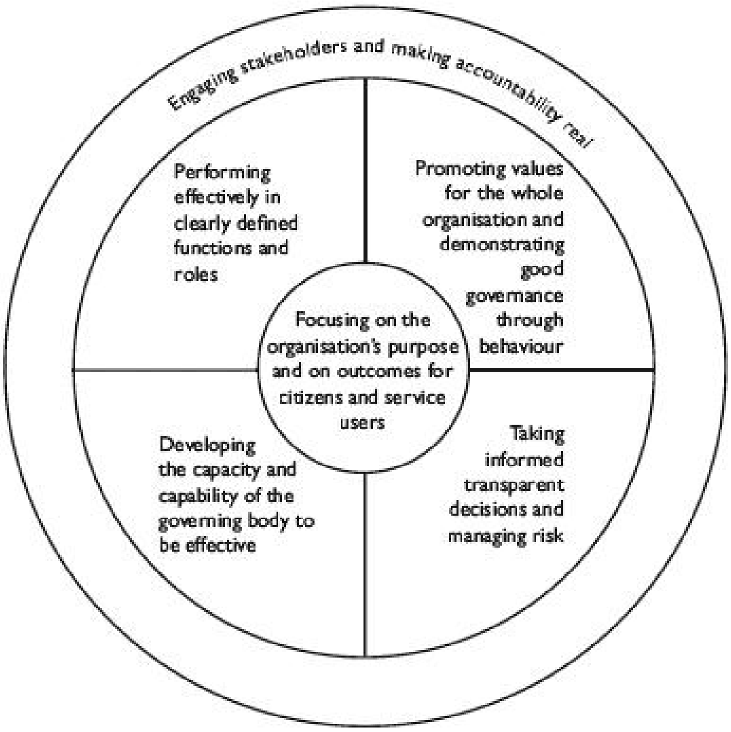
2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The 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 2013 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 2012/13 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) • Corporate Vision and Priorities • Annual Delivery Plan • Transformation Programme • Revenue Budget Monitoring • Capital Programme

How we have delivered against the Principle in 2012/13

The Council's corporate priorities were reviewed and updated in March 2013. Reshaping Trafford Council has been recognised as a key priority reflecting the need to continue to develop innovative approaches and work in collaboration.

The Council continues to lead and support development of the Trafford Partnership. In response to the localism agenda, the Authority presented its "Vision 2015" as part of the 2013-15 budget consultation process. This supports the Trafford Partnership vision for locality working, setting out how through developing robust partnerships it will achieve the best possible outcomes based on the collective resource available.

In March 2013, the Trafford Partnership won the Local Government Chronicle 2013 'Public Sector Partnership Award'. It was commended for its innovative and successful approaches to attracting external investment, involving residents in decision making and working in partnership to tackle key issues such as crime, health and employment, including for the most vulnerable residents in our community. Secondly, in 2012/13, the Council also obtained the Improvement and Efficiency "Working Together" Silver Award, for its collaboration activity with Greater Manchester Police at Stretford Police Station, given the approach taken to identify buildings and services suitable for co-location, the use of innovative technology, data sharing and the development of expertise by joint working.

The Council has continued to deliver a dynamic Transformation Programme, delivering savings ahead of schedule and exceeding target. At the end of 2012/13 the Council had realised total savings for the year of over £12m. In 2012, one of the Transformation projects, Project SWiTch, which included collaboration with Wigan and Stockport Councils to implement an HR and Payroll System, won "Best Implementation Project category" in the Payroll World awards. As part of the transformation project to achieve long term accommodation savings, in 2012/13 work in rebuilding and refurbishing the Town Hall was completed.

The three year Capital Programme has been fully reviewed and remodelled as part of the budget process to ensure it continues to meet corporate priorities and is affordable with the level of resources available. Throughout 2012/13 the CMT and Executive received regular financial reports to monitor the revenue and capital budget position.

An Annual Delivery Plan sets out the key deliverables for the coming year supported by individual Corporate Directorate plans, which connect service objectives and associated actions to the community vision and corporate priorities. Progress against the 2012/13 Annual Delivery

Plan was reported quarterly through CMT and the Executive. Monthly performance reports were provided to the Executive Portfolio holder.	
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 2012/13	

The Council Constitution in place sets out how the Council operates, how decisions are made, and the procedures that are followed to ensure that these are efficient, transparent and accountable to local people.

A review of the Constitution has taken place during 2012/13 to ensure that this reflects recent organisational changes and that working practices are still relevant for the efficient operation of the Council. The arrangements for delegation of Executive and Council (non-Executive) functions and the Scheme of Delegation to Officers have been updated.

The Head of Paid Service is the Council's Chief Executive. The Council's Director of Legal & Democratic Services is designated as "Monitoring Officer". It is the function of the Monitoring Officer to oversee and monitor compliance with legislation and the Council's established policies and procedures. The Council has designated the Director of Finance as Chief Finance Officer in accordance with Section 151 of the Local Government Act 1972.

The Authority's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010)

Member Officer Relations Protocols have been developed which provide guidance to assist in facilitating good working relations between members and officers.

The Employment Committee continued to meet throughout the year and received updates on key workforce issues including proposed changes to employee terms and conditions. The Council's Pay Policy was reviewed (and updated after the year end in April 2013).

The Council has integrated Adult and Children's Services to create the Children's, Families and Wellbeing Directorate from April 2013. This will incorporate Public Health responsibilities which transferred to the Council on 1 April 2013 including the Director of Public Health statutory post. A due diligence exercise was undertaken during 2012/13 as part of the transfer of responsibilities to the Council. Implementation of governance arrangements will continue to be monitored.

In accordance with the requirements of the Health & Social Care Act 2012, a shadow Health & Wellbeing Board has been operating since May 2012, with existing membership and working

arrangements formally adopted from 1st April 2013.	
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 2012/13	

In response to the Localism Act 2011 requirements, a local Members Code of Conduct was adopted by the Council in September 2012 including protocols for disclosable pecuniary interests and personal interests. Councillors have received training in relation to the new framework.

The Council's Standards Committee continued to meet throughout the year and receive regular updates from the Monitoring Officer.

All staff are required to abide by an Employee Code of Conduct. Responsibility for the regulation of employee conduct is set out in the Council's Disciplinary Policy. Reminders on requirements to declare offers of gifts and hospitality were issued during the year.

Users of the Trafford ICT network are required to sign up to the authority's Acceptable Use Policy to confirm acceptance of agreed responsibilities and standards to prevent misuse of equipment or networks.

The Council's Anti Fraud & Corruption Strategy and Policy were reviewed and updated during 2012/13 including updating guidance for responding to and reporting suspected fraud. The Council has an agreed Whistle-blowing Policy in place. The Council continues to participate in the National Fraud Initiative (NFI) data matching exercise.

To ensure compliance with Data Protection and Freedom of Information legislation the Council has in place a policy, procedures and a dedicated Corporate Information Officer to provide support and guidance to employees.

The Employee Recognition Awards Scheme was launched to appreciate the contribution of both individual employees and teams and demonstrates Council values to staff.

The Council's Corporate Governance Code has been reviewed and updated to reflect recent guidance issued by CIPFA SOLACE and best practice requirements.

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 • Accounts & Audit Committee

How we have delivered against the Principle in 2012/13

The Council has adopted the requirements of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) Regulations which came into effect during Sept 2012. Details of key decisions must be published at least 28 days before this is due to be taken. The modern.gov system has been implemented to provide better presentation of reports and information on the Council website. Improvements have been made to the Authority's internal reporting protocols with a programme of training being delivered.

The Council reviewed and streamlined its Scrutiny arrangements and in response to the changes set out in the Health & Social Care Act 2012, in addition to the Scrutiny Committee established a separate Health Scrutiny Committee. Scrutiny protocols have been reviewed and updated including guidance on arrangements to seek and involve partners and the public in scrutiny work.

A key piece of scrutiny work included a review of the 2013-15 budget consultation, with recommendations agreed for the Executive to provide ongoing progress reports on proposals and the impact on specific service delivery. A joint Health Scrutiny Committee has been established with Manchester City Council to consider the proposals set out in the New Health Deal for Trafford. Scrutiny had also been engaged in implementation of the Council Tax and welfare reforms.

The Risk Management Strategy and Policy Statement were reviewed and updated during 2012/13. The Strategic Risk Register was reviewed and updated each quarter. The March 2013 report identified 22 strategic risks faced by the Council, each risk being managed by nominated staff / groups within the Council.

The Internal Audit 2012/13 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. The Annual Internal Audit Report for 2012/13 states that the overall control environment continues to operate to a satisfactory standard. Action plans have been agreed with services where areas for improvements in controls have been identified. Further quarterly update reports will be issued through 2013/14 which will include reference where applicable to any work relating to 2012/13 transactions.

The Internal Audit function, provided by the Audit and Assurance Service operated in 2012/13 in accordance with the CIPFA Code of Audit Practice for Internal Audit. (In 2013/14 the Service will be reviewing its processes against the Public Sector Internal Audit Standards introduced from

April 2013). The Council's assurance arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2010).

The External Auditor's Annual Governance Report 2011/12 presented in Sept 2012 provided an unqualified opinion on the financial statements and identified proper arrangements in place to secure value for money. The Report highlighted the need for some control improvements in the payroll system which it was confirmed in the External Annual Audit Letter in November 2012 that the Council is addressing. The External Auditors will report their findings in respect of 2012/13 to the September 2013 Accounts and Audit Committee.

The Accounts & Audit Committee met five times as planned throughout 2012/13 receiving regular updates in relation to strategic risks and governance issues. The Committee operated in accordance with its remit following guidance set out in CIPFA's "Audit Committees: Practical Guidance for Local Authorities."

CIPFA SOLACE Principle 5.	Key Elements of Trafford Framework
Developing the capacity and capability of members and officers to be effective.	• Members' Training Plan • Members' Induction Process • Employee Training & Development Plan • Corporate Induction Procedure • Employees Personal Development Review • Absence Management Strategy • Apprenticeship Scheme • Managing Organisational Change Toolkit

How we have delivered against the Principle in 2012/13

A Member Training Plan was produced which has been informed by Training Needs Analysis and individual Personal Development reviews. Training has been delivered during the year in relation to the new standards regime, community leadership and locality working. The Council has committed to re-assessment for Level 1 of the North West Employers Organisation Members Charter.

A revised People Strategy is due to be implemented, to be informed by the findings of the 2012 Employee Survey and current Employee Value Proposition survey undertaken in partnership with the Local Government Association.

During 2012, detailed Training and Development Plans have been agreed for each Directorate and cross council. As the lead authority on the AGMA training procurement framework and a partner in the AGMA e-learning framework, work is underway to develop appropriate delivery methods including bespoke training solutions.

A Leadership Development training programme (Managing Change through Challenging Times) has been delivered to managers across the organisation including a practical toolkit for managing change. A procurement exercise is underway to deliver a training programme with the aim to further equip managers through the provision of coaching skills.

A Mentoring programme has been implemented with over forty managers across the

organisation having completed training and a high proportion have been matched with internal apprentices and job seekers across the borough. The Internal Apprenticeship scheme has had over fifty recruits in a broad range of disciplines and five of these have secured permanent employment with the Council. There is an established attendance management policy with supporting procedures and guidance. A number of initiatives have been provided to staff to promote Health & Wellbeing and a positive attendance culture at work. The Council won the North of England Excellence Award for the category of public sector organisation with over 250 employees. The assessment team commented on the commitment to providing a quality service despite the austere economic climate.	
CIPFA SOLACE Principle 6.	Key Elements of Trafford Framework
Engaging with local people and other stakeholders to ensure robust public accountability	• Website • Budget Consultation • Locality Partnerships • Neighbourhood Forums • Info Trafford • Corporate Complaints Procedure
How we have delivered against the Principle in 2012/13	
The Council continues to demonstrate compliance with Open Data requirements, publishing details of a range of financial and performance data on its website. The InfoTrafford site has developed significantly and the range of data available continues to be extended now incorporating data from the 2011 Census, geo demographic segmentation data; and a wide range of health data. Ward Profiles have been developed, providing stakeholders access to a wide range of data at ward level. Examples of research activity during 2012/13 include understanding the impact of welfare reform and modelling and analysing data in the context of Locality Needs. InfoTrafford is being utilised by Third Sector organisations and a bid toolkit will be developed to allow organisations to quickly access information to support applications for funding. Over 5,000 people have been using the Council's Application for IPhone and Android devices to find information, report issues and locate nearby facilities since it was launched in 2010. Further enhancements to the Apps are planned, which will improve functionality and services for users. The Budget Consultation 2013-15 took place over 3 months commencing in Oct 2012, publicised through the Your Trafford magazine delivered to every household in Trafford. A variety of mechanisms were used including questionnaires, surveys, easy read versions, letters to service users, face to face briefings, public meetings, a dedicated helpline and use of brokers. Responses were received from over 3000 service users and 200 organisations. The Council has reviewed its strategic approach to Customer Service and in 2013/14 will publish its Customer Strategy which aims to embed customer service excellence across the	

organisation. The strategy recommendations will be delivered and monitored through the Customer Strategic Delivery Group which will be monitored by the Transformation, Performance and Resources Group. The Council has an approved Corporate Complaints Policy and supporting guidance and this has also been subject to review as part of the development of the Customer Strategy. In 2013/14, the Customer Strategy, including the outcomes of the complaints review, will be made available to the public for consultation ahead of formal approval by the Executive.

The Council has led the response to the Localism agenda and through its Vision 2015 has set out its commitment to involve residents and devolve services to local communities. This includes the introduction of four Locality Boards from April 2013 to be launched with a role in engaging the community, understanding local needs and coordinating existing plans and activities. Local residents will be represented on Locality Partnerships through the appointment of a number of individuals as Community Ambassadors who will represent in deciding local priorities and shaping local services.

The Council has procured a Third Sector Infrastructure Support Organisation to deliver the objectives of the Third Sector Strategy. During 2012/13 performance against the delivery plan was on target.

The Trafford Partnership hosts an annual stakeholder engagement event; In the previous year, the March 2012 Neighbourhood Action Event was attended by over 200 public, private and third sector representatives engaging stakeholders to identify priorities and actions at neighbourhood level. During 2012/13 £200,000 community grants have been allocated across four neighbourhoods through participatory budgeting. (The 4th annual event 'Shape the Future' was held in April 2013 to formally launch the Locality Partnerships).

The Council's Neighbourhood Forums provide a public forum to discuss local issues and understand how the Council is working to tackle them.

The Council's Procurement Service and local partners coordinate the Annual Meet the Buyer event (last held in March 2013) to invite local businesses to learn about forthcoming procurement opportunities and obtain information and advice.

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 includes

Management Controls :

Performance Management
There is regular monitoring on the achievement of corporate objectives through the Annual Delivery Plan. A monthly dashboard report is issued to Corporate Directors and Executive Portfolio holders containing performance data specific to their remit.

Financial Management
Monthly financial monitoring and reporting, on the revenue budget, to the Corporate Management Team and the Executive has been operating during the year. Quarterly monitoring and reporting arrangements are operating for the capital budget

Risk Management.
The Council has a strategic risk register in place and Directors and the Accounts and Audit Committee have reviewed the associated arrangements in place for improving control and mitigating risks faced by the Council.

Legal
The Director of Legal & Democratic Services (the "Monitoring Officer") has a duty to monitor and review the operation of the constitution to ensure its aims and principles are given full effect, and to recommend amendments to the Council, as necessary, on an ongoing basis.

Transformation Programme
Benefits realisation tracking and a summary of project delivery is reported monthly to the Transformation Board.

Internal assurance:

Internal Audit
The Internal Audit function is responsible for monitoring the quality and effectiveness of systems of internal control. The section works to a risk based audit plan which is reviewed and approved by the Corporate Management Team and the Accounts and Audit Committee.

Overview and Scrutiny
The Council's Core Overview and Scrutiny Committees can "call in" decisions made by the Executive, or on their behalf with delegated authority, to challenge whether the decision has been made appropriately and ask the Executive to reconsider it if necessary.

Health and Safety
The Council's Health and Safety Unit provide regular updates to the Corporate Management Team and produce six monthly updates for the Executive.

External assurance:

External Audit
The Council is subject to external audit. The External Auditor's Annual Governance Report and Annual Audit Letter comment on the performance of the Council and the adequacy of financial and governance arrangements.

Other Inspection
There are inspection arrangements within particular service areas / functions e.g. Ofsted inspections of schools.

Sector Led Improvement: Following the reduction in external inspection, the Council has committed to participate in a number of sector led improvement initiatives, for example the North West Employers Organisation Charter for Member Development and in partnership with the Local Government Association, a benchmarking project through the Employees Values Proposition Survey.

4.3 These governance functions are described in more detail within the Council's Corporate Governance Code and specific assurances or improvements delivered during 2012/13 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 2011/12 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 2012/13:

2011/12 issue	Action Taken in 2012/13
1. Continue in 2012/13 to fully embed records management and information management practices, policies and procedures across the Council.	The Records Management Project has continued to progress throughout 2012/13. (The Accounts and Audit Committee received an update on progress at its February 2013 meeting). All cutover activities associated with preparing teams for the introduction of the new ways of working with the electronic document and records management system (EDRMS) have been completed. A new contract for offsite storage, scan on demand and destruction of confidential records has been procured with all teams using the service on a daily basis. In addition a number of teams including Human Resources, Legal Services and parts of Finance have carried out scanning projects of legacy documents; all these documents are available through an online viewing platform. The result of this is more efficient and effective access to records, access based on a robust security model and a huge reduction in the storage footprint of the new town hall.
2. Development of a formal workforce plan, the development of the organisational wide training and development strategy and internal mentoring and coaching programmes.	There has been significant progress made in the wider leadership, management and workforce development agenda. (The Accounts and Audit Committee received an update at its March 2013 meeting of key developments). Details of progress made are reflected in section 3 of this Statement (Core Principle 5) including developments in relation to the People Strategy, training and developments plans and programmes, mentoring scheme and apprenticeship scheme.
3. Review and update of the Council's Anti-Fraud and	The Council's Anti-Fraud and Corruption Strategy was reviewed and updated in 2012/13 as planned

2011/12 issue	Action Taken in 2012/13
Corruption Strategy with the development of supporting guidance to ensure effective anti-fraud and corruption measures continue to be in place.	and approved by the Accounts and Audit Committee. Supporting guidance has been reviewed and updated and is being rolled out across the Council. This has included updated guidance for reporting fraud and the provision of an e-learning tool. Ongoing awareness raising work will continue in 2013/14.

5.3 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.

5.4 Detailed below are significant governance issues and a summary of the actions planned to address these in 2013/14.

2012/13 Issues and Action Planned 2013/14
1. Records Management As part of the records management programme the Council tendered for an EDRMS solution but the initial solution identified was found not to meet the Council's requirements so the process of obtaining a suitable solution is still in progress. This has not stopped the programme of works as work is continuing to improve business processes around managing the lifecycle of Trafford Council records, reviewing the current security model and implementing changes to meet 'best practice'. All work carried out to date on the cutover activities will be used in this next phase and therefore it has been a 'value added' activity as part of the journey to improve our records management practices. The Information Security Governance group is now fully formed and a number of work streams are in progress including reviews of current policies and procedures, gap analysis, registration with ICT connections for working with Health teams plus a number of bespoke training packages to improve the education and understanding of employees regarding information security and information governance.
2. Locality Partnerships As referred to earlier, the Council has set out its commitment to involve residents and devolve services to local communities. This includes the introduction of four Locality Boards from April 2013 to be launched with a role in engaging the community, understanding local needs and coordinating existing plans and activities. The Locality Partnerships will be developed during 2013/14 and transform from shadow form to full status. During the first year a Locality Assessment and action plan will be developed, alongside terms of reference and a code of conduct. An outcomes framework will also be developed, linked to the action plan, and will focus on not only quantitative outcomes but also qualitative outcomes and experiences.

