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TRAFFORD COUNCIL

AGENDA PAPERS MARKED 'TO FOLLOW' FOR

ACCOUNTS AND AUDIT COMMITTEE

Date: Thursday, 26 November 2020

Time: 4.00 p.m.

Place: Virtual meeting

PLEASE NOTE: A link to the virtual meeting can be found below:
https://www.youtube.com/channel/UCjwbIOW5x0NSe38sgFU8bKg

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	To consider a report from the Council's External Auditor.		
8.	**2019/20 ANNUAL GOVERNANCE STATEMENT**		35 - 70
	To consider a report of the Corporate Director, Governance and Community Strategy. For approval.		
9.	**2019/20 ACCOUNTS**		71 - 278
	To consider a report of the Corporate Director, Finance and Systems. For approval.		

SARA TODD
Chief Executive

Membership of the Committee

Councillors B. Brotherton (Chair), C. Boyes, G. Coggins, J. Dillon, A. Duffield, N. Evans, J. Lloyd (Vice-Chair), A. Mitchell and B.G. Winstanley; and Mrs. J. Platt.

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

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This agenda was issued on Monday 23 November by the Legal and Democratic Services Section, Trafford Council, Trafford Town Hall; Talbot Road, Stretford, Manchester, M32 0TH.
1.

Agenda Item 7

Audit Completion Report

Trafford Metropolitan Borough Council

Year ending 31 March 2020

MAZARS

CONTENTS

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One St Peter's Square
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Accounts & Audit Committee
Trafford Metropolitan Borough Council
Town Hall
Talbot Road
Stretford
M32 OTH

20 November 2020

Dear Members

Audit Completion Report – Year ended 31 March 2020

We are pleased to present our Audit Completion Report for the