2012/13 Issues and Action Planned 2013/14
The governance framework includes reporting to the Stronger Communities Board and the Trafford Partnership Executive.
3. Terms and Conditions In 2012/13, the Council began a process of considering a number of options which would result in changes to staff terms and conditions as part of ongoing plans to achieve savings. The Council started a review of staff terms and conditions to try to find ways to achieve maximum savings with minimum impact on the workforce and where at all possible, without changing core employment benefits, i.e. basic pay and pensions. The Council also wants to protect those staff on lower salaries. In 2012/13, a number of ideas were shared with staff and trade unions to gain feedback to assist in considering any possible changes. Staff were given the opportunity to comment on the initial ideas and also provide alternative suggestions. In 2013/14, proposals for changes to terms and conditions are to be developed for formal consultation.
4. Public Health Responsibility for Public Health transferred to Trafford Council on 1 April 2013. The Council provides a lead on health and wellbeing priorities to improve local health outcomes. Plans focus on commissioning existing, new and innovative public health services, with a range of partners across public sector, private and voluntary sector partnerships. From 1 April 2013, the Council also has responsibility for ensuring areas such as emergency planning, immunisation and screening programmes, infection control, outbreaks and incidents are effectively co-ordinated to preserve and protect the lives of Trafford residents. Following on from work undertaken in 2012/13 to prepare for the transfer of responsibility to the Council, further action will be taken to ensure effective governance arrangements are in place to support the Council meeting its responsibilities effectively. The Council's Public Health Business Delivery Group has been established which is led by the Director of Public Health. In addition a Public Health Review Programme Board has been convened which will oversee a collaborative review of all key work streams linked to the current Public Health Programme to determine future commissioning intentions and spend. This includes the development of a detailed risk register which will be informed by the review.
5. Public Service Reform in Trafford Partners in Trafford are committed at the highest level to a collective programme of Public Service Reform (PSR). The objectives of this programme are: • to ensure that residents in the Borough can benefit from future economic growth, by designing services that can better support them to make positive choices and be independent; and • to meet the challenge of public sector austerity by reforming services collectively, such that outcomes for residents in the Borough are better than they would have been had reforms been undertaken solely by agencies acting alone. There is a detailed implementation plan for the first phase of this Public Service Reform

2012/13 Issues and Action Planned 2013/14

(PSR) programme in Trafford which will be progressed through 2013/14. It sets out which agencies, partnerships and individuals are currently undertaking tasks as part of the programme, and what success will look like in the future. Local agencies are currently aligning their own organisational transformation and savings programmes. There is a clear Trafford governance and accountability structure in place which is linked to the Greater Manchester Governance and delivery model.

The detailed thematic plans consider the following:

- **new integrated services** that reduce demand on public agencies in the Borough

- **new investment models** that are able to sustain funding of these services by capturing and reallocating the resources released by this reduced demand; and

- **new approaches to evaluating our integrated services** to show where they are more effective than existing practice, and where possible to create an evidence base that can attract future investment.

Central to the success of this programme so far has been in ensuring a clear focus on the reform of public services as a whole in Trafford. There are significant synergies between the different work streams. The benefits of many of these synergies are being captured by ensuring that there is a whole-family focus which sits at the heart of our new integrated delivery models.

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 Matthew Colledge
Leader of the Council
September 2013

Theresa Grant
Chief Executive
September 2013

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TRAFFORD COUNCIL

Report to: **Executive**
Date: **23 September 2013**
Report for: **Information**
Report of: **The Executive Member for Finance and the Director of Finance**

Report Title:

Revenue Budget Monitoring 2013/14 – Period 4 (April to July 2013).

Summary:

The approved revenue budget for the year is £159.003m. The forecast for the end of the year, as projected following four months of activity, is £157.940m being a net underspend of £(1.1)m, (0.7)% of the budget. In addition, the Learning Disability Recovery plan is forecasted to achieve £(0.5)m of in-year cash savings. The main areas of budget variance are summarised as:

Activity	Forecast £m	Movement £m
Vacancy management & control	(0.4)	0.1
Social Services demand led budgets	0.5	0.1
Projects/savings rescheduling	0.2	(0.1)
Running costs	0.4	0.2
New Grant	(0.2)	-
Income	(0.2)	(0.1)
Service Outturn	**0.3**	**0.2**
Additional Airport dividend	(1.3)	-
Other Council-wide savings	(0.1)	(0.1)
Forecasted outturn	**(1.1)**	**0.1**
Learning Disability Pool	(0.5)	-

Reserves

The forecast level of General Reserve at year end is £(10.3)m. After taking into account future planned commitments the long term balance is £(8.2)m, £(2.2)m above the minimum level of £(6.0)m.

The net service carry forward reserves at the beginning of the year were £(3.6)m. With a planned use to support savings and change projects of £2.0m, plus a net overspend of £0.3m, the projected carry forward is £(1.3)m. The Learning Disability Pool reserve has an adverse carry forward balance of £1.5m, which will be reduced by the recovery plan in-year to £1.0m, with a view to full recover by the end of next year.

Council Tax

There is an in-year forecasted Council Tax surplus, of £(0.558)m, an improvement of £(0.247)m since last period largely due to a revised assessment of future discounts and exemptions.

Business Rates It is too early to tell from the data available what the end of year position will be, and work continues to obtain clarity. **Welfare Reform** Trafford Assist and other welfare support schemes have been successfully implemented operationally and after four months are managing within planned financial limits.

Recommendation(s)

It is recommended that: a) the latest forecast and planned actions be noted and agreed.

Contact person for access to background papers and further information:

Head of Financial Management Extension: 4302

Background Papers: None

Relationship to Policy Framework/Corporate Priorities	Value for Money
Financial	Revenue expenditure to be been contained within available resources in 2013/14.
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

Director of Finance:…………………………ID

Director of Legal & Democratic Services:…………………………..JLF

Signature: Appended in hard copy.

Budget Monitoring - Financial Results

1. The approved budget as amended at the 4 March 2013 Executive is £159.003m. Based on the budget monitoring for the first 4 months of the year, the overall forecast for the year is £157.940m, being an underspend of £(1.063)m, (0.7)%. Included within this total is a net service overspend of £0.311m or 0.2% of the relevant budget, and underspends in Council-Wide budgets of £(1.374)m or (5.7)% of the relevant budget.

2. The Learning Disability (LD) Pool recovery plan is forecasted to achieve £(0.492)m or (0.6)% of cash savings to offset the brought forward adverse balance on the fund of £1.472m. The details of service variances can be found in Annexes 1 to 4, and for Council-Wide, Annex 5:

Table 1: Budget Monitoring results by Directorate	Year end Forecast (£000's)	Percent-age %	Period Movement £(000's)	Annex
Children, Families & Wellbeing	301	0.6%	199	1
Environment, Transport & Operations	-	0.0%	-	2
Economic Growth & Prosperity	40	1.2%	(13)	3
Transformation & Resources	(30)	(0.2)%	13	4
Total Service Variances	**311**	**0.2%**	**199**	
Council-wide budgets	(1,374)	(5.7)%	(25)	5
Estimated outturn variance (period 4)	**(1,063)**	**(0.7)%**	**174**	
Learning Disability Pool	(492)	(0.6)%	33	1
Total Forecasted outturn	**(1,555)**	**(1.0)%**	**207**	

Table 2: Budget Monitoring results by Executive Portfolio Holder	Year end Forecast (£000's)	Percent-age %	Period Movement £(000's)
Supporting Children & Families	198	0.7%	149
Education	24	1.3%	24
Adult Social Services	86	0.1%	5
Community Health & Wellbeing	(7)	0.0%	21
Highways & Environment	-	0.0%	
Safe and Strong Communities	35	1.6%	33
Economic Growth & Prosperity	40	1.2%	(13)
Transformation & Resources	86	0.6%	(2)
Finance	(1,525)	(5.5)%	(43)
Estimated outturn variance (period 4)	**(1,063)**	**(0.7)%**	**174**
Adult Social Services (LD Pool)	(492)	(0.6%)	33
Total Forecasted outturn	**(1,555)**	**(1.0)%**	**207**

Key Month on Month Variations

3. The key variances contributing to the period movement of an adverse £0.207m are:

- £0.249m staffing pressures within Children's Social Care to cover essential posts in order to meet statutory demands and increasing pressures;

- These additional costs have been partly mitigated by a favourable movement in Children's placement costs due to income from selling adoptive placements to other authorities, £(0.095)m;
- £0.083m additional pressures from external care package and running costs, partly offset by management of vacancies, £(0.071)m, within Adult Social Care;
- £0.038m legal expenses relating to an increasing number of childcare cases and new development projects, £0.036m lower than expected income from Sale Waterside Arts Centre ticket sales, offset by increases in other income streams, reductions in running expenses and vacancy management, £(0.061)m, across the Transformation & Resources Directorate;
- £(0.025)m saving in Members expenses, mainly as a result of the voluntary 1.9% reduction in allowances;
- £0.033m adverse movement in the LD Pooled Fund underspend to £(0.492)m, mainly due to lower than expected staffing vacancies in the reablement service;
- Other minor net movements across all other services, £0.020m.

MTFP Savings and increased income

4. The Budget included for £(18.5)m of savings and increased income. The table below summarises the current forecasts against this savings target:

Table 3: Savings 2013/14	**Budget target (£000's)**	**End of Year Forecast (£000's)**	**Variance (£000's)**
Transformation savings	(8,131)	(8,132)	(1)
Other savings	(10,389)	(10,389)	
Total	**(18,520)**	**(18,521)**	**(1)**

5. There has been slippage on savings in Groundforce £0.126m pending a review of working conditions and Enforcement £0.214m due to additional staff consultation. These will be mitigated in full from management action taken across the Directorate or use of accumulated balances if required.

Council Tax

6. The current forecast is for an additional £(0.558)m of Council Tax to be due in year above budgeted levels, this is a change of £(0.247)m since last month, mainly due to a revised assessment of future discounts and exemptions of £(0.201)m having a positive impact on the Band D equivalent tax base.

	Overall		**Trafford**	
	£(000's)	£(000's)	£(000's)	£(000's)
Surplus brought forward		**(6)**		**(5)**
Changes in Band D equivalents	(245)		(205)	
Empty Homes Premium	(326)		(275)	
Council Tax Support awards	(392)		(330)	
Backdated valuations & discounts	300	(663)	252	(558)
Forecasted surplus carry forward		**(669)**		**(563)**

Business Rates

7. Under the new Business Rate Retention Scheme, the Council is permitted to retain a proportion of business rates growth (24.5%) above a set threshold. On the downside the Council must contribute 49% of any shortfall in the threshold. Therefore for the first time since 1990, the Council has a direct interest in the amount of business rates collected.

8. A major impediment to advising what the position is on business rates is the significant number of appeals outstanding against rateable values. There has been no further update from the Valuation Office Agency on the first quarter levels of appeals outstanding from the figure of £75m (£156m rateable value) reported previously, this continues to make advising on the forecast position difficult.

Welfare Reform

9. There have been a number of changes to the overall Welfare system since 1 April 2013. Para 7 above refers to a lower number of claimants for council tax support (replacement of previous Council Tax Benefit system). With other welfare changes there was some concern about the impact on council tax collection levels. Up to the end of July 2013 40.24% of all council tax due had been collected, which compares to 40.52% for the same period last year. Whilst this is slightly down, it is in accordance with our assumed collection rate for 2013/14.

10. In the first four months of operation, Trafford Assist had made 1,252 individual awards with a value of £54,465. So far, a typical month's awards are shown in the table below, however there are further Welfare Reforms, such as the 'benefits cap', and the winter months ahead:

Item	**Awards**	**Value**
Furniture	42	£10,000
Paypoint (cash)	112	£1,700
Food	153	£1,550
Total	**307**	**£13,250**

11. The Trafford Assist scheme is within budget after the first four months in operation. There are no plans to adjust the qualifying criteria at this stage, as demand on the scheme may increase when other Welfare Benefit changes are introduced and during the winter. The scheme continues to receive positive comments from customers, DWP and other Partners particularly about positive intervention and signposting.

12. In addition to the above, 423 awards for Discretionary Housing Payment out of 632 requests have been made in the sum of £109,020, which is in line with budgeted expectations.

Reserves

13. The pre-audited General Reserve balance brought forward is £(10.6)m, against which there are planned commitments up to the end of 2014/15 of £3.8m. The addition of the Council-Wide underspend of £(1.4)m provides for a projected 31 March 2015 balance of £(8.2)m, being £(2.2)m above the agreed minimum level of £(6.0)m:

Table 4 : General Reserve Movements	(£000's)
Balance 31 March 2013 (subject to audit confirmation)	**(10,643)**
Commitments in 2013/14:	
- Planned use for 2013/14 Budget	906
- One-off projects from 2012/13 brought forward	98
- Planned use for one-off projects 2013/14	701
- Council-wide budgets underspend	(1,374)
Balance 31 March 2014	**(10,312)**
- Planned use for 2014/15 Budget	2,094
Projected balance after known commitments	**(8,218)**

14. Service balances brought forward from 2012/13 were a net £(3.6)m. After planned use to support one-off projects and adjusting for the estimated outturn, there is a projected net surplus of £(1.330)m to be carried forward to 2014/15 (Table 5). This balance is currently reduced by the outstanding balance on the Learning Disability Pool of £0.980m, however there is a recovery plan to bring the pool back into balance by the end of 2014/15 (see Annex 1).

15. The use of Service reserve balances during the year are detailed in Annexes 1 to 4 of the report. However the main highlights include :-

- invest to save projects in CFW of £0.389m;
- re-profiling of approved savings within ETO of £0.202m;
- £0.126m committed on re-phased projects per the 2012/13 outturn report in EGP with the remaining balance £0.186m earmarked to supplement 2013/14 project work, plus provide one-off mitigation if income levels continue to be adversely affected by the economic climate;
- Transformation Support within T&R of £0.234m and £0.185m set aside for Land Charges Claims.

Table 5: Service balances	B/f April 2013 (£000's)	Forecast Movement in-year (£000's)	Forecast Balance (£000's)
Communities, Families & Wellbeing	(1,427)	839	(588)
Environment, Transport & Operations	(439)	439	0
Economic Growth & Prosperity	(312)	312	0
Transformation & Resources	(1,389)	647	(742)
Total All Services (Surplus)/Deficit	**(3,567)**	**2,237**	**(1,330)**
Learning Disability Pool	1,472	(492)	980
Total (Surplus)/Deficit	**(2,095)**	**1,745**	**(350)**

Recommendations

16. It is recommended that the latest forecast and planned actions be noted and agreed.

ANNEX 1

TRAFFORD MBC

Report to:	**CFW Directorate Management Team**
Date:	**22 August 2013**
Report for:	**Discussion**
Report author:	**CFW Finance Managers**

<u>Report Title</u>

Revenue Budget Monitoring 2013/14 – Period 4
(April 2013 to July 2013 inclusive)

1. Outturn Forecast

1.1 The approved revenue budget for the year is £82,242k. The projected outturn is £82,051k which is £(191)k under the approved budget, a £232k adverse movement since July's forecast.

1.2 Appendix 1 details by both directorate and variance area the forecast outturn as compared to the approved revenue budget. In summary by portfolio the breakdown of the projected outturn is shown below:

Portfolio	Budget	Projected Outturn	Variance
	£000's	**£000's**	**£000's**
Supporting Children & Families	29,232	29,430	198
Education	1,883	1,907	24
Adult Social Care	31,951	32,037	86
Public Health	(829)	(836)	(7)
Total	**62,237**	**62,538**	**301**
Learning Disabilities Pooled Fund	20,005	19,513	(492)
Total	**82,242**	**82,051**	**(191)**

1.3 The reasons for the £232k adverse movement from July by portfolio are:

Supporting Children & Families and Education Portfolios - £173k adverse

- A predicted overspend within the Children's Social Care service of £69k (Including Complex and Additional Needs) comprising of placement budgets £67k, additional Intensive Fostering grant income £(198k), staffing budgets £190k, Section 17 monies £39k, Youth Homelessness (£51k) and other minor variances £22k.
- School Support Services; a projected saving of £(91)k, this is a result of staffing savings £(56)k, additional income from Academies £(21)k and other variances £(14)k.

- Commissioning projected saving of £(15k) from staff savings due to vacant posts.
- MARAS predicted overspend of £208k: Home to School transport pressure of £215k, staff posts vacant £(20)k and other variances £23k.
- Children's Centres and Early Years overspend of £51k, all relating to slippage in savings

.

Adult Social Care Portfolio - £5k adverse

- A minor reduction in projected external placement costs £(7)k.
- Adaptation Service; a reduction in fee income charged for completed disabled facilities schemes £10k.
- Other Services £2k; increase in staff costs in the Emergency Duty Team of £9k due to higher than expected workload, underspend in Equalities and Diversity events budget £(19)k, other minor variances £12k.

Public Health Portfolio - £21k adverse

- Public Health services, a reduction in managed staff vacancies, £21k.

Learning Disabilities (LD) Pooled Budget - £33k adverse

- A reduction in the expected staff vacancies in the reablement service £33k.

1.4 The budget depends on the successful implementation and delivery of two key savings plans to reduce demand; Telecare £(400)k and Reablement £(500)k. Whilst the plans have been implemented the actual reduction in demand will not be felt until later in the year. It is therefore too early to say what level of saving will be delivered and how this will impact on the projected outturn.

1.5 The recent extended period of hot weather presents a potential risk to the budget as demand may change from expected budgeted levels.

1.6 Appendix 1 details by both directorate and variance area the forecast outturn as compared to the approved revenue budget.

2 Learning Disabilities Pooled Fund

2.1 At the beginning of the year the LD Pool had a carry forward adverse balance of £1,472k, and a recovery plan to deliver cash savings against budget over two financial years to address this.

2.2 The 2013/14 target is for an outturn balance of £900k. The projected outturn is £980k.

2.3 The Deputy Corporate Director has re-phased the recovery plan, and included additional initiatives:

- Expansion of telecare and reablement into Learning Disabilities services
- Additional services identified for retendering
- High cost and out of borough placements review
- Accommodation development to reduce cost of provision

2.4 The updated plan is shared with the Trafford Clinical Commissioning Group (CCG), which replaces the previous Primary Care Trust delivery partner. The Council and the CCG will target the outstanding balance to bring the LD Pool into balance by 31 March 2015:

3 Service carry-forward reserves

3.1 At the beginning of April 2013 the Children's, Families and Wellbeing Directorate had accumulated balances of £(1,427)k carried forward from previous financial years.

3.2 The remaining carry-forward balances at the end of the year after taking into account the outturn position are:

Table 1: Utilisation of Carry forward Reserve 2013/14 –	**(£000's)**
Balance brought forward 1 April 2013	(1,427)
Specific expenditure assigned against the reserve re: invest to save	389
Specific expenditure committed from 2012/13	149
P4 Forecast Outturn	301
Balance carried forward at 31 March 2014	**(588)**

Table 1: Utilisation of Carry forward Reserve 2013/14 – Learning Disabilities Pooled Fund	**(£000's)**
Balance brought forward 1 April 2013	1,472
P4 Forecast outturn cash movement	(492)
Balance carried forward at 31 March 2014	**980**

3.3 Any use of the reserves will be managed to ensure that it has a positive impact on the following year's budget e.g. invest to save initiatives.

4 Management Action

4.1 Key to the delivery of the budget, especially for Adult Social Care is management of demand, placement costs and delivery of the Learning Disabilities Pooled Fund Recovery Plan. The Directorate will focus on

- Delivery the Learning Disability Pooled Fund Recovery Plan in partnership with Trafford Clinical Commissioning Group.
- Monitoring of the impact on demand of the Telecare and Reablement budget savings
- Monitoring of the impact on demand of the recent period of hot weather.
- Continuous review of all placements to ensure the most effective provision is made

Appendix 1

Period 4 Projected Outturn revenue expenditure and income variances.

The following tables detail the main variances from the revenue budget to the forecasted outturn, and movements from Period 3 monitoring report, in both Management Accounts ("Budget Book") format and by cause or area of impact of the variance.

Budget Book Format (Objective analysis)	**Full Year Budget (£000's)**	**P4 Outturn (£000's)**	**P4 Outturn variance (£000's)**	**P3 Outturn variance (£000's)**	**P3 – P4 movement (£000's)**	**Ref**
Supporting Children & Families Portfolio						
Children's Social Services	14,981	15,102	121	(36)	157	CFW2
Children with Complex & Additional Needs	2,034	1,982	(52)	0	(52)	CFW2
Support Services to CYP	3,730	3,639	(91)	(88)	(3)	CFW3
Commissioning	1,636	1,621	(15)	(18)	3	CFW4
Multi Agency Referral & Assessment Service (MARAS)	4,061	4,269	208	184	24	CFW5
Youth Offending Service	577	577	0	0	0	
Children's Centres	2,213	2,240	27	7	20	CFW6
Sub-total	**29,232**	**29,430**	**198**	**49**	**149**	
Education Portfolio						
Dedicated Schools Grant	0	37	37	(23)	60	CFW1
Transfer to Dedicated Schools Grant Reserve	0	(37)	(37)	23	(60)	
Education Early Years' Service	1,020	1,044	24	0	24	CFW6
Connexions Service	863	863	0	0	0	
Sub-total	**1,883**	**1,907**	**24**	**0**	**24**	
Adult Social Services Portfolio						
Older People	20,293	20,131	(162)	(157)	(5)	CFW7
Physical Disabilities	4,206	4,194	(12)	(8)	(4)	CFW8
Equipment & Adaptations	801	789	(12)	(12)	0	CFW9
Mental Health	3,418	3,576	158	156	2	CFW10
Other Adult Services	729	822	93	84	9	CFW11
Strategic & Support Services	927	935	8	7	1	CFW12

Adaptations	(59)	(54)	5	(5)	10	CFW13
Housing Services	1,247	1,272	25	25	0	CFW14
Community Services	252	254	2	0	2	CFW15
Equalities & Diversity	137	118	(19)	(9)	(10)	CFW16
Sub-total	**31,951**	**32,037**	**86**	**81**	**5**	
Community Health & Wellbeing Portfolio						
Public Health	(829)	(836)	(7)	(28)	21	CFW17
Sub-total	**(829)**	**(836)**	**(7)**	**(28)**	**21**	
Total	**62,237**	**62,538**	**301**	**102**	**199**	
Learning Disabilities Pooled Fund	20,005	19,513	(492)	(525)	33	CFW18
Total	**82,242**	**82,051**	**(191)**	**(423)**	**232**	

Business Reason / Area (Subjective analysis)	P4 Outturn (£000's)	P3 Outturn (£000's)	P3-P4 movement (£000's)	Ref
Supporting Children & Families Portfolio, Education Portfolio				
DSG Reserve B/Fwd.	**(2,453)**	**(2,453)**	0	
Spend on DSG Reserve	1,853	1,853	0	CFW1
Minor variances	37	(23)	60	
DSG projected underspend	**(563)**	**(623)**	**60**	
Transfer to DSG Reserve	**563**	**623**	**(60)**	
Non DSG				
Additional Grant Funding	(198)	(198)	0	CFW2
Placements Budget	67	162	(95)	CFW3
Home to School Transport	215	215	0	CFW5
Staffing variances	150	(99)	249	CFW3,4,5,6
Additional Income	(21)	(21)	0	CFW3
Other minor variances	9	(10)	19	CFW3,5
Sub-total Net Underspend Non DSG	**222**	**49**	**173**	
Adult Social Care Portfolio				
Management of vacancies	(194)	(123)	(71)	CFW7,8,10,11,15,16
External care packages and commissioned services	146	104	42	CFW7,8,9,10,14
Delay in closure of establishments	91	97	(6)	CFW7
Other running costs	44	3	41	CFW12,13
Sub-total	**87**	**81**	**6**	
Community Health & Wellbeing Portfolio				
Commissioned Services	(31)	(30)	(1)	CFW17
Other running costs	23	2	21	CFW17
Sub-total	**(8)**	**(28)**	**20**	
Total	**301**	**102**	**199**	
Learning Disabilities Pooled Fund				
Management of vacancies	(7)	(71)	64	CFW18
External care packages and commissioned services	(485)	(454)	(31)	CFW18
Sub-total	**(492)**	**(525)**	**33**	
Total	**(191)**	**(423)**	**232**	

NOTES ON VARIANCES AND PERIOD MOVEMENTS

Supporting Children & Families Portfolio, Education Portfolio

Within the DSG
CFW1 – DSG Reserve b/fwd.

- The DSG reserve brought forward balance is £(2.453)m. There are likely to be commitments against this in 2013/14 of £1.853m and variance in-year of £37k. This leaves an underspend of £(0.563)m. This underspend will be carried forward to 2014/15. The movement from the previous month relates to increased pressure on nursery places.

- The Funding Forum was made aware of this reserve at the July meeting and proposals will be forwarded at the September meeting on how to utilise this. It is very likely that some it will be distributed to schools on a one off basis. Further details can be sought by accessing the July Funding Forum report.

Non DSG Variances £222k adverse

CFW2 – Children's Social Care £69k adverse (Includes Children with Complex & Additional Needs)

- This overspend is mainly due to staffing budgets of £190k and Placements £67k, offset by additional grant income of £(198)k. (Other Variances £10k). The staffing variances are due to the need to cover essential posts in order to meet statutory demands and increasing pressures. The reduction in the placements overspend from last month is due to one off income from selling adoptive placements to other authorities

CFW3 – Support Services £(91)k favourable

- This saving is mainly as a result of staff posts being held vacant £(56)k additional training income received £(21)k and other variance £(14)k

CFW4 – Commissioning £(15)k favourable

- This favourable variance of £(15)k is due to vacant staff posts.

CFW5 – MARAS £208k adverse

- Home to School transport pressure of £215k, staff posts vacant £(20)k and other variances £13k.

CFW6 – Children's Centres and Early Years £51k adverse

- The Children's Centre's and Early Years projected overspend is due to staff posts £51k.

Adult Social Care Portfolio £86k adverse

CFW7 – <u>Older People £(162)k favourable</u>

- **Care Management/Assessment £(182)k favourable**
  Due to managed vacancies within the Social Work teams.

- **Residential and Nursing Care/Home Care/Day Care/Direct Payments - £(72)k favourable**
  Due to lower demand than estimated.

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- **Katherine Lowe House and The Princess Centre - £92k adverse**

Delays in the closure of Katherine Lowe House (£77k) and the Princess Centre (£15k) resulting in additional costs being incurred.

CFW8 – <u>Physical Disabilities £(12)k favourable</u>

- **Care Management/Assessment £(57)k favourable**
  Due to managed vacancies within the Social Work teams.

- **Residential and Nursing Care/Home Care/Direct Payments - £45k adverse**
  One additional residential placement costing £45k more than budgeted.

CFW9 – <u>Equipment & Adaptations - £(12)k favourable</u>

- **External Minor Adaptations - £(12)k favourable**
  The volume of repair call out is projected to slightly lower than estimated in the budget.

CFW10 – <u>Mental Health - £158k adverse</u>

- **Care Management and Assessment £(53)k favourable**
  Due to managed vacancies within the Community Mental Health Team.

- **Residential and Nursing Care/Home Care/Direct Payments/Supported Living £211k adverse**
  There is one residential service user with significantly higher than budgeted costs and one homecare user higher than budgeted.

CFW11 - <u>Other Adult Services £93 adverse</u>

- **Emergency Duty Team £93k adverse**
  Due to projected staff costs due to current workload.

CFW12 - <u>Strategic & Support Services - £8k adverse</u>

- **Finance Team £8k adverse**
  Due to higher than expected client services costs.

CFW13 - <u>Adaptations - £5k adverse</u>

- **Adaptations Income £5k adverse**
  Due to projected underachievement in adaptations fee income.

CFW14 - <u>Housing Services - £25k adverse</u>

- **Supporting People £25k adverse**
  Underachievement in income contribution.

CFW15 - <u>Community Services - £2k adverse</u>

- **Community Services £2k adverse**
  Underachievement in income contribution.

CFW16 – <u>Equalities & Diversity - £(19)k favourable</u>

- **Equalities & Diversity £(19)k favourable**
  Due to managed vacancies in the Team £(8)k and a projected underspend in the events budget £(11)k.

Community Health & Wellbeing Portfolio £(7)k favourable

CFW17 – <u>Public Health Services - £(7)k favourable</u>

- **Public Health Services £(7)k favourable**
  Due to managed vacancies in the Commissioning Team.

Learning Disabilities Pooled Fund

CFW18 – <u>Learning Disabilities - £(492)k favourable – Pooled Fund Arrangement</u>

- **Residential and Nursing Care/Home Care/Direct Payments £(464)k favourable**
  The impact of the recovery plan on projected demand.

- **Daycare £(21)k favourable**
  The new method of service provision at the Meadowside Centre has delivered a savings higher than estimated.

- **Care Management/Assessment £(7)k favourable**
  Due to managed vacancies within the Social Work teams.

ANNEX 2

TRAFFORD MBC

Report to:	**ETO Directorate Management Team**
Date:	**21 August 2013**
Report for:	**Discussion**
Report author:	**ETO/EGP Finance Manager**

Report Title

Revenue Budget Monitoring 2013/14 – Period 4 (April to July 2013)

1. Forecast Outturn for the Year

1.1 The approved revenue budget for the year is £29.209m. The forecast outturn before management action is £29.305m, which is £0.096m over the approved budget (0.3%). This is a favourable movement of £(0.075)m since the last report, which is due to improved forecasts of income from the GM Access Permit Scheme £(0.025)m, and rebates now expected from the transport leasing contractor £(0.050)m.

1.2 An action plan is in place to bring spending and income in line with the budget for the remainder of the year (see paragraph 2) and a nil variance is expected as a result.

1.3 The Directorate has also brought forward balances of £(0.439)m from previous years of which £(0.202)m is earmarked specifically to mitigate one-off budget pressures if required (paragraph 3). In particular, this relates to savings which have been re-profiled to later in the year, such as where additional staff consultations have been undertaken.

1.4 This is the second monitoring report of the financial year and, hence, the information available to produce a forecast outturn is limited and subject to change at this point. For example, the Directorate budget can be adversely affected by weather conditions, and income streams by the wider economic climate.

2. Summary of Variances

2.1 The overall net variance reflects a number of individual under and overspends across the diverse areas of the Directorate:

- Re-profiling of savings from the review of Enforcement due to additional staff consultation £0.214m;
- Re-profiling of Groundforce staff savings pending a review of working conditions (e.g. overtime) £0.126m;
- Public Protection licencing income – continuing adverse effect of economic climate £0.070m;
- Traffic Management costs for major events – additional costs £0.054m;
- Additional costs from the extension of the Parking enforcement contract prior to full re-tendering exercise during the year £0.033m;

- The full closure of Oakfield Road car park has taken longer than predicted when setting the budget and income is hence £(0.172)m higher than expected for the full year;
- Income in Bereavement Services has continued to be higher than expectations £(0.101)m;
- School crossing patrols on-going net vacancies £(0.050)m;
- Income now expected from the GM Road Access Permit Scheme £(0.025)m;
- Rebate now expected from transport leasing contractor £(0.050)m;
- Others £(0.003)m.

2.2 The management action plan being implemented includes numerous steps to ensure that essential services are delivered within budget throughout the year. These will be monitored throughout the year and reflected in the forecast outturn for the service areas accordingly:

- Only necessary spending on supplies and services to be approved;
- Reduced use and greater control of overtime and travel expenses;
- Monitoring and evaluation of existing and potential new income streams;
- Analysis of rechargeable work for both revenue and capital schemes;
- Additional improvements to efficiency through service redesign and better procurement;
- Potential to accelerate future savings proposals.

3. Reserves

3.1 At the end of 2012/13 the Directorate had a surplus on accumulated balances of £(0.439)m, which was carried forward to 2013/14. This was a result of successful management action to both mitigate the adverse budget pressures in 2012/13, plus deliver sufficient additional surpluses to assist in mitigating future pressures if required while sustainable solutions are implemented. The planned use of these balances is shown below:

Utilisation of Carry forward Reserve 2013/14	**(£000's)**
Surplus balance brought forward at 1 April 2013	(439)
Traded service investment projects c/f	132
Car Parking – contract cost/income	105
Earmarked for re-profiling of approved savings	202
Balance after commitments	**0**

4. Savings

4.1 The approved Directorate budget includes savings of £(3.011)m, (9.3)% as follows:

	Budget (£000's)	**Outturn (£000's)**	**Variance (£000's)**
Increased and new income	(307)	(307)	0
Efficiencies and others	(605)	(575)	30
Policy Choice	(2,099)	(1,795)	304
Mitigating action across ETO	0	(334)	(334)
Total ETO	**(3,011)**	**(3,011)**	**0**

4.2 The shortfall of £0.334m relates to re-profiling of savings in Enforcement and Groundforce above. These are to be mitigated in full from management action taken across the Directorate, or by the use of accumulated balances if required.

5. Recommendations

5.1 It is recommended that the forecast outturn and mitigating management action be noted.

Period 4 Forecast Outturn revenue expenditure and income variances.
The following tables detail the main variances from the revenue budget to the forecast outturn, and the movements since the last monitoring report in both Management Accounts ("Budget Book") format and by cause or area of impact of the variance.

Budget Book Format (Objective analysis)	**Full Year Budget (£000's)**	**P4 Forecast Outturn (£000's)**	**P4 Outturn Variance (£000's)**	**P3 Outturn Variance (£000's)**	**P3 – P4 Movement (£000's)**	**Ref**
Highways & Environment Portfolio						
Highway and Network Management, incl. Traffic & Transportation	5,130	5,167	37	87	(50)	ETO1
School Crossing Patrols	512	462	(50)	(50)	0	ETO2
Parking Services	(150)	(329)	(179)	(179)	0	ETO3
Groundforce	4,593	4,722	129	154	(25)	ETO4
Bereavement Services	(998)	(1,089)	(91)	(91)	0	ETO5
Sustainability & Greenspace	426	394	(32)	(32)	0	ETO6
Waste Management (incl. WDA levy)	18,661	18,661	0	0	0	
Public Protection	806	866	60	60	0	ETO7
Environmental Enforcement	30	244	214	214	0	ETO8
Directorate Strategy & Business Support	471	479	8	8	0	
Sub-total	**29,481**	**29,577**	**96**	**171**	**(75)**	
Operational Services for Education	**(272)**	**(272)**	**0**	**0**	0	
Management action plan across ETO	**0**	**(96)**	**(96)**	**(171)**	**75**	ETO9
Total Forecast Outturn Period 4	**29,209**	**29,209**	**0**	**0**	**0**	

ETO **Business Reason / Area** **(Subjective analysis)**	**P4 Outturn Variance (£000's)**	**P3 Outturn Variance (£000's)**	**P3 – P4 Movement (£000's)**	**Ref**
Highway and Network Management, incl. Traffic & Transportation				
Traffic Management costs - events	54	54	0	
Fee income shortfall	8	33	(25)	
Transport rebates	(25)	0	(25)	
Sub-total	**37**	**87**	**(50)**	ETO1
School Crossing Patrols - vacancies	**(50)**	**(50)**	**0**	ETO2
Parking Services				
Additional income – Oakfield Road	(172)	(172)	0	
Additional income - others	(22)	(22)	0	
Contract extension one-off costs	33	33	0	
Staffing and running costs	(18)	(18)	0	
Sub-total	**(179)**	**(179)**	**0**	ETO3
Groundforce				
Re-profiling of staff/equipment savings	126	126	0	
Overtime/other additional running costs	28	28	0	
Transport rebates	(25)	0	(25)	
Sub-total	**129**	**154**	**(25)**	ETO4
Bereavement Services				
Essential maintenance costs	10	10	0	
Income above budget	(101)	(101)	0	
Sub-total	**(91)**	**(91)**	**0**	ETO5
Sustainability & Greenspace				
Vacancy, supplies & services	**(32)**	**(32)**	**0**	ETO6
Public Protection				
Income shortfall including licencing	70	70	0	
Mitigating action – hold on filling vacancies	(10)	(10)	0	
Sub-total	**60**	**60**	**0**	ETO7
Environmental Enforcement				
Re-profiling of staff/equipment saving	**214**	**214**	**0**	ETO8
Director & ETO Business Support				
Staffing and Running costs	**8**	**8**	0	
Management Action - running costs	**(96)**	**(171)**	**75**	ETO9
Total Forecast Outturn Period 4	**0**	**0**	**0**	

ADDITIONAL NOTES ON FORECAST OUTTURN VARIANCES

ETO 1 – Highways & Network Management - £0.037m (adverse)
Traffic management costs associated with major events are estimated at £0.054m above budget for the year. These costs have arisen due to clarification on the statutory responsibilities, and will need to be addressed in the Medium Term Financial Plan. A number of options are also being evaluated up to reduce this pressure.

Forecast fee income in Highways and Transportation is £0.008m less than budgeted for the year. This is a favourable movement of £(0.025)m since last reported, which relates to income now expected to be received from the GM Road Access Permit Scheme (GMRAPs).

The overall adverse variance has also improved from last month due to the expected receipt of rebates from the vehicle leasing contractor £(0.025)m.

ETO 2 – School Crossing Patrols – £(0.050)m (favourable)
There is a forecast underspend on staffing of £(0.050)m due to the on-going difficulties in the filling of vacancies, which has continued from 2012/13. Leavers and new starters have broadly matched each other in recent months, which has meant the net staffing level has not increased as intended.

ETO 3 – Parking Services – £(0.179)m (favourable)
The approved budget included assumptions regarding the partial, then full closure of Oakfield Road car park during the year as part of the regeneration of Altrincham Town Centre. The re-phasing of the town centre project has resulted in forecast income above budget of £(0.172)m.

Other car parking income continues to be above expectations, following on from 2012/13, £(0.022)m.

The contract for Parking enforcement has been extended for a further 12 months while a full tender exercise is undertaken. The extension has increased costs by £0.033m from the previous contract period which has expired. The new contract will be awarded from April 2014.

Action to control general running costs and the holding of vacancies gives rise to an expected underspend of £(0.018)m.

ETO 4 – Groundforce - £0.129m (adverse)
Savings associated with staffing, supplies, vehicles and equipment have been re-profiled pending a review of terms and conditions, overtime and procurement, leading to a forecast adverse variance of £0.126m. The review will feed into the management action plan, plus balances have been carried forward from 2012/13 to be utilised as one-off mitigation, if required.

Other supplies, services and overtime costs are forecast to be £0.028m above budget. An element of this relates to one-off reactive service requests, which are often out of normal working hours. The review of the service above will also look to address these issues.

The overall adverse variance has also improved from last month due to the expected receipt of rebates from the vehicle leasing contractor £(0.025)m.

ETO 5 – Bereavement Services £(0.091)m (favourable)
Net income levels for the year are expected to exceed the budget by £(0.101)m, and follows the levels from the last financial year. Running costs above budget of £0.010m relate to essential works.

ETO 6 – Sustainability and Greenspace £(0.032)m (favourable)
Management action to control running costs, plus staff vacancies, gives rise to a predicted underspend of £(0.032)m.

ETO 7 – Public Protection - £0.060m (adverse)
There is a predicted shortfall in income of £0.070m across the service. This relates in particular to licencing, which is due to lower levels of applications received. This is to a large extent related to the economic climate and has continued from the last financial year. This will also be assessed as part of the Medium Term Financial Plan.

The shortfall is expected to be partly mitigated through a variety of management actions to control costs throughout the year, including a delay in filling vacant posts £(0.010)m. The management action plan includes for possible further restrictions on staffing vacancies.

ETO 8 – Environmental Enforcement £0.214m (adverse)
The savings associated with the review of Enforcement have been re-profiled following additional staff consultations. This has resulted in a forecast adverse variance of £0.214m for the year. The management action plan for ETO will look to address the adverse variance in-year. The variance was identified very early in this financial year and the Directorate was also able to identify and earmark balances from the 2012/13 accounts to mitigate this variance, if required.

ETO 9 – Management Action £(0.096)m (favourable)
The Directorate has already instigated a management action plan to contain adverse variances projected for the year. This includes reviews of overtime and other staff costs, plus gaining a better understanding of cost drivers, such as in Groundforce. Vehicle and depot costs are also being reviewed alongside procurement and contract costs. These will be monitored throughout the year and reflected in the forecast outturn for the relevant service area as they are realised.

ANNEX 3

TRAFFORD MBC

Report to:	**EGP Directorate Management Team**
Date:	**21 August 2013**
Report for:	**Discussion**
Report author:	**EGP/ETO Finance Manager**

<u>Report Title</u>

Revenue Budget Monitoring 2013/14 – Period 4 (April to July 2013)

1. Forecast Outturn

1.1 The approved revenue budget for the year is £3.304m. The forecast outturn is £3.344m, which is £0.040m above the budget. This is a favourable movement of £(0.013)m since last month due mainly to better than expected forecasts of planning application fee income for the year. Variances are subject to change at this early stage of the year, in particular relating to forecasts of planning and rental income which are affected by external market conditions.

1.2 The Directorate will implement management action to manage these budget pressures, particularly around staffing and control of running costs, and a nil variance is expected at year end. EGP also has balances of £(0.312)m brought forward from previous years which are largely related to re-phased project costs, but are also available to fully mitigate the above variance, if required.

2. Explanation of Variances

2.1 The forecast outturn variances are summarised below, with more detail at Appendix 1:

- Shortfall in property rent income of £0.067m due to the on-going adverse effect of the economy, primarily on town centre rents (e.g. Stamford Centre);
- Rental income from airport land is £(0.019)m higher than budgeted, and is based on the notification received from Manchester City Council in March this year;
- Facilities management staffing is £0.030m above budget due to the later than planned disposal of a number of properties (e.g. Broomwood);
- There is a forecast staffing underspend across EGP relating to the on-going restructure and appointments to vacancies £(0.065)m;
- Planning Application fees income predicted shortfall is £0.050m, which is a favourable movement of £(0.010)m since last reported. Building control income is forecast to be higher than planned by £(0.060)m giving a net £(0.010)m underspend across the two income streams;

- Fee income from housing improvement capital schemes is a net £0.046m less than budget due to a reduced volume of property sales;
- Other variances of £(0.009)m relating to running costs.

3. Reserves

3.1 At the end of the last financial year the Directorate had (£0.312)m of balances brought forward from previous years, of which £(0.126)m is committed on re-phased projects per the 2012/13 outturn report.

3.2 The remaining balance is earmarked to supplement 2013/14 project work, plus provide one-off mitigation should income levels continue to be adversely affected by the economic climate, or for other budget pressures during the year.

Utilisation of Carry forward Reserve 2013/14	**(£000's)**
Surplus balance brought forward at 1 April 2013	(312)
Re-phasing of projects from 2012/13	126
Forecast outturn overspend P4	40
Committed on 2013/14 projects plus mitigation for potential future budget pressures	146
Balance after forecast outturn/commitments	**0**

4. Savings

4.1 The approved Directorate budget includes savings of £(0.696)m, (21.1)% as follows:

	Budget (£000's)	**Outturn (£000's)**	**Variance (£000's)**
Increased and new income	(122)	(122)	0
Efficiencies and others	(351)	(351)	0
Policy Choice	(223)	(193)	30
Total EGP	**(696)**	**(666)**	**30**

4.2 The shortfall of £0.030m relates to savings in Facilities Management staffing which have needed to be re-profiled due to the disposal of buildings taking longer than had been planned. This will be mitigated by management action taken across the Directorate, or by the use of accumulated balances if required.

5. Recommendations

5.1 It is recommended that:

- The forecast outturn of £0.040m for 2013/14 be noted.

Period 4 Forecast Outturn revenue expenditure and income variances

The following tables detail the main variances from the revenue budget to the forecast outturn, and the movements since the last monitoring report in both Management Accounts ("Budget Book") format and by cause or area of impact of the variance.

Budget Book Format (Objective analysis)	Full Year Budget (£000's)	P4 Forecast Outturn (£000's)	P4 Outturn Variance (£000's)	P3 Outturn Variance (£000's)	P3 – P4 Variance (£000's)	Ref
Economic Growth & Prosperity Portfolio						
Asset Management	1,118	1,191	73	76	(3)	EGP1
Planning & Building Control	174	129	(45)	(35)	(10)	EGP2
Strategic Planning & Development	525	519	(6)	(6)	0	EGP2
Economic Growth	717	701	(16)	(16)	0	EGP4
Housing Strategy	522	556	34	34	0	EGP3
Directorate Strategy & Business Support	248	248	0	0	0	EGP4
Total Forecast Outturn Period 4	**3,304**	**3,344**	**40**	**53**	**(13)**	

EGP Business Reason / Area (Subjective analysis)	P4 Outturn Variance (£000's)	P3 Outturn Variance (£000's)	P3 – P4 Movement (£000's)	Ref
Asset Management				
Investment Property Rental Income:				
- Stamford Centre - shortfall	34	34	0	
- Other properties - shortfall	19	19	0	
- Airport - surplus	(19)	(19)	0	
Community buildings – income/running costs	14	19	(5)	
Facilities Management - staffing	30	30	0	
Asset Management – staffing vacancies	(12)	(12)	0	
Other minor running cost variances	7	5	2	
Sub-total	**73**	**76**	(3)	EGP1
Planning & Building Control				
Planning applications income shortfall	50	60	(10)	
Building Control income surplus	(60)	(60)	0	
Staffing vacancies	(35)	(35)	0	
Sub-total	**(45)**	**(35)**	**(10)**	EGP2
Strategic Planning & Development				
Staffing/running costs savings	(6)	(6)	0	
Sub-total	**(6)**	**(6)**	**0**	
Economic Growth – staffing vacancies	**(16)**	**(16)**	**0**	
Housing Strategy				
Housing improvements capital fee income shortfall	46	46	0	EGP3
Staffing/running cost savings	(12)	(12)	0	
Sub-total	**34**	**34**	**0**	
Total Forecast Outturn Period 4	**40**	**53**	**(13)**	

NOTES ON OUTTURN VARIANCES

EGP1 – Asset Management - £0.073m (adverse)

The effect of the economy is continuing to adversely affect rents across the property portfolio, including Stamford Centre £0.034m, other investment property £0.019m and Community Buildings £0.014m. Airport rent is expected to be £(0.019)m above budget following notification in March from Manchester City Council of new rent levels for the next five years.

Facilities Management staffing is expected to be £0.030m above budget. The associated saving has needed to be re-profiled as the planned disposal of buildings is taking longer than expected.

There are a number of staffing and minor running cost underspends of £(0.005)m across Asset Management.

EGP2 – Planning and Building Control – £(0.045)m (favourable)

Income from planning fees is forecast to be £0.050m less than budget, which is due to the continuing adverse economic climate. This includes a favourable movement of £(0.010)m since last reported due to improvements in the projected volume of applications for the year.

Building control income is forecast to be above budget by £(0.060)m. This includes some capital related income plus the service has been successful in competing with other external providers.

Planning and building control fees are continuing to be monitored on a weekly basis.

An underspend from staffing vacancies is predicted to be £(0.035)m, and the filling of these posts will be addressed by the on-going restructure of EGP.

EGP3 – Housing Strategy – Housing Improvement fee income £0.046m (adverse)
The cost of housing improvement work is recouped when properties are sold in the future, and the sale proceeds are reinvested in new works to top up the existing capital programme. Where new improvement works are carried out, this generates fee income for the service to recover the Council's management and administration costs. There has been a reduction in the number of property sales due to the adverse economic climate and this has reduced the availability of capital funds for new works. Fee income has, hence, reduced compared to that expected in the revenue budget. This will be taken forward in the Medium Term Financial Plan.

ANNEX 4

TRAFFORD MBC

Report to:	**Transformation & Resources Directorate Management Team**
Date:	**22 August 2013**
Report for:	**Discussion**
Report author:	**T&R Finance Manager**

Revenue Budget Monitoring 2013/14 – Period 4
(April 2013 – July 2013 inclusive)

1 Forecast Outturn

1.1 The current approved revenue budget for the year is £20.297m. The projected outturn of £20.267m is £(0.030)m below the approved budget. This is a £0.013m adverse movement since last month.

1.2 The £13k net adverse movement in the month is a result of:

£(41)k favourable variance on staff costs across the Directorate**.**

£38k adverse variance on legal costs.

£(10)k favourable collective variances on other running costs.

£36k adverse variance on forecast ticket sales in the Waterside Arts Centre.

£(10)k favourable variance on other income streams.

2 Reserves

2.1 The Directorate has accumulated balances of £(1.389)m brought forward from 2012/13. Over the year the surplus balance will be used to ensure that the Directorate can meet and sustain the challenges of the future, including support for the Transformation Programme. The table overleaf summarises the projected movement during 2013/14:

Table 1: Utilisation of Carry Forward Reserve 2013/14	£000's
Balance b/f 1 April 2013	(1,389)
Planned use in 2013/14	
Transformation Support	234
Land Charges Claims	185
LGG Support	56
EDRMS	50
Communications/Events	46
Library improvements	40
ICT textlink and contracts	34
Apprentice Support	20
Legal Case Management System	7
CCTV Marketing	5
2013/14 Outturn	(30)
Remaining Balance at 31 March 2014	**(742)**

2.2 In 2013/14 and future years the surplus balance will be used to ensure that the directorate can meet and sustain the challenges of the future, particularly ensuring support for the Transformation Programme.

Appendix 1

Period 4 Forecasted Outturn revenue expenditure and income variances

The following tables detail the main variances from the revenue budget to the forecasted outturn, and the movements since the last monitoring report, in both Management Accounts (“Budget Book”) format and by cause or area of impact of the variance.

Budget Book Format (Objective analysis)	Full Year Budget (£000’s)	P4 Forecast Outturn (£000’s)	P4 Outturn variance (£000’s)	P3 Outturn variance (£000’s)	P3 to P4 Movement (£000’s)	Note ref
Transformation and Resources Portfolio						
Legal & Democratic	1,885	2,037	152	139	13	T&R2,4
Communications & Customer Services	6,866	6,802	(64)	(48)	(16)	T&R1
Partnerships & Performance	2,687	2,696	9	6	3	
Strategic Human Resources	2,350	2,347	(3)	(3)	0	T&R3
Corporate Leadership and Support	367	359	(8)	(6)	(2)	
sub-total	**14,155**	**14,241**	**86**	**88**	**(2)**	
Finance Portfolio						
Finance Services	3,944	3,793	(151)	(133)	(18)	T&R1
sub-total	**3,944**	**3,793**	**(151)**	**(133)**	**(18)**	
Safe and Strong Communities						
Culture & Sport	2,198	2,233	35	2	33	T&R4
sub-total	**2,198**	**2,233**	**35**	**2**	**33**	
Total	**20,297**	**20,267**	**(30)**	**(43)**	**13**	

Business Reason / Area (Subjective analysis)	P4 Outturn variance (£000's)	P3 Outturn variance (£000's)	P3 to P4 movement (£000's)	Note ref
Management of Vacancies	(197)	(156)	(41)	T&R1
Court Costs and Legal fees	163	125	38	T&R2
Running Costs	19	29	(10)	T&R3
Income	(15)	(41)	26	T&R4
Total	**(30)**	**(43)**	**13**	

NOTES ON PROJECTED VARIANCES

T&R1
There are a number of posts which are held vacant whilst staffing structures are being reviewed, particularly in ICT and Revenues & Benefits.

T&R2
Legal expenses are forecast to be £163k adverse to budget due to a continuing increase in childcare cases and a number of new development projects.

T&R3
Running costs are being tightly controlled to remain within budget. However, the initiative to reduce sickness levels has impacted on utilisation of Occupational Health services causing a forecast adverse variance of £33k within HR.

T&R4
There is forecast to be a favourable variance on income of £(15)k, particularly on Registrars but offset by a shortfall in income in the Waterside Arts Centre.

ANNEX 5

TRAFFORD MBC

Report to:	**Director of Finance**
Date:	**22 August 2013**
Report for:	**Information**
Report author:	**Head of Financial Management**

Report Title

Revenue Budget Monitoring 2013/14 – Period 4 Outturn - Council-Wide Budgets (April 2013 to July 2013 inclusive)

1 Outturn Forecast

1.1 The current approved revenue budget for the year is £23.952m. The outturn forecast is £22.578m, which is £(1.374)m under the budget.

1.2 Appendix 1 details by variance area the projected outturn as compared to the approved revenue budget, with the main variances being;

Treasury Management - £(1.321)m relating to Manchester Airport Group dividend received above budget and £(0.020)m of reduced debt charges;

Members expenses - £(0.025)m, relating mainly to the voluntary 1.9% reduction in allowances;

There were a number of other minor variances across Council Wide budgets in the sum of £(0.008)m for the year.

2 Service carry-forward reserve and Recommendations

2.1 The underspend within Council-wide budgets is transferred to the General Reserve, as detailed in the summary report.

Appendix 1

Period 3 Draft Outturn revenue expenditure and income variances

The following tables detail the main variances from the revenue budget to the forecasted outturn, and the movements since the last monitoring report, in both Management Accounts ("Budget Book") format and by cause or area of impact of the variance.

Budget Book Format (Objective analysis)	**Full Year Budget (£000's)**	**P4 Forecast Outturn (£000's)**	**P4 Outturn variance (£000's)**	**P3 Outturn variance (£000's)**	**P3 to P4 movement (£000's)**	**Ref**
Finance Portfolio						
Precepts, Levies & Subscriptions	17,806	17,806				
Provisions (bad debts & pensions)	1,742	1,742				
Treasury Management	8,366	7,025	(1,341)	(1,341)		C-W1
Insurance	659	659				
Members Expenses	944	919	(25)		(25)	C-W2
Grants	(5,887)	(5,895)	(8)	(8)		
Other Centrally held budgets	322	322				
Total	**23,952**	**22,578**	**(1,374)**	**(1,349)**	**(25)**	

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Business Reason / Area (Subjective analysis)	**P4 Outturn variance (£000's)**	**P3 Outturn variance (£000's)**	**P3 to P4 movement (£000's)**	**Ref**
Treasury Management:				
- Investment Income	(1,321)	(1,321)		C-W1
- Debt Management cost savings	(20)	(20)		C-W1
Members Allowances	(25)		(25)	C-W2
Grants	(8)	(8)		
Total	**(1,374)**	**(1,349)**	**(25)**	

NOTES ON PROJECTED VARIANCES

C-W1 – Treasury Management - £(1.341)m (favourable).

Investments – £(1,321)k – Increased MAG share dividend
In 2013 Manchester Airport Group (MAG) acquired Stansted Airport which resulted in the Council's share allocation in the expanded group being restated from 5% to 3.22%. The MAG board, at its June 2013 meeting, agreed the total level of share dividend to be paid in 2013/14 and this was set at £72m, payable in 2 tranches, £50m in July 2013 and £22m in October 2013. The Council will now receive a total of £(2.321)m, which is £(1.321)m in excess of the budgeted figure. Whilst the level of dividend forecasted to be received annually has been revised to a level of £(1.352)m from that previously received of £(1.000)m, this year's dividend is higher than normal as it contains a one-off allocation relating to the higher than expected levels of cash balances held in Stansted Airport at the time of acquisition.

Debt - £(20)k – Minimum Revenue Provision
A lower than expected level of prudential borrowing relating to the 2012/13 capital programme has resulted in a temporary reduction in the minimum revenue provision in 2013/14.

C-W2 – Members Allowances - £(0.025)m (favourable).
All 63 Trafford Members agreed to take a voluntary 1.9% reduction in the value of their allowances. This will generate a saving of £(0.016)m. Other minor savings from telephony and running costs are also expected of £(0.009)m.

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TRAFFORD COUNCIL

Report to: Accounts and Audit Committee
Date: 26 September 2013
Report for: Information
Report of: Audit and Assurance Manager

Report Title

STRATEGIC RISK REGISTER (SRR) – 2013/14 Quarter 2

Purpose of the Report

The Accounts and Audit Committee is asked to consider this report which contains an update on the strategic risk environment for quarter two, 2013/14. This includes arrangements in place to manage each of the strategic risks.

Recommendation

The Accounts and Audit Committee reviews the report.

Contact person for access to background papers and further information

Name: Mark Foster – Audit & Assurance Manager. **Extension:** 1323

Kerry Bourne – Senior Audit & Assurance Officer **Extension:** 4603

Background Papers: Corporate Risk Management Policy and Strategy

1. INTRODUCTION

1.1 The Council's Strategic Risk Register (SRR) contains the strategic risks the Council is likely to face in achieving its high level corporate objectives.

1.2 In accordance with the Council's Risk Management Policy, the Corporate Management Team (CMT) provides regular periodic updates on the strategic risk environment and in particular performance in managing the specific risks incorporated within the SRR.

1.3 This report, for quarter two 2013/14, is based on information provided by risk owners through August and September 2013.

1.4 The report highlights changes since the previous quarterly update but also as referred to in 2.6 below, key developments since the Committee last received an update in March 2013.

2. THE STRATEGIC RISK ENVIRONMENT – RISK EXPOSURE AND PERFORMANCE MANAGEMENT

2.1 Section 3 of this report contains a summary listing of the highest strategic risks identified. The Audit & Assurance Service requested current strategic risk owners to provide a summary update on the strategic risks that are under their remit including progress in managing these risks.

2.2 **Overall, it is considered that the level of strategic risk faced by the Council remains fairly stable.**

2.3 Since the last strategic risk monitoring update was reported to TPR in July 2013, three strategic risks have been added to the Register and one strategic risk was removed to remain at Directorate level. Details are as follows:

2.4 The following strategic risk be removed from the register:

- SR1 – Transformation Programme is not delivered with the speed, scale and degree of innovation required to maintain future financial sustainability.

  This is due to the following reason provided:

  a) The Programme has maintained, reviewed and improved its robust governance and monitoring arrangements over the last 3 years. These involve the attention of the most senior officers in the organisation; this has resulted in a year on year acceleration of savings realisation against the plan and latterly, an over achievement of benefits profiled.

  b) Due to how well embedded and routine the Transformation Programme, its activity and related budget monitoring has become across all directorates and the Council as a whole, it is now regarded as business as usual rather than an unfamiliar and different way of working.

2.5 The three strategic risks added are:

- SR 17 – Risks relating to the Council's inability to meet Trafford residents' requests to have burials within the local area due to insufficient land.
- SR 18 – The Council website is not easily accessible, services are unable to update information or provide service responses fast enough through digital challenges to meet customer expectations. Other channels of communication – face to face, telephone and Member's surgeries - gain increased numbers of requests due to reliability issues around digital channels.
- SR 19 – Impact and implementation of the Care Bill. The Care Bill was published in May 2013 and outlines new duties and responsibilities for Local Authorities, building on the Government's "Caring for our Future" White Paper, published last year. Key elements include new rights for carers to assessment and support, national eligibility threshold for care and support, a cap on the costs that people will have to pay for care, financial protection for those with modest wealth, deferred payment agreements, Local Authority responsibility for preventative services and the provision of information and a duty to carry out needs assessments.

2.6 Since the last strategic risk monitoring update was reported to the Accounts and Audit Committee (Quarter 4 report 2012/13 in March 2013), five other risks have been removed from the risk register. This was a result of respective projects / transfers of responsibility being completed with associated issues now being managed at an operational level. These risks were as follows:

- Affordability of long-term accommodation project (SR7 per March 2013 report)
- Continuity and availability of Council systems, infrastructure and telephony services in the run up to, during and following the relocation of the Data Centre from Friars Court in Sale, to the newly built Data Centre in the refurbished Town Hall (SR18 per March report)
- The implementation of the new localised council tax reduction scheme is not implemented on time due to the very short timescale and legal challenges are lodged over the Council's consultation process and Equality Impact Assessments (SR19 per March report)
- Public Health: transfer of responsibility to the Council April 2013 (SR20 per March report)
- Failure or delay in implementing the Local Welfare Assistance Scheme which replaces the DWP Social Fund in April 2013, putting vulnerable residents at risk and causing reputational damage to the Council (SR22 per March report).

2.7 The risk charts below show an analysis of the current strategic risks. The chart analyses the levels of risk exposure in terms of impact and likelihood. The number of strategic risks for each risk level is shown. There are now 19 strategic risks (four of which are considered high level).

2.8 For the risks remaining, it is considered that the strategic risk environment is stable overall. **Performance in managing the risks has been stable or shown improvement** as highlighted in the summary analysis of each risk on pages 5 to 13.

Comparison of Risk Levels June 2013 and September 2013

Risk Levels – June 2013

IMPACT					
Very High(5)		2	3	3	1
High (4)		1	1		1
Medium (3)			2	2	1
Low (2)					
Very Low (1)					
	Very Low (1)	Low (2)	Med. (3)	High (4)	Very High (5)

LIKELIHOOD

Risk Levels – September 2013

IMPACT					
Very High(5)		2	4	2	1
High (4)			3	1	
Medium (3)			2	2	2
Low (2)					
\ Very Low (1)					
	Very Low (1)	Low (2)	Med. (3)	High (4)	Very High (5)

LIKELIHOOD.

High Risk
Medium Risk
Low Risk

3. Summary Table –Strategic Risks (September 2013)

Red	Amber	Green

Risk	Strategic Risk Title / (Directorate) / (Portfolio)	Risk Level	Management of Risk - Direction of Travel *	Comments
1	Major regeneration projects, including Altair, Altrincham Strategic Framework delivery, Old Trafford Master Plan (OTMP) and Carrington development do not proceed due to economic and financial constraints. (EGP) / (EGP)	**15 Medium**	⬅➡ Stable	All project risks contained and detailed within individual project plans. Overall, all projects within tolerance. • Urmston Phase 2 is now completed. • Altair planning application has been received and will be going to the September 2013 Planning Committee. • Funding has been approved for the OTMP. • Altrincham public realm strategy agreed • Proposals for new Altrincham Library as part of redevelopment of existing hospital site going to June Executive.
2	Whilst safeguarding services in Trafford have been inspected and rated by OfSTED as good with good prospects for improvement, this is an area of Council responsibility that requires constant high levels of vigilance to guard against the risk of harm or abuse to Children that could have been prevented through intervention and support of services. In particular, the risk of the Safeguarding Board not being effective in undertaking its duties and responsibilities and/ or insufficient numbers of staff, particularly social workers with relevant experience, to provide effective safeguarding services to children and young people. (CFW)/ (Supporting Children and Families)	**20 High**	⬅➡ Stable	Trafford took part in a Safeguarding Peer Review in February and received the final letter on 05 June 2013. An action plan in response is being finalised. The overall messages about safeguarding were very positive, with recognition of good practice, strong partnership working and a learning organisation. The feedback has been helpful in confirming for us the areas of continued development and improvement which were already underway and the findings were in line with our own evaluation of strengths and areas of development needed. With regard to the general overview of safeguarding: • Partnership working and communication in safeguarding services remain good, both within the CFW and between the CFW, health partners and other agencies. Guidance and direction for staff are good and staff report experiencing professional challenge and support, with accessible managers and clear decision making. • Trafford continues to have a good reputation as an authority, with high numbers of applicants for posts in CFW and positive feedback from staff who

				have come to Trafford from other authorities. • Caseloads are high but manageable. The workload management system indicates that staff are working at capacity and this is kept under review on a monthly basis. • Training and support for social work staff has been reviewed to comply with the new national professional capabilities framework that is still in development. Training for experienced workers is now being developed to comply with the new requirements and Trafford has identified a Principal Social Worker for children's services in line with the national requirement. • A partnership response in respect of Early Help for families is a priority as part of the response to the Munro Review of Child Protection and a strategy has been developed to reflect the work already undertaken and the work needed for the future. • The Family Justice Review recommendations are being progressed and the new court timescales will be implemented on 05 August 2013. This will require all authorities to achieve outcomes for children in shorter timescales and work is in hand to address this requirement and manage the potential risks that it poses. • Heightened awareness regionally and nationally around safeguarding – child sexual exploitation. Risks around ensuring all children in Trafford are safe & potential reputation risk is mitigated.
3	Demand for school places underestimated and/ or additional school places are not delivered to satisfy increased demand. (CFW)/ (Education)	**15 Medium**	⬅➡ Stable	• All children have been allocated places for the 2013/14 academic year. • The demand for primary and secondary school places continues to be monitored and capital resources allocated to ensure sufficient places are provided to meet our statutory duty. • A two year resource allocation has now been received from DfE and a capital programme is planned in line with projections. • A secondary sufficiency review has been launched with schools to manage the projected increases working through

				from the primary sector. Current projections suggest this will be a major issue from 2017. • Fragmentation of governance arrangements are making it increasingly difficult to plan places in the secondary sector. Trafford Council is not the admission authority for one (Lostock) of the 18 secondary schools so has limited direct powers in relation to place planning and admissions policies.
4	There continues to be uncertainty regarding the Council's medium term financial position given the reliance that exists on support from Central Government, cost pressures within the existing budget and major changes in the administration of Business Rates, Council Tax Support and Local Welfare schemes resulting in a greater risk being transferred to local government. (T&R)/ (Finance)	**25** **High**	⬅➡ Stable	The Council has agreed its budget for 2013/14 and issued a provisional budget for 2014/15. New risks from the local government financial settlement include: • Risks and rewards in the growth/ reduction in business rates; • Changes in the number and cost of Council Tax Benefit claims; • The cost of local welfare assistance (replacement of the DWP Social Fund); • Reputation risks around budget management. Close monitoring of the financial implications to the Council due to the changes in administration of Business Rates, Council Tax Support and Welfare Reforms is taking place as part of the regular monitoring reports and forecasts remain within budget. Austerity is now expected to last until at least 2017. In addition to reducing funding there continue to be cost pressures and demands on the budget including: • Increased demand on and in the cost of adult social care. • Investment rates continue to be suppressed. • Pressure from Transport and Waste Disposal levies. • Employee costs – potential risks in this area include for a national pay award, national insurance and pension changes, and the continuing effects of job evaluation. • Organisational change costs. The Government has also signalled that

				austerity is likely to continue through to 2017/18. The Spending Review announced on 26 June 2013 reaffirmed the commitment of the Government to tackle the budget deficit by way of spending reductions. The headline reduction for local government is a 10% cut but the actual impact for Trafford will not be known until December 2013.
5	Availability of capital resources from sales of surplus assets and Government Grant to support the Capital Programme. (T&R)/ (Finance)	**9 Medium**	⬅➡ Stable	Nationally, Government funding has been suppressed and cautious estimates of funding have been assumed by Trafford for its current Capital Programme. The sale of spare Council assets has also been suppressed due to the economy. This has reduced the availability of local discretionary funds. Available resources need to demonstrate a pay back in terms of budget savings and social capital beyond the cost of capital investments. The Capital Programme has been fully reviewed and remodelled as part of the 2012/15 budget process and is monitored and reported on a quarterly basis. The Community Infrastructure Levy represents a potential significant improvement in the availability of funds.
6	Ability of partnership working in relation to vulnerable adults and older people. (CFW)/ (Adult Social Services)	**12 Medium**	⬅➡ Stable	• The Health and Wellbeing Board is established. • The Health and Wellbeing Strategy has been subject to extensive consultation and is scheduled to be signed off by the Board in August 2013. The underpinning Action Plan is under development in partnership with the CCG. • The Public Health Transfer to the Council as the receiving organisation received Public Health Services and staff 'safely', based on a robust Programme Management Approach. • The integration of Adult Social Care Operational Services and Trafford Provider Services has continued to progress based on strong project management arrangements. A formal partnership agreement is due to be signed in October 2013 with full implementation from the 01 April 2014. An Executive Summary of the Integrated Care Model and supporting Action Plan

				has been submitted to the AGMA Leaders Forum by the required deadline of the 13 June 2013. • The transfer of community health from Trafford Provider Services to Pennine Care has been successfully completed. • Heightened awareness nationally around safeguarding – elderly and vulnerable adults. Risks around ensuring all elderly and vulnerable adults in Trafford are safe & potential reputation risk is mitigated.
7	Ability of partnership working to release resources with sufficient speed and execution to deliver joint objectives around children. Increased risk from role of National Commissioning Board (NCB) local area team as associate commissioner and lead funding agency for health visiting and some school nursing services. (CFW)/ (Supporting Children & Families)	**15 Medium**	⬅➡ Stable	• Strategic Partnership Agreement (Section 75) for CYPS Integrated Commissioning is being revised following the transition from PCT to CCG. This agreement is on target for approval and implementation in October 2013. • Improved alignment of contract management arrangements and stronger links established to CCG organisational processes. • Increased risk from role of NCB's local area team as associate commissioner and lead funding agency for HV and some school nursing services. • Community Health Services Tender completed with both CYPS and CAMHS lots awarded to Pennine Care and successful transition. • Provider S75 agreement combined with Adult Services to create all age integrated agreement. • Children's Trust Board receives quarterly performance indicator updates.
8	Demand for eligible services outstrips resources in adult social care (CFW)/ (Adult Social Services)	**20 High**	⬅➡ Stable	No change in the risk since the last update. • Business Delivery Programme Board continues to monitor and manage demand, performance and savings delivery based on a collaborative model, including commissioners, operations, health colleagues, Finance and Performance. The model has been commended by the MJ Awards in relation to its innovative approach. • A Business Case portfolio is in place. • The Tele-care offer has been accelerated evidenced by the launch of the Tele-care Pledge to all residents in Trafford over 80+. • An external pilot in relation to Assessment and Re-ablement is underway.

				• Strong operational links developed with the hospitals to manage delayed transfer.
9	Failure of the Adult Safeguarding Service (CFW)/ (Adult Social Services)	**10 Medium**	⬅➡ Stable	No change in the risk since the last update. • Development and launch of new Safeguarding procedures. • Refresh of Adult Safeguarding Board. • Safeguarding procedures have been reviewed. • Senior Learning & Development post vacant. Impact on sustaining competency in relation to implementation of practice with both internal and external agencies. • Serious Case Review Panel reviewed and in place
10	Breach of health and safety legislation leading to prosecution under the Corporate Manslaughter Act (T&R) /(T&R)	**10 Medium**	⬅➡ Stable	No change in the risk since the last update. A programme of audit of Fire Safety in Trafford's schools commenced in February 2013. This will give increased assurance about the Council's arrangements for managing Fire Safety. Arrangements for health and safety training provision are currently under review, to ensure that all staff receive the necessary statutory health and safety training required for their job.
11	Council does not agree, adopt and deliver carbon reduction targets. (ETO)/ (Highways & Environment) & (EGP)/ (EGP)	**12 Medium**	⬅➡ Stable	• Trafford successfully submitted its 2013 CRC Scheme annual report and ordered the required number of carbon allowances, which will be paid for in September 2013. • Annual Greenhouse Gas Reporting information has been submitted to DECC and published on the Council's website. • Installation of Automatic Meter Readers is underway. Progress has also been made on the electronic population of the Council's energy database, which will be upgraded to a new system soon. • The CRC management group comprising officers from ETO, EGP and Audit continues to meet to ensure data robustness and CRC scheme compliance and strengthen forward planning and coordination across services. • A refreshed Energy & Water Management Plan, including street lighting and transport, is being prepared to provide a framework for carbon emissions reduction. • In December 2012, the government

				published simplifications to the CRC Energy Efficiency Scheme. The qualification year for Phase 2 of the CRC is 2012/13. Based on new official guidance, under the proposed new arrangements, Trafford would fall out of the CRC Scheme at the beginning of Phase 2 in 2014/15.
12	Statutory targets relating to Adult Social Care services are not met. (CFW) / (Adult Social Services)	**12** **Medium**	⬆ Improvement	• Monitoring is in place and a range of weekly, monthly and quarterly reports are overseen by Business Delivery Programme Board. • Performance is monitored against national and local performance indicators as per Directorate Performance Framework. The overall improvement in performance evidenced by year has been significant.
13	Major event leading to inability to deliver critical services to vulnerable people. (CFW)/ (Adult Social Services)	**9** **Medium**	⬅➡ Stable	Business Continuity Plans have been embedded and updated.
14	Failure to complete the Business Continuity (BC) Programme Project, resulting in an increased risk that the Council may fail to deliver Council services in the event of significant disruption. (T&R)/ (T&R)	**12** **Medium**	⬅➡ Stable	A spreadsheet has been completed reflecting the re-structure of Directorates and Services. All other activity as stated below is underway. Partnerships & Performance Business Partners are liaising with service groupings to ensure Business Impact Analysis, (BIA) documents are being updated, reflecting the new structures. Plans for Priority 1 & 2 services can then be updated or developed where they are not already in place; and the spreadsheet can then be populated, with critical dates for reviewing BIAs and BC plans. This will help to identify any gaps. Once we are satisfied Service Continuity Plans reflect these new structures, the Corporate plan can be amended and tested. There is an updated draft Business Continuity Policy; and amendments to the council Intranet & Web Site are in progress. A final Internal Audit report is due to be issued in September 2013.

15	Financial and other implication as a result of coalition Government policy to fast track initially “outstanding” schools and then all other schools to academy status. (CFW)/ (Education)	**15** **Medium**	⬅➡ Stable	• 17 Trafford schools (12 secondary and 5 primary) have Academy Status. • It is expected academy conversion will accelerate in the next year in the primary sector. • The Department for Education has strongly indicated that any school judged, by Ofsted, to be inadequate should become a sponsored academy as soon as possible. We will continue to: • Monitor closely the position regarding the status for schools that currently have expressed an interest to convert and work with the Headteacher and Governing Bodies. • To continue the programme of meetings with senior officers in CFW.
16	Adult Social Care Budget 2013/14: Ability to implement wide range of savings proposals in the current economic conditions. (CFW)/ (Adult Social Services).	**15** **Medium**	⬅➡ Stable	• 75% of savings proposals have been delivered. • The demand management remains a significant risk and is mirrored nationally. The demand pressures will continue to be monitored through the Business Delivery Programme Board on a weekly basis throughout the year. • It is currently difficult to project the outturn. The reducing pressure of the Learning Disability Pooled Fund following significant action by the Directorate will continue to be a priority linked to the Recovery Plan which is in place and will see a balanced position over a 2 year period. The L.D. Partnership Agreement will be reviewed including revisiting the contribution to the Pooled Budget from the CCG.
17	Inability to meet Trafford residents' requests to have burials within the local area due to insufficient land. (ETO) / (Highways and Environment)	**16** **High**	N/A	This is a new risk added to the SRR. See detail provided on pages 30&31of the report.
18	The Council website is not easily accessible, services are unable to update information or provide service responses fast enough through digital challenges to meet customer expectations. Other channels of communication – face to	**12** **Medium**	N/A	This is a new risk added to the SRR. Customers have a greater and growing use and dependency on websites to access up to date information and services, including financial transactions. Trafford Council's website and supporting infrastructure, including IT, CRM and

	face, telephone and Member's surgeries - gain increased numbers of requests due to reliability issues around digital channels. (T&R) / (T&R).			content updates from all service areas need to be robust to support customers in accessing information and services; and allow them to carry out financial transactions. This also protects and promotes the Council's reputation.
19	Impact and implementation of the Care Bill. The Care Bill was published in May 2013 and outlines new duties and responsibilities for Local Authorities, building on the Governments "Caring for our Future" White Paper, published last year. Key elements include new rights for carers to assessment and support, national eligibility threshold for care and support, a cap on the costs that people will have to pay for care, financial protection for those with modest wealth, deferred payment agreements, Local Authority responsibility for preventative services and the provision of information and a duty to carry out needs assessments. (CFW) / (Adult Social Services).	**15 Medium**	N/A	This is a new risk added to the SRR. See detail provided on page 32 of the report.

* Note: This indicates the direction of travel in respect of performance in managing the risk and not direction of travel of the risk level.

4. STRATEGIC RISK REGISTER (SEPTEMBER 2013)

STRATEGIC RISK REGISTER 2012/13		Risk Number	1
Corporate Priorities	• Value for money • Fighting crime • Better roads and Pavements	Link(s) to Community Strategy Key Objectives	• Positive environmental impact • Better homes • Health and improved quality of life for all • Strong economy

RISK	**Major regeneration projects, including Altair, Altrincham Strategic Framework delivery, Old Trafford Master Plan (OTMP) and Carrington development do not proceed due to economic and financial constraints.**
Consequences	• Failure to deliver on promise to community. • Negative impact on reputation. • Adverse impact on urban regeneration. • Failure to deliver the Core Strategy housing and employment growth targets • Negative impact on economic and housing growth in the borough.
Controls	• Lead officers identified • Consultants in advisory role where appropriate • Officer/ member steering groups in place • Regular performance meetings with developer/ key stakeholders • Detailed project plans in place. • Altrincham Delivery Group

Risk Assessment	Likelihood	Altair = 3 Altrincham = 3 OTMP = 3 Carrington = 3	Impact	Altair = 5 Altrincham = 5 OTMP = 5 Carrington = 5	Exposure	Altair = 15 Altrincham = 15 OTMP = 15 Carrington = 15 Average = 15

RISK LEVEL	**Medium Risk (Average)**
Risk Performance Indicators	**Altair** • CPO confirmed, Development Agreement extended to 31 March 2013 and developer proposals being finalised. • Funding strategy dependent upon pre-letting key parts of development – possibility of increasing residential element as hotel market not strong in this location. • Planning application received and going to the September Planning Committee. **Altrincham** • Altrincham Forward Board reviews – quarterly • Consultation on Altrincham Town Centre Plan being undertaken (Summer 2012) • Delivery of pipeline developments, including Graftons (on site), new hospital, interchange and Altair (see above) • Support of local traders/ organisations/residents **OTMP** • Essex Way development on-site – completion Summer 2013 • Tamworth refurbishment and demolition works on site – completion March 2014 • Hullard refurbishments on site – completion December 2013-02-14 HCA funding bid submitted for Shrewsbury Street scheme – decision May 2013 • Funding approved. **Carrington** • Project meetings with Shell – quarterly • Three bidders have been shortlisted.

	• Outline of spatial concepts being developed • Engagement with key stakeholders ongoing • Flixton Road junction improvements on site – completion December 2013
Effectiveness of controls and performance indicators	Altair = 3 Altrincham = 4 OTMP = 3 Carrington
Improvement Actions (ref to action plans)	Regular performance meetings with developers/ key stakeholders to ensure project time times and delivery of key mile stones.
Person or Group Responsible for management of risk	Economic Growth and Prosperity (EGP)

Previous risk reviews completed:

- G Pickering, Corporate Director PPD. April 2009
- J Valentine, Head of Asset Management. October 2009
- P Harvey, Director of Environment. February 2010 and July 2010
- D Smith/ J Valentine, Head of Strategic Planning & Houses/ Head of Asset Management. May 2010 and January 2011
- D Challis, Asset manager. June 2011
- N Gerrard, Corporate Director EGP & Steph Everett, Growth Delivery Manager. September 2011; and February 2012

Risk Review Date	August 2012	Completed By	Rob Haslam/ John Steward	Designation	Acting Strategic Planning Manager/ Interim Economic Growth Lead
Risk Review Date	February 2013	Completed By	Stephen James	Designation	Economic Growth Manager
Risk Review Date	August 2013	Completed By	Helen Jones	Designation	Corporate Director – EGP

STRATEGIC RISK REGISTER 2013/14	**Risk Number**	**2**	
Corporate Priorities		Link(s) to Community Strategy Key Objectives	

RISK	**Whilst safeguarding services in Trafford have been inspected and rated by Ofsted as good with good prospects for improvement, this is an area of Council responsibility that requires constant high levels of vigilance to guard against the risk of harm or abuse to children that could have been prevented through intervention and support of services. In particular, the risk of the Safeguarding Board not being effective in undertaking its duties and responsibilities and/ or insufficient numbers of staff, particularly social workers with relevant experience, to provide effective safeguarding services to children and young people.**
Consequences	• Harm or abuse of children • Sanctions/ penalties against Service. • Legal liability claims. • Negative impact on reputation.
Controls	• Monthly meetings of the Director of Children's Services Safeguarding Group. • Independent Chair appointed and Safeguarding Board governance and planning approved.

Risk Assessment	Likelihood	4	Impact	5	Exposure	20

RISK LEVEL	**High Risk**
Risk Performance Indicators	• Responsibility for the risks are multi-agency and depend on all parties to achieve successful outcomes and sustained improvement; • There were staffing implications arising from the CQC/OFSTED Inspection report in April 2010 around the need to strengthen the role of LADO and the Independent Reviewing Team and the role of Statutory Children's Compliant Service. The issues have been addressed and additional resources identified as appropriate.
Effectiveness of controls and performance indicators	• The direction of travel is improving. The Service was inspected by OFSTED and CQC in April 2010 and the report concluded that the overall effectiveness of safeguarding and the capacity for improvement were good, with only a few exceptions, performance is better than statistical neighbours and nationally. In addition in December 2010 children's services in Trafford were rated as performing excellently by OFSTED and this rating was confirmed for a second year in December 2011. • The TSCB remains independently chaired and made good progress against its 2012/ 13 business plan. A revised business planning process has now been developed linked to the children and young people's strategy and a three year plan is complete. The work of the TSCB sub-groups is robust and they are monitoring and quality assuring safeguarding outcomes for children. • Multi-agency preventative work with children in need is well developed and effective and the number of new children coming into care in 2010/ 11 reduced. However, the current number of child protection plans and children in care is high and reasons for this are analysed regularly with actions taken if appropriate. • Action plans have been developed following recent inspections but all recommendations are very minor. • Partnership working and communication in safeguarding services are good, both within the CYPS and between the CYPS, health partners and other agencies. Guidance and direction for staff are good and staff report experiencing professional challenge and support, with accessible managers and clear decision making. • The CYPS has recruited to a number of posts in recent months. The number of high quality applicants was high indicating Trafford's good reputation as an employer. They are settling into Trafford well and are very positive about their early experiences here. • Caseloads are high but manageable and the workload management system is helping to promote balanced workloads in line with the capability of staff and their level of experience. • Training and support for staff are of consistently high quality, especially the multi-agency training arranged by the TSCB for which take-up is good. • The Munro review of child protection services and the government response indicates Trafford's direction of travel is in line with current thinking and work is in progress to address the Munro recommendations although full clarity is not yet available from government in terms of detailed expectations. • Trafford participated in a Safeguarding Peer Review in February 2013 and the overall messages about safeguarding were very positive with recognition of good practice, strong partnership working and as a learning organisation. The feedback has been helpful in confirming areas for continues development and improvement. The findings were in line with our own evaluation of strengthens and areas for development.
Improvement Actions (ref to action plans)	• Action plans from recent inspections to be progressed and monitored within CFW. • Requirements of the Munro review are being progressed via an implementation plan. • The Family Justice Review recommendations are being progressed and the new court timescales will be implemented. Authorities are required to achieve outcomes for children in shorter timescales and we will continue to manage potential risks.

Person or Group Responsible for management of risk			Corporate Director of CFW		
Previous risk reviews completed: • C Pratt, Corporate Director CYPS. April 2009 and October 2009 • M Woodhouse, Interim Corporate Director CYPS. March 2010 and July 2010 • D Brownlee, Corporate Director CYPS. January, April, July, September 2011, January 2012, August 2012 and February 2013					
Risk Review Date	August 2013	Completed By	Deborah Brownlee	Designation	Corporate Director CFW

STRATEGIC RISK REGISTER 2013/14				**Risk Number**	**3**	
Corporate Priorities			Link(s) to Community Strategy Key Objectives			
RISK	**Demand for school places underestimated and/ or additional school places are not delivered to satisfy increased demand.**					
Consequences	• Statutory duty not discharged. • Negative impact on reputation. • Ad hoc expensive provision required • Disruption to pupils education					
Controls	• Thorough review based on most recent birth rates undertaken in January 2012 taking into account recent and planned housing developments. • The comprehensive plan, giving the analysis of and projecting the increased demand for school places considered by the Executive in March 2012 now being implemented.					
Risk Assessment	Likelihood	3	Impact	5	Exposure	15
RISK LEVEL			**Medium Risk**			
Risk Performance Indicators						
Effectiveness of controls and performance indicators	The direction of travel remains stable. Planning for school places continues to be an area of risk. All pupils have been placed in schools for the 2013/14 academic year, though not necessarily in the preferred choice of parents. A two year resource allocation has been received from the Department for Education and a capital programme planned in line with projections.					
Improvement Actions (ref to action plans)	• Continue to update the review undertaken on most recent birth rates and taking into account recent and planned housing developments. • Monitor the potential consequence of the economic recession of parents transferring from private schools to Trafford state schools. • Continue to monitor the demand for primary and secondary school places; produce a plan for meeting these; secure the necessary capital resources and deliver the plan. Current projections suggest that from 2017 the number of secondary school places will be a major issue. • Fragmentation of governance arrangements makes it increasingly difficult to plan places in the secondary sector. Trafford is the Admissions Authority for only one of its 18 secondary schools and, therefore, has limited direct powers in relation to place planning and admissions policies. A secondary school sufficiency review has been launched with schools to manage the projected increases that are coming through the primary sector. • Update the Executive when Spending Review allocations are published. • Subject to approval, implement the comprehensive plan.					
Person or Group Responsible for management of risk			Corporate Director of CFW			

Previous risk reviews completed:					
• C Pratt, Corporate Director CYPS. April 2009 and October 2009 • M Woodhouse, Interim Corporate Director CYPS. March 2010 and July 2010 • D Brownlee, Corporate Director CYPS. January, April, July, September 2011, January 2012, August 2012 and February 2013					
Risk Review Date	August 2013	Completed By	Deborah Brownlee	Designation	Corporate Director CFW

STRATEGIC RISK REGISTER 2013/14		**Risk Number**	**4**
Corporate Priorities	All Corporate Priorities	Link(s) to Community Strategy Key Objectives	
RISK	**There continues to be uncertainty regarding the Council's medium term financial position given the reliance that exists on support from Central Government, cost pressures within the existing budget and major changes in the administration of Business Rates, Council Tax Support and Local Welfare schemes resulting in a greater risk being transferred to local government.** **<u>Support from Central Government Cost Pressures</u>** **The Government has signalled that austerity is likely to continue through to 2017. High level spending plans for 2015/16 were announced in June 2013 and signalled further funding reductions for local government. In addition to reducing funding there continues to be cost pressures and demands on the budget including:** • **Increased demand on and in the cost of adult social care** • **Pressure from Transport and Waste Disposal levies** • **Employee costs – potential risks in this area include for national pay award, national insurance and pension changes, and the continuing effects of job evaluation** • **Organisational change costs** **<u>Business Rate Retention</u>** **A new feature of the financial regime from 2013 for local authorities is the Business Rates retention Scheme. This will allow the Council to have a share of 24.5% of any growth in rates above the baseline set for Trafford. However, the Council will become responsible for 49% of any reductions below the baseline. There are a large number of outstanding appeals against business rates that could adversely impact on the Council. These appeals are determined by the Valuation Office Agency.** **<u>Council Tax Support and Local Welfare Scheme</u>** **Changes in the local Council Tax Support Scheme (replacing thee national Council Tax Benefit scheme) and the Local Welfare scheme (replacing the DWP Social Fund) were introduced from April 2013. Both of these changes have resulted in giving the Council greater discretion over their administration.**		
Consequences	• Reducing level of services across the Authority. • Adverse perception of the Authority. • Negative impact on reputation. • Potential political impact.		
Controls	• The Council's budget for 2013/14 was agreed in February 2013. • Prioritisation of budget resource towards demand led budget areas within social care. • An indicative budget for 2014/15 was also agreed by the Council. • Budget and financial management information systems in place. • Regular (at least monthly) budget monitoring reports including a Council Tax and Business Rate projections. • Liaison with Valuation Office.		

	• Government safety net will limit losses on business rates (Trafford's maximum liability in 2013/14 is £2.4m). • Provisions maintained for anticipated costs of organisational change (employment rationalisation). • Pro-active Treasury Management including regular updates and review by Members. • Smoothing reserves established where necessary for such items as, Treasury Management to avoid changes in the external markets impacting on the budget, and to equalise the costs of the Waster Disposal PFI over the medium term. • Minimum level of reserves established to provide short term cover for losses.					
Risk Assessment	Likelihood	5	Impact	5	Exposure	25
RISK LEVEL			**High Risk**			
Risk Performance Indicators	• Director of Finance monitoring Council's current year budget • Regular (at least monthly) budget/ financial monitoring (Directorates) • TPR monitoring transformation savings. • Consideration of the likely position in 2015/16 has been re-assessed following the Government's spending plans released in June 2013.					
Effectiveness of controls and performance indicators	3					
Improvement Actions (ref to action plans)	• Will need to refresh MTFP • Other options for savings being developed by Corporate Directors.					
Person or Group Responsible for management of risk			Director of Finance			
Previous risk reviews completed: • I Duncan, Director of Finance. April 2009; October 2009; February 2010; July 2010 and January 2011 • I Kershaw, Head of Financial Management. August 2011 and January 2012.						

Risk Review Date	September 2012	Completed By	Ian Duncan	Designation	Acting Corporate Director – T&R
Risk Review Date	February 2013	Completed By	Ian Duncan	Designation	Director of Finance
Risk Review Date	August 2013	Completed By	Dave Muggeridge	Designation	Finance Manager

STRATEGIC RISK REGISTER 2013/14				**Risk Number**	**5**	
Corporate Priorities			Link(s) to Community Strategy Key Objectives	No specific link		
RISK	**Availability of capital resources from sales of surplus assets and Government Grant to support the Capital Programme.**					
Consequences	• Reduction in ability to deliver capital improvement plans.					
Controls	• Capital programme and land sales programme reviewed on a quarterly basis and reported to the Executive, including an update on resource availability. • Monitor generation of capital receipts. • Review of capital expenditure plans accordingly – either continuing to proceed, flexing, rescheduling or postponing as appropriate.					
Risk Assessment	Likelihood	3	Impact	3	Exposure	9
RISK LEVEL			**Medium Risk**			

Risk Performance Indicators	• Capital receipts. • Monitoring existing commitments.				
Effectiveness of controls and performance indicators	4				
Improvement Actions (ref to action plans)	None proposed at present. Values set at realistic levels and some evidence of minor improvements, and new approaches introduced.				
Person or Group Responsible for management of risk			Director of Finance		
Previous risk reviews completed: • I Duncan, Director of Finance. April 2009; October 2009; February 2010; July 2010 and January 2011 • I Kershaw, Head of Financial Management. August 2011 • J Valentine, Head of Asset Management. January 2012, August 2012 and February 2013.					
Risk Review Date	August 2013	Completed By	Dave Muggeridge	Designation	Finance Manager

STRATEGIC RISK REGISTER 2013/14					**Risk Number**	**6**	
Corporate Priorities	• Improving Health & Wellbeing • Low Council Tax • Value for Money		Link(s) to Community Strategy Key Objectives		Health & Improved Quality of Life for All.		
RISK	**Ability of partnership working with health to deliver joint objectives for vulnerable adults and older people and to improve health inequalities.**						
Consequences	• Not meeting service objectives around key groups of people. • Spend is not best utilised/ limited value for money. • Could lead to reduced service/ support to vulnerable persons.						
Controls	• Partnership Boards in place • Mechanisms in place to support decision-making and deliver governance • Regular leadership and oversight meetings with Council and NHS Chief Executives. • Leadership and engagement by relevant Chief Officers in respective fields.						
Risk Assessment	Likelihood	3	Impact	4	Exposure	12	
RISK LEVEL			**Medium Risk**				
Risk Performance Indicators	• Signing-off procedures on key agreements and arrangements • Delivery of health and wellbeing indicators						
Effectiveness of controls and performance indicators	3 – There are forums in place which enable Adult Social Services and CCG commissioners to meet on a regular basis, to ensure the deliver of joint partnership objectives. The Health and Wellbeing Partnership Board has been set up and Public Health responsibilities have been successfully transferred. There are Boards in place to oversee the delivery of joint services e.g. the Mental Health Commissioning Partnership Group and the Integrated Community and Equipment Services Board. There is a positive relationship in place with Pennine Care, Trafford Community Health Provider, based on effective governance and strong partnership working.						
Improvement Actions (ref to action plans)	• Work with Health and Wellbeing Partnership to implement Health and Wellbeing Strategy. • Ensuring existing partnerships have governance arrangements in place that are fit for the future.						

<table>
<tr><td colspan="3">Person or Group Responsible for management of risk</td><td colspan="3">Corporate Director CFW</td></tr>
<tr><td colspan="6">Previous risk reviews completed by:
• D McNulty, Chief Executive. April 2009.
• D Hanley, Deputy Director CWB. February 2010; July 2010 and January 2011.
• J Walker, Performance & Partnerships Manager, August 2011
• D Wagstaff, Senior Business Relationship Partner. January 2012</td></tr>
<tr><td>Risk Review Date</td><td>August 2012</td><td>Completed By</td><td>Anne Higgins, Jo Wilmott, Jeremy Kay & Mark Grimes</td><td>Designation</td><td>CWB Senior Management Team</td></tr>
<tr><td>Risk Review Date</td><td>February 2013</td><td>Completed By</td><td>Deborah Brownlee, Linda Harper, Jo Willmott & Jeremy Kay</td><td>Designation</td><td>CWB Senior Management Team</td></tr>
<tr><td>Risk Review Date</td><td>August 2013</td><td>Completed By</td><td>Deborah Brownlee, Linda Harper, Jo Willmott & Jeremy Kay</td><td>Designation</td><td>CFW Senior Management Team</td></tr>
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<table>
<tr><td colspan="4">STRATEGIC RISK REGISTER 2013/14</td><td colspan="2">Risk Number</td><td colspan="2">7</td></tr>
<tr><td colspan="2">Corporate Priorities</td><td colspan="2">• Children
• Value for Money</td><td colspan="2">Link(s) to Community Strategy Key Objectives</td><td colspan="2">Health & Improved Quality of Life for All</td></tr>
<tr><td>RISK</td><td colspan="7">Ability of partnership working to release resources with sufficient speed and execution to deliver joint objectives around children. Increased risk from role of National Commissioning Board (NCB) local area team as associate commissioner and lead funding agency for health visiting and some school nursing services.</td></tr>
<tr><td>Consequences</td><td colspan="7">• Not meeting service objectives around key groups of people.
• Unable to deliver services to as many people as the Council ought to.
• Spend is not best utilised/ limited value for money.
• Could lead to reduced service/ support to vulnerable persons.</td></tr>
<tr><td>Controls</td><td colspan="7">• Children's Trust Board
• Joint Commissioning Management Board
• Mechanisms in place to support decision-making and deliver governance.
• Regular leadership and oversight meetings with Council and PCT Chief Executives.
• Leadership and engagement by relevant Chief Officers in respective fields.</td></tr>
<tr><td>Risk Assessment</td><td>Likelihood</td><td>3</td><td>Impact</td><td>5</td><td>Exposure</td><td colspan="2">15</td></tr>
<tr><td colspan="3">RISK LEVEL</td><td colspan="5">Medium Risk</td></tr>
<tr><td>Risk Performance Indicators</td><td colspan="7">• Children and Young Persons delivery plan
• Signing-off procedures on key agreements and arrangements.</td></tr>
<tr><td></td><td colspan="7"></td></tr>
<tr><td>Effectiveness of controls and performance indicators</td><td colspan="7">• Establishment of the Health and Well-Being Board for Trafford provide a governance structure supporting local planning, integrated strategic needs assessment and ensuring local accountability, promote integrity and partnership and review major service redesigns of health and wellbeing related services provided by the NHS and Local Government.
• Strategic Partnership (Section 75) for CYPS Commissioning is being revised following the transition from the Primary Care Trust to Clinical Commissioning Group. This</td></tr>
</table>

	agreement is on target for approval and implementation in October 2013. • Provider Partnership Agreements signed on an interim basis with both CMFT and Bridgewater pending the outcome of tender exercise. • Community health services tender for CYPS and CAMHS completed and awarded to Pennine Care, successful transition. • Children's Trust Board receives quarterly performance indicator updates. • CTB successful in bidding for a range of project funding from the LAA reward grant to support partnership delivery of priorities.
Improvement Actions (ref to action plans)	• Work closely with CCG following the transfer of commissioning function to GP consortia and establish links with emerging bodies such as National Commissioning Board and Public Health England. • Work with the Director of Public Health to secure new arrangements for Public Health. • Ensuring existing partnerships have governance arrangements in place that are fit for the future. • Provider S75 agreement combined with Adult Services to create an all age integrated agreement.
Person or Group Responsible for management of risk	Corporate Director of CFW

Previous risk reviews completed:

- M Woodhouse, Interim Director CYPS. March and July 2010
- D Brownlee, Corporate Director CYP. January, April, July, September 2011, January 2012, August 2012 and February 2013

Risk Review Date	August 2013	Completed By	Deborah Brownlee	Designation	Corporate Director CFW

STRATEGIC RISK REGISTER 2013/14					**Risk Number**	**8**
Corporate Priorities	Quality Care for Adults		Link(s) to Community Strategy Key Objectives		Health & Improved Quality of Life for All	
RISK	**Demand for eligible services outstrips resources in adult social care.**					
Consequences	• Overspend on budgets. • People do not receive services they are eligible for.					
Controls	• Delivery of MTFP and in year savings. • Monitoring of budgets at SMT and service level. • Business Delivery Programme Board established to monitor and manage demand, performance and savings delivery • Business case portfolio in place • Resource allocation system introduced and embedded • Improvements made to re-ablement services/ embedding of telecare offer. • Improved performance data in place, to identify trends in take up of services. • Local business performance indicators developed					
Risk Assessment	Likelihood	4	Impact	5	Exposure	20
RISK LEVEL			**High Risk**			
Risk Performance Indicators	• Budget monitoring. • Project monitoring.					
Effectiveness of controls and performance indicators	4 – Delivery of savings is on target but demand for services is increasing and impacting on budget.					

Improvement Actions (ref to action plans)	• Work on delivering in year and future savings. • Implement austerity measures. • Improved performance data to identify trends in take-up of services. • Improved intelligence around take-up by potential service users. • Implement LD and mental health programmes				
Person or Group Responsible for management of risk			Deputy Corporate Director CFW/ Director of Service Development, Adult and Community Services		
Previous risk reviews completed: • D Hanley, Director of Operations. April 2009; July 2010 and January 2011 • J Walker, Performance & Partnerships Manager. October 2009, February 2010 and August 2011 • D Wagstaff, Senior Business Relationship Partner. January 2012					
Risk Review Date	August 2012	Completed By	Anne Higgins, Jo Willmott, Jeremy Kay & Mark Grimes	Designation	CWB Senior Management Team
Risk Review Date	February 2013	Completed By	Deborah Brownlee, Linda Harper, Jo Willmott & Jeremy Kay	Designation	CWB Senior Management Team
Risk Review Date	August 2013	Completed By	Deborah Brownlee, Linda Harper, Jo Willmott & Jeremy Kay	Designation	CFW Senior Management Team

STRATEGIC RISK REGISTER 2013/14				**Risk Number**	**9**
Corporate Priorities	Quality Care for Adults		Link(s) to Community Strategy Key Objectives	•Strong Communities •Health & Improved Quality of Life for All	
RISK	**Failure of the Adult Safeguarding Service.**				
Consequences	• Potential harm to vulnerable individuals. • Legal action against the Council. • Adverse impact on reputation.				
Controls	• Updated Safeguarding strategy in place. • Discrete Safeguarding team. • Training provided to all key staff. • Working with a wide range of partners. • Robust management information and quarterly monitoring in place • Regular multi-agency safeguarding management meeting in place.				
Risk Assessment	Likelihood 2	Impact 5		Exposure	10
RISK LEVEL			**Medium Risk**		
Risk Performance Indicators	• SMT reporting. • Reports to Safeguarding Board.				
Effectiveness of controls and performance indicators	3				

Improvement Actions (ref to action plans)	• Multi-agency review re: extending safeguarding role and responsibilities underway. • Reports on safeguarding incidents, by individual provider, to be introduced. • Implement quality assurance arrangements. • Re-launch communications with public and partners.				
Person or Group Responsible for management of risk			Deputy Corporate Director CFW/ Director of Service Development, Adult and Community Services		
Previous risk reviews completed: • D Hanley, Deputy Director CWB. April 2009; October 2009; July 2010 and January 2011 • J Walker, Performance & Partnerships Manager. February 2010 and August 2011 • D Wagstaff, Senior Business Relationship Partner. January 2012					
Risk Review Date	August 2012	Completed By	Anne Higgins, Jo Willmott, Jeremy Kay & Mark Grimes	Designation	CWB Senior Management Team
Risk Review Date	February 2013	Completed By	Deborah Brownlee, Linda Harper, Jo Willmott & Jeremy Kay	Designation	CWB Senior Management Team
Risk Review Date	August 2013	Completed By	Deborah Brownlee, Linda Harper, Jo Willmott & Jeremy Kay	Designation	CFW Senior Management Team

STRATEGIC RISK REGISTER 2013/14				**Risk Number**	**10**	
Corporate Priorities	Value for Money		Link(s) to Community Strategy Key Objectives			
RISK	**Breach of health and safety legislation leading to prosecution under the Corporate Manslaughter Act.**					
Consequences	• Possible personal conviction of Officers and/ or Members. • Adverse impact on reputation. • Financial consequences of fines/ legal claims.					
Controls	• Health and Safety policy. • Procedures in place to ensure legal compliance. • Risk assessments and safe systems of work. • Health and Safety Advisors aligned to each Directorate to provide expertise and support. • Member awareness. • Management training • Improved support to schools to be provided via SLA					
Risk Assessment	Likelihood	2	Impact	5	Exposure	10
RISK LEVEL			**Medium Risk**			
Risk Performance Indicators	• Health and Safety team track all accidents/ near misses. • Six month report to CMT/ Executive and Annual Report to Council • Targets set for accident reduction • Corporate Health and Safety Improvement Plan					
Effectiveness of	2					

controls and performance indicators	
Improvement Actions (ref to action plans)	• Delivery of work plan to implement recommendations from February 08 report. • Audit & Assurance to undertake a review of the Council's corporate health and safety arrangements.

Person or Group Responsible for management of risk	All

Risk reviews completed:

- G Pickering, Corporate Director PPD. April 2009
- P Valentine, IBU Manager. October 2009
- J Arnold, Health & Safety Manager. February 2010; July 2010, January 2011 and August 2011

Risk Review Date	August 2012	Completed By	C Hay	Designation	Workforce & Core Strategy Officer
Risk Review Date	February 2013	Completed By	J Arnold	Designation	Health & Safety Manager
Risk Review Date	September 2013	Completed By	J Arnold	Designation	Health & Safety Manager

STRATEGIC RISK REGISTER 2012/13	**Risk Number**	**11**	
Corporate Priorities	• A Cleaner, Greener Borough • Value for money • Low Council Tax	Link(s) to Community Strategy Key Objectives	• Positive Environmental Impact • Better Homes • Strong Economy

RISK	**Council does not agree, adopt and deliver carbon reduction targets.**
Consequences	• Financial consequences due to lack of CRC compliance • Reputation damage to the Council
Controls	• Key stakeholders engaged • Low Carbon Infrastructure Delivery Group established • The Energy and Water Management Plan • The Borough –wide Sustainability Strategy • E-technology monitoring tools being utilised

Risk Assessment	Likelihood	4	Impact	3	Exposure	12

RISK LEVEL	**Medium Risk**
Risk Performance Indicators	• Delivery of the Energy and Water Management Plan • Delivery of the borough-wide Sustainability Strategy • Reporting compliance with CRC Energy Efficiency Scheme • Corporate Greenhouse Gas Emissions reporting data • Emissions data for the local authority area (published by DECC)
Effectiveness of controls and performance indicators	2
Improvement Actions (ref to action plans)	• Review and update the corporate Energy and Water Management Plan • Review and update the borough-wide Sustainability Strategy and Action Plan • Implementation of continuous audit reviews and recommendations.
Person or Group Responsible for management of risk	EGP are primarily responsible for this risk supported by

	ETO

Risk reviews completed: A Hunt, Sustainability Manager. September 2011 and January 2012, August 2012 and February 2013.

Risk Review Date	August 2013	Completed By	A Hunt	Designation	Sustainability Manager

STRATEGIC RISK REGISTER 2013/14			**Risk Number**	**12**
Corporate Priorities	• Lower Council Tax and Value for Money. • Quality Care for Adults	Link(s) to Community Strategy Key Objectives	Health & Improved Quality of Life for All	
RISK	**Statutory targets relating to Adult Social Care services are not met.**			
Consequences	• Services fail. • Adverse impact on Council's reputation. • Failure to meet personalisation agenda			
Controls	• Performance management framework in place (now also captures PCT information). • Established data flows on statutory/ national indicators and performance indicators. • Monitoring in place within service – a range of weekly, monthly and quarterly reports overseen by Business Delivery Board and reported through to SMT • Mental Health Trust engaged through Partnership meetings.			

Risk Assessment	Likelihood	4	Impact	3	Exposure	12
RISK LEVEL			**Medium Risk**			

Risk Performance Indicators	• Performance monitored against national and local performance indicators as per Directorate Performance framework. Action plans implemented, where appropriate, against underperforming targets.
Effectiveness of controls and performance indicators	3 – Effective governance provided by Adult Social care Business Delivery Board.
Improvement Actions (ref to action plans)	Ensure the roll out of the new operating model continues to address key personalisation performance indicators.
Person or Group Responsible for management of risk	Performance Manager/ Senior Business Relationship Partner (CWB)

Risk reviews completed:

- J Walker, Performance & Partnerships Manager. April 2009; October 2009; February 2010; July 2010, January 2011 and August 2011
- D Wagstaff, Senior Business Relationship Partner. August 2011 and January 2012

Risk Review Date	August 2012	Completed By	Anne Higgins, Jo Willmott, Jeremy Kay & Mark Grimes	Designation	CWB Senior Management Team
Risk Review Date	February 2013	Completed By	Deborah Brownlee, Linda Harper, Jo Willmott & Jeremy Kay	Designation	CWB Senior Management Team
Risk Review Date	August 2013	Completed By	Deborah Brownlee, Linda Harper, Jo Willmott &	Designation	CFW Senior Management Team

			Jeremy Kay		

STRATEGIC RISK REGISTER 2013/14			**Risk Number**	**13**		
Corporate Priorities	Quality Care for Adults		Link(s) to Community Strategy Key Objectives	Health & Improved Quality of Life for All		
RISK	**Major event leading to inability to deliver critical services to vulnerable people.**					
Consequences	• Interruption to service provision to vulnerable people. • Financial loss to the organisation.					
Controls	• Business continuity plans under development within Directorate with supporting action plans actively monitored. • Plan development with providers.					
Risk Assessment	Likelihood	3	Impact	3	Exposure	9
RISK LEVEL			**Medium Risk**			
Risk Performance Indicators	Action plan to develop business continuity plans monitored.					
Effectiveness of controls and performance indicators	2 – Full suite of business continuity plans in place.					
Improvement Actions (ref to action plans)	• Complete process of establishing business continuity plans • Establish programme for testing plans					
Person or Group Responsible for management of risk			Deputy Corporate Director CFW/ Director of Service Development, Adult and Community Services			

Previous risk reviews completed:

- D Hanley, Deputy Director CWB. April 2009; July 2010 and January 2011
- J Walker, Performance & Partnerships Manager. October 2009, February 2010 and August 2011
- D Wagstaff, Senior Business Relationship Partner. January 2012

Risk Review Date	August 2012	Completed By	Anne Higgins, Jo Willmott, Jeremy Kay & Mark Grimes	Designation	CWB Senior Management Team
Risk Review Date	February 2013	Completed By	Deborah Brownlee, Linda Harper, Jo Willmott & Jeremy Kay	Designation	CWB Senior Management Team
Risk Review Date	August 2013	Completed By	Deborah Brownlee, Linda Harper, Jo Willmott & Jeremy Kay	Designation	CFW Senior Management Team

STRATEGIC RISK REGISTER 2013/14		**Risk Number**	**14**
Corporate Priorities	All	Link(s) to Community Strategy Key Objectives	• Health & Improved Quality of Life for All • Better Homes • Positive Environmental Impact • Strong Economy
RISK	**Failure to complete the Business Continuity (BC) Programme Project, resulting in**		

	an increased risk that the Council fails to deliver Council services in the event of significant disruption.							
Consequences	• Failure to meet requirements of the Civil Contingencies Act, good practice and Use of Resources Assessment criteria • Failure to have sufficient plans in place at a service and corporate level to respond effectively to local and widespread disruption, including that caused by emergencies • Failure to continue the delivery of critical Council services including those vital to human welfare during disruption							
Controls	• Set of templates and guidelines in place to guide service business continuity planning • Performance Business Partners have responsibility to support Directorates to review plans on an annual basis • Council wide Civil Contingencies Steering Group in place to plan testing of plans and to monitor the effectiveness of the plans							
Risk Assessment	Likelihood	3	Impact	4	Exposure	12		
RISK LEVEL			**Medium Risk**					
Risk Performance Indicators	• All services to have a Business Continuity Plan • Testing programme in place with review periods linked to risk • Corporate BC Plan to be produced • Service level and Corporate Business Continuity Plans to be tested.							
Effectiveness of controls and performance indicators	2							
Improvement Actions (ref to action plans)	•Testing plan to be developed by the Local Resilience Forum by April 2013 •Many plans have been indirectly tested as a result of the comprehensive Olympics testing programme •Business Impact Analysis documents are in the process of being updated							
Person or Group Responsible for management of risk			Jayne Stephenson					
Previous risk reviews completed: • A Harrison, Temporary Business Continuity Lead. February 2010; May 2010; July 2010 and January 2011. • J Stephenson, Head of Partnerships & Performance. August 2011, August 2012 and February 2013								
Risk Review Date	August 2013	Completed By	J Stephenson	Designation	Head of Partnerships & Performance			

STRATEGIC RISK REGISTER 2013/14		**Risk Number**	**15**
Corporate Priorities	Preserving and Improving Educational Excellence	Link(s) to Community Strategy Key Objectives	Bright Futures
RISK	**Financial and other implication as a result of coalition Government policy to fast track initially "outstanding" schools and then all other schools to academy status.**		
Consequences	• Significant reduction in Dedicated Schools Grant. • Possible reduction in "buy back" arrangements of school services – loss of income. • Possible reduction in purchase of authority wide service contracts e.g. Payroll, Grounds Maintenance, Buildings Maintenance, Legal, Audit, Insurance etc. • Human Resource implications – if we no longer provide services to a substantial number of schools then will not need to maintain (or be able to afford) current staffing levels – unless we substantially increase costs to other schools. • All good and outstanding schools are eligible for independent Academy Status. All		

	satisfactory schools may convert to Academy Status with good/ outstanding sponsor. • Underperforming schools will be compelled to convert as part of an Academy chain.					
Controls	Monitoring the position of schools who have expressed an interest.					
Risk Assessment	Likelihood	5	Impact	3	Exposure	15
RISK LEVEL			**Medium Risk**			
Risk Performance Indicators	• Twelve secondary and five primary schools have Academy Status. • A number of other secondary schools are giving serious consideration to conversion. • There is a very low level of interest in primary schools although it is anticipated that this will accelerate in the next year. Numbers under constant review. The DfE has indicated that any school judged (by Ofsted) to be inadequate should become a sponsored academy as soon as possible. • Working relationships with schools that have converted to Academy status remain excellent.					
Effectiveness of controls and performance indicators	• SLA improvement programme in place. • Dialogue and review of SLAs agreed for 2013/14 has commenced feedback from schools and has been positive to date and School Improvement Services has achieved buy back of £120,000. • Programme of regular meetings with Academy principles to ensure effective partnership working continue to take place. • Academies have become members of the Schools Joint Negotiating Committee. • Academy schools are represented on the School Funding Forum.					
Improvement Actions (ref to action plans)	•To continue to offer value for money service level agreements to schools who become Academy Status. •To monitor closely the position regarding status of schools that currently have expressed and interest and to work with the Headteacher and Governing Bodies. •To continue the programme of meeting with Senior Officers.					
Person or Group Responsible for management of risk			Corporate Director CFW/ Director of Finance			

Previous risk reviews completed:

- M Woodhouse, Interim Corporate Director CYPS. July 2010
- D Brownlee, Corporate Director CYPS. January April, July, September 2011, January 2012, August 2012 and February 2013

Risk Review Date	August 2013	Completed By	Deborah Brownlee	Designation	Corporate Director CFW

STRATEGIC RISK REGISTER 2013/14		**Risk Number**	**16**
Corporate Priorities	Improving Health & Wellbeing	Link(s) to Community Strategy Key Objectives	Health & Improved Quality of Life for all
RISK	**Adult Social Care Budget 2013/14: Ability to implement wide range of savings proposals in the current economic conditions.**		
Consequences	• Difficulty of implementing wide range of budget savings proposals destabilises provision with potential that people may not receive the services they are eligible for. • Not delivering budget savings within agreed timescales leading to an overspend. • Potential risk to destabilising the social care market in Trafford arising from implementing wide range of budget savings proposals		
Controls	• Regular monitoring of budget at SMT and service level. • Robust plans for implementation of budget savings proposals. • Business Delivery Programme Board to monitor and manage savings delivery.		

	• Performance data in place to identify trends in take up of service. • Market management and intelligence role of CWB commissioning officers.				
Likelihood	3	Impact	5	Exposure	15
RISK LEVEL			**Medium Risk**		
Risk Performance Indicators	• Budget monitoring. • SLT reporting. • Business Delivery Programme Board's role in monitoring and managing savings proposals delivery.				
Effectiveness of controls and performance indicators	3 • Each proposal has agreed business case and risk rating. • Consultation exercise was completed. • Budget savings proposals being closely monitored. • Performance data being collected on an on going basis. • 100% of savings proposals delivered.				
Improvement Actions (ref to action plans)					
Person or Group Responsible for management of risk			Corporate Director CFW		
Previous risk reviews completed: • J Kay, Finance Manager and D Wagstaff, Senior Business Relationship Partner. March 2012					
Risk Review Date	August 2012	Completed By	Anne Higgins, Jo Willmott, Jeremy Kay & Mark Grimes	Designation	CWB Senior Management Team
Risk Review Date	February 2013	Completed By	Deborah Brownlee, Linda Harper, Jo Willmott & Jeremy Kay	Designation	CWB Senior Management Team
Risk Review Date	August 2013	Completed By	Deborah Brownlee, Linda Harper, Jo Willmott & Jeremy Kay	Designation	CFW Senior Management Team

STRATEGIC RISK REGISTER 2013/14				**Risk Number**	**17**	
Corporate Priorities	• Low Council Tax and Value for Money • Economic Growth and Development		Link(s) to Community Strategy Key Objectives		• Positive Environmental Impact	
RISK	**Inability to meet Trafford residents' requests to have burials within the local area due to insufficient land.**					
Consequences	• Impact on MTFP • Reputational damage to the Council • Council does not acquire the required additional burial land.					
Controls	• On-going negotiations to acquire new land • Effective project management of land acquisition and development • Capital monies available for purchase					
Risk Assessment	Likelihood	4	Impact	4	Exposure	16
RISK LEVEL			**High Risk**			
Risk Performance	• Compliance with project deadlines for land acquisition (to be established)					

Indicators	• Compliance with development plan deadlines (to be established) • Monitor available burial space in all Council cemeteries				
Effectiveness of controls and performance indicators	2				
Improvement Actions (ref to action plans)	• Re-establish project team and review membership • Review land acquisition project plan and deadlines • Review site development plan and deadlines • Engage with Planning to establish necessary permissions for development • Increase capital monies available for purchase.				
Person or Group Responsible for management of risk			ETO supported by EGP		
Risk Review Date	August 2013	Completed By	Phil Valentine	Designation	Environment Strategic Business Manager

STRATEGIC RISK REGISTER 2013/14				**Risk Number**	**18**
Corporate Priorities	Reshaping Trafford Council		Link(s) to Community Strategy Key Objectives		Strong Communities SC3 Increased overall satisfaction with services in all communities
RISK	**The Council website is not easily accessible, services are unable to update information or provide service responses fast enough through digital challenges to meet customer expectations. Other channels of communication – face to face, telephone and Member's surgeries - gain increased numbers of requests due to reliability issues around digital channels.**				
Consequences	• Up to date information about how to access Trafford services via channels residents' prefer is not available. • Costs around access to information and services are higher than necessary and customers are less satisfied because the process is not as easy as it should be.				
Controls	The new Customer Strategy and Communication Strategy will work together to identify customer preferences within Trafford, and put systems, support and staffing in place to meet those needs, allowing easy, self-service to information and services 24/7.				
Likelihood	3	Impact	4	Exposure	12
RISK LEVEL			**Medium Risk**		
Risk Performance Indicators	• Consultation provides up to date information about residents preferences. • Customer and Communication strategies developed in line with customer preferences, support reduction in avoidable contact and any future changes to how services are delivered. • Customer and Communication systems, staffing and support are in place to deliver the actions plans from those strategies. • Successful delivery of new Content Management System (CMS). CMS meets the needs of Trafford Council, including successful links to partner organisations that are responsible for service delivery now and in the future.				
Effectiveness of controls and performance indicators	• Delivery of Customer Strategy - Customer Service Board. • Ongoing review of CMS Project to ensure delivery – Sarah Curran • Additional strategic communication support to develop and deliver a Communications Strategy and plans linked to priorities, including the Customer Strategy – Lynda Fothergill				

Improvement Actions (ref to action plans)	• Ensure strong linkages between the Customer Strategy, CMS and Communications Strategy. • Develop Communication action plans linked to Council priorities (link to actions plans). Most will include communication. Ensure we develop a more proactive approach with more planning by services allowing the opportunity to plan communication according to priorities – meet customer requirements, use communication methods that residents use – more digital, less print. Deliver value for money • New website design and content editing and update by services across the Council is on track for launch on 1 October 2013.
Person or Group Responsible for management of risk	Customer Service Board CMS Project Interim Marketing and Communications Manager and Communications Team

Risk Review Date	September 2013	Completed By	Lynda Fothergill and Communications	Designation	Interim Marketing and Communications Manager

STRATEGIC RISK REGISTER 2013/14		**Risk Number**	**19**
Corporate Priorities		Link(s) to Community Strategy Key Objectives	

RISK	**<u>Impact and implementation of the Care Bill.</u> The Care Bill was published in May 2013 and outlines new duties and responsibilities for Local Authorities, building on the Governments "Caring for our Future" White paper, published last year. Key elements include new rights for carers to assessment and support, national eligibility threshold for care and support, a cap on the costs that people will have to pay for care, financial protection for those with modest wealth , deferred payment agreements, Local Authority responsibility for preventative services and the provision of information and a duty to carry out needs assessments.**
Consequences	• Increased financial pressure due to cost cap and increased responsibilities • Increased demand on already stretched capacity due to increased responsibility for assessment and developing of care accounts for all residents requiring care • Potential reputational damage through failure to meet changed responsibilities and duties
Controls	• The Bill is currently subject to consultation and Trafford Council are drafting a response and linking in with National and regional networks • Adult Social Care Business Delivery Board providing overview and scrutiny role in relation to preparations and readiness.

Likelihood	5	Impact	3	Exposure	15
RISK LEVEL			**Medium Risk**		

Risk Performance Indicators	
Effectiveness of controls and performance indicators	This is a new risk which will be closely monitored. An action plan has already been developed to ensure business readiness
Improvement Actions (ref to action plans)	
Person or Group Responsible for management of	Adult Social Care Business Delivery Board

risk					
Risk Review Date	August 2013	Completed By	Deborah Brownlee	Designation	Corporate Director CFW

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TRAFFORD COUNCIL

Report to: **Accounts and Audit Committee**
Date: **26 September 2013**
Report for: **Information**
Report of: **Audit and Assurance Manager**

Report Title

Audit and Assurance Report for the Period April to June 2013.

Summary

The purpose of the report is:

- To provide a summary of the work of Audit and Assurance during the period April to June 2013.
- 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

Audit and Assurance Service Report
April to June 2013

Date: **26 September 2013**

1. Purpose of Report

This report summarises the work of the Audit and Assurance Service between April and June 2013. At the end of the year, these quarterly reports will be brought together in the Annual Internal Audit Report which will give the Audit and Assurance Service's opinion on the overall effectiveness of the Council's control environment during 2013/14.

2. Planned Assurance Work

Key elements of the 2013/14 Work Plan include:

- Fundamental Financial Systems reviews.
- Annual corporate governance review.
- Completion of the Annual Governance Statement for 2012/13.
- Audits of council partnership arrangements.
- Continued review of risk management arrangements and provision of guidance.
- Review of Corporate Procurement Arrangements 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, including supporting the council's transformation agenda.
- School audits and other establishment audit reviews.
- Audit reviews of other areas of business risk.

3. Main areas of focus – Q1 2013/14

Work in this quarter covered a number of the main themes listed above including :

- Corporate Governance review work and completion of the draft 2012/13 Annual Governance Statement;
- Completion of the 2012/13 Annual Internal Audit Report;
- Fundamental financial system reviews;
- Completion and issue of a number of school and other establishment audit reports.
- In the latter part of the period, commencement of work supporting a corporate review of systems and processes within the Environment, Transport and Operations Directorate.
- Awareness-raising through roll out of an e-learning module in respect of anti-fraud and corruption.

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.

Summary of Assurances for 1st Quarter 2013/14

Q1 – 2013/14
12 final reports and 5 draft reports

Chart 1 – Analysis of Assurance by Opinion Levels (Quarter 1)

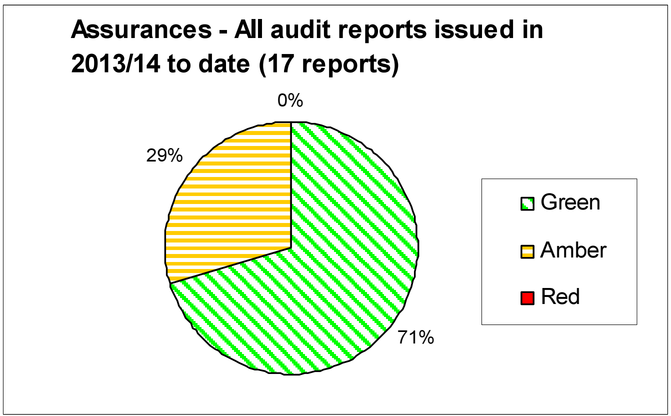

Chart 1 shows that good or at least adequate levels of control were in place for 71% of areas reviewed in the first quarter of 2012/13.

4. Overall Conclusions	

A total of 17audit reports were issued in the quarter, 12 final reports and five draft reports. Of these 12 areas reviewed were overall, deemed to have adequate controls in place (71%). For the other five reviews, Low/Medium opinions were given.

Of the 12 final reports issued, eight of these were issued at draft stage by the end of the previous quarter. Opinions listed in the 2012/13 Annual Internal Audit Report at draft stage have remained unchanged with the issue of the respective final reports. For the other four final audit reports the following opinions were given : Energy Management (Medium), Ascot House Assessment Centre (Medium), St. Mary's C of E Primary School, Davyhulme (Medium) and St. Mary's C of E Primary School, Sale (Medium/High). Actions plans have been agreed for all 12 issued final reports.

Further follow up audit reviews in respect of the final reports issued will be planned for all reviews where less than adequate opinions have been given (Let Estates, Oldfield Brow Primary School and St. Ann's RC Primary School). In addition, further follow up work planned for other reviews is indicated as appropriate in Section 5 of this report. This includes systems that are subject to annual review plus audits where overall a Medium opinion has been given but there is still significant scope to make control improvements.

As reported in Section 7, 95% of all recommendations made in the 12 final reports issued have been accepted.

Five draft reports were issued in the period. The draft opinions are listed in Section 5. As at the end of June 2013, management responses had not been received for four of the reports, so in these cases opinions provided are provisional and will be confirmed in the next quarterly update.

During the period, the Audit and Assurance Service also completed the process of supporting the production of the Council's draft 2012/13 Annual Governance Statement. (The process for completing the Statement and details within the Statement were reviewed by a designated Accounts and Audit Committee sub group and reported to the June 2013 Accounts and Audit Committee).

Towards the end of the quarter, Audit started to provide input to an ongoing corporate review of systems and processes within the Environment, Transportation and Operations Directorate, the main focus of work being on Operations including Carrington Depot. In addition to undertaking or following up on reviews included in the Audit Plan this has also included review of other areas including the operation of the Stores. A summary of outcomes from this work will be included as part of the quarter two update.

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

5. Summary of Audit & Assurance Opinions Issued – Q1: 2013/14

REPORT NAME (DIRECTORATE) / (PORTFOLIO) by Coverage Level (1-4)	-OPINION -R/A/G -Date Issued	COMMENTS
FINAL REPORTS		
Level 4 Reports :		
Works Management System (Authority-wide & ETO) / (Highways and Environment; Finance; Transformation and Resources)	**Medium*** **GREEN** (26/4/13)	As reported at draft report stage, some progress has been made in implementing previous audit recommendations. An action plan to address the outstanding recommendations was agreed with the Environment, Transport and Operations Directorate. This included ensuring roles, responsibilities and procedures for operating the system are clearly documented and shared with relevant staff. It is noted that since the draft report from this audit review was issued, further steps are being taken to address improvements required and these will be assessed in a follow up review to commence later in 2013/14.
Energy Management (ETO & EGP) / (Economic Growth and Prosperity).	**Medium (GREEN)** (20/6/13)	Progress has been made since the last audit review in all areas where recommendations were previously made. Recommendations have been made to review the availability of management information to enable more effective monitoring of energy consumption. This area will continue to be reviewed on an annual basis.
Let Estates Follow Up Review (EGP) / (Economic Growth and Prosperity)	**Low/Medium (AMBER)*** (10/4/13)	It was noted that progress has been made in implementing previous audit recommendations made but a number of recommendations are in progress or to be addressed. A further review is to commence later in 2013/14 when an updated audit opinion will be considered - previous opinion provided in 2011/12 was Low/Medium.
Level 2 Reports:		
Pest Control (ETO) / (Highways and Environment)	**Medium/High (GREEN)** (26/4/13)	Overall, effective control arrangements were found to be in place for the areas reviewed which included risk management, performance monitoring, financial management and administration, including the collection of income. Some recommendations have been made to improve records maintained to ensure adequate audit trails are in place in respect of work undertaken.
Level 1 Reports :		
Sale Library follow up (T&R) / (Transformation and Resources)	**Medium * (GREEN)** (18/4/13)	Good progress has been made in implementing previous recommendations made. Outstanding recommendations include the need to introduce an independent annual inventory check. (Follow up of some issues relating to service wide aspects have been covered in a separate library ordering procedures audit review).
Altrincham Crematorium (ETO) / (Highways and Environment)	**Medium (GREEN)** (20/6/13)	The audit found areas of good practice, but there is a need to improve controls for a number of areas of business risks including procedures relating to income collection, purchasing and security / recording of assets. It was agreed a follow up audit review will further assess progress in implementing recommendations.
Ascot House Assessment Centre (CFW) / (Adult Social Services)	**Medium (GREEN)** (25/6/13)	Overall, adequate standards of control are in place. Areas for improvement and associated recommendations are highlighted in the agreed action plan which includes improvements to asset security procedures.
Victoria Park Junior School (CFW) / (Education)	**Medium/High (GREEN)** (19/4/13)	In most areas reviewed, effective procedures were found to be in place. Recommendations made included reviewing safe security arrangements and reviewing / updating existing documented financial procedures.
St. Mary's C of E Primary School, Davyhulme follow up review (CFW) / (Education)	**Medium * (GREEN)** (8/5/13)	The review focussed on progress made in implementing previous audit recommendations and found the majority had been implemented with a small number in progress or planned to be completed.
St. Mary's C of E Primary	**Medium /**	In most areas reviewed, effective procedures were found to be in place.

School, Sale (CFW) / (Education)	**High (GREEN)** (13/5/13)	Recommendations made included processes for updating the inventory and security arrangements in relation to access to keys.
Oldfield Brow Primary School (CFW) / (Education)	**Low/Medium (AMBER)** (23/5/13)	A key reason for the opinion level given is the need for a greater division of staff duties within financial processes at the School. An action plan was agreed for implementation of recommendations through 2013 and this review will be followed up.
St. Ann's RC Primary School (CFW) / (Education)	**Low/Medium (AMBER)** (9/6/13)	Areas for improvement were identified across a number of financial systems and procedures. These relate to the establishment of divisions of duties, internal checks of records and improved audit trails in some areas. It is acknowledged that long term staff absence had contributed to the findings and overall audit opinion. All audit recommendations have been accepted and an action plan has been produced. Progress against each recommendation will be followed up in a further audit review.
DRAFT REPORTS		
Level 1 Reports :		
Old Hall Road Residential Unit (CFW) / (Supporting Children and Families)	**Medium (GREEN)** (20/5/12)	Overall, adequate standards of control were found to be in place. Recommendations made included procedures for maintaining and checking the petty cash imprest account, introducing independent inventory checks and ensuring service guidance is followed in respect of handovers of cash between individuals
St. Teresa's RC Primary School (CFW) / (Education)	**Medium (GREEN)** (15/4/13)	A final report will be issued confirming the audit opinion and incorporating the management response to the recommendations made and details will be reported in the quarter two update.
Stretford High School (CFW) / (Education)	**Low/Medium (AMBER)** (14/5/13)	A final report will be issued confirming the audit opinion and incorporating the management response to the recommendations made and details will be reported in the quarter two update.
Springfield Primary School (CFW) / (Education)	**Low/Medium (AMBER)** (31/5/13)	A final report will be issued confirming the audit opinion and incorporating the management response to the recommendations made and details will be reported in the quarter two update.
All Saints Catholic Primary School (CFW) / (Education)	**Medium / High (GREEN)** (21/6/13)	A final report will be issued confirming the audit opinion and incorporating the management response to the recommendations made and details will be reported in the quarter two update.

6. Other Assurance Work

There is a significant amount of work undertaken by the Service that does not result in an audit opinion being given. There is ongoing work such as the provision of advice; conducting investigation work; co-ordinating the update of the Council's Strategic Risk Register and undertaking financial appraisals of contractors.

In addition to the above, other work undertaken during Q1 included:

- Providing input from mid June 2013 to an ongoing corporate review of systems and processes within the Environment, Transportation and Operations Directorate. In addition to undertaking or following up on reviews included in the Audit Plan this has also included review of other areas including the operation of the Stores. A summary of outcomes from this work will be included as part of the quarter two update.
- Roll out of a fraud awareness e-learning package across the Council, which it was agreed by CMT was made mandatory for staff with Trafford Council email accounts to complete.
- Co-ordinating the production of the Council's draft 2012/13 Annual Governance Statement.
- Producing the 2012/13 Annual Internal Audit Report and the Annual Accounts and Audit Committee report.
- In respect of advice for schools, a document setting out guidance in respect of operating school fund accounts was produced by Audit and shared with all schools via the schools e-bulletin.

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 12 final reports issued during the quarter:

- **95% of all recommendations made (118 out of 124) have been accepted (in line with the Service annual target of 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. These include:

- Internal audit follow up reviews which specifically review progress made in implementing all recommendations in previous audit reviews.
- Requesting assurance from managers as to progress made by the completion of self assessments.
- Through reviews undertaken on an annual or cyclical basis e.g. fundamental systems reviews, assessing progress in terms of ongoing improvements in controls.

It should be noted that a number of final reports issued this quarter which included follow up elements were previously reflected in details provided in the 2012/13 Annual Internal Audit Report as the respective reports were issued in 2012/13 at draft report stage (Let Estates, Works Management, Sale Library).

Further follow ups reported in this quarter relate to audit reviews of Energy Management and two schools (one an audit of St. Mary's C of E Primary School, Davyhulme, the other a self assessment provided by Urmston Junior School). In relation to these reviews, 50 out of 60 recommendations are reported to be implemented, 8 in progress are no longer applicable and only 2 yet to be implemented.

8. Performance against Audit & Assurance Annual Work Plan

Appendix A shows an analysis of time spent to date against planned time for the 2013/14 Operational Internal Audit Plan

As at the end of quarter one, 311 audit days were spent to date (against profiled planned time of 294 days).

There are some variations to note between planned and actual time taken against particular categories of work. This includes time spent in respect of specific investigations resulting in days relating to Anti-Fraud and Corruption work being greater than expected. In addition, the higher than anticipated time in respect of time spent on "Assurance - other key business" reflects the commencement of work supporting a corporate review of processes within the Environment Transport and Operations Directorate. In terms of financial systems review work, as at the end of June this is less than planned but is anticipated that in quarter two this will have increased to be closer aligned to that planned reflecting work underway in completing audits reports through July to September 2013.

Key pieces of work have been completed by the end of June as planned, including input towards the completion of the draft Annual Governance Statement.

9. Planned Work for Quarter 2, 2013/14

Progress will continue to be made in completing each category of work in the audit plan. Areas of focus will include :

- Issue of further financial system audit reports.
- Ongoing input to a number of areas of review to support the current review of processes, systems and controls within the Environment, Transport and Operations Directorate. Related audit reports to be issued in respect of the Stores, fuel cards system and Carrington Depot waste transfer follow up review.

- Support the review and update of the Council's strategic risk register for reporting to CMT and the Accounts and Audit Committee in September 2013.
- Facilitate the production of the finalised version of the 2012/13 Annual Governance Statement including issue of the Internal Audit report on Corporate Governance.
- Raising awareness of the anti-fraud and corruption e-learning tool and monitoring / reporting on use of this across the Council.
- Provision of training for school governors on the role of Internal Audit including coverage of fraud awareness.
- Progression / completion of a number of other audits across the audit plan.

APPENDIX A

2013/14 Operational Plan: Planned against Actual Work (as at 30 June 2013)

Category	Details	Planned Days 2013/14	Planned Days (up to 30/6/13)	Actual Days (as at 30/6/13)
Fundamental Systems	Completion of fundamental systems reviews including annual reviews relating to 2012/13. Planning and commencement of 2013/14 fundamental systems reviews.	200	75	56
Governance	Corporate Governance Reviews. Collation of supporting evidence and production of the 2012/13 Annual Governance Statement Audit reviews of governance arrangements for the Council's significant partnerships.	100	40	30
Corporate Risk Management	Progression of actions to support the Council's Risk Management Strategy including review of risk management processes and awareness raising and provision of guidance to services and partnerships.	40	10	5
Anti-Fraud and Corruption	Work supporting the Anti- Fraud and Corruption Strategy, including raising awareness of supporting guidance to promote measures to prevent, deter or detect instances of fraud and corruption. Continued work in supporting the National Fraud Initiative. Investigation of referred cases, including if applicable those highlighted through the National Fraud Initiative.	180	40	75
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.	100	10	4
ICT Audit	Reviews to be completed in line with the ICT audit plan. Investigation of misuse of ICT and awareness raising regarding appropriate use of ICT.	100	20	20
Schools	School Audit reviews Support the Council in raising awareness with schools of the DfE Schools Financial Value Standard (SFVS).	190	25	42
Establishments	Reviewing governance and control arrangements across a range of establishments.	80	10	11
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 service areas.	150	20	35
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	110	27	19

	arrangements.			
Financial Appraisals	**Financial Assessments of contractors and potential providers**	70	17	14
TOTAL		**1320 ***	**294**	**311**

*Note: There are 1450 planned available days in total but 130 days relate to contingency.

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TRAFFORD COUNCIL

Report to: Accounts and Audit Committee
Date: 26 September 2013
Report for: Information
Report of: Audit and Assurance Manager

Report Title

Accounts and Audit Committee – Work Programme – 2013/14

Summary

This report sets out the updated work plan for the Committee for the 2013/14 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 2013/14 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**	**Annual Governance Statement / Corporate Governance**	**Anti- Fraud & Corruption Arrangements**	**Accounts**
27 June 2013	Agree Committee's Work Programme for 2013/14 (including consideration of training and development) Training & Development – Draft accounts (provided outside committee)					
	- 2012/13 Annual Internal Audit Report	- Audit Progress Report		- Review 2012/13 draft Annual Governance Statement - Accounts and Audit Committee 2012/13 Annual Report to Council		- Review 2012/13 draft accounts -Treasury Management Annual Performance 2012/13 - Insurance Performance Report 2012/13
26 September 2013						
	- Q1 Internal Audit Monitoring Report	- Audit Findings Report - Financial Resilience Report	- Strategic Risk Register Monitoring Report	- 2012/13 Annual Governance Statement (final version)	- Benefit Fraud Investigation 2012/13 Annual Report	- Approval of Annual Statement of Accounts 2012/13
20 November 2013	Training and Development – Presentation on the Transformation Programme					
	- Q2 Internal Audit monitoring report	- Annual Audit Letter - Audit Update	(Risk Management Update within Q2 Internal Audit monitoring report)	- Consider improvement actions taken in 2013/14 in respect of 2012/13 governance issues : (a) Locality Partnerships (b) EDRMS		- Treasury Management : mid year review

Committee Meeting Dates	Areas of Responsibility of the Committee					
	Internal Audit	**External Audit**	**Risk Management**	**Annual Governance Statement / Corporate Governance**	**Anti- Fraud & Corruption Arrangements**	**Accounts**
11 February 2014	- Q3 Internal Audit monitoring report	- Audit Update		- Report on arrangements for 2013/14 Annual Governance Statement - Consider improvement actions taken in 2013/14 in respect of 2012/13 governance issues.		-Treasury Management Strategy - Reserves Update
25 March 2014	- 2014/15 Internal Audit Plan - Public Sector Internal Audit Standards Update & Internal Audit Charter.	- Audit Opinion Plan - Grant Claims report - Audit Update	- Strategic Risk Register Monitoring Report	- Consider improvement actions taken in 2013/14 in respect of a 2012/13 governance issue.	- Anti Fraud & Corruption / National Fraud Initiative update	

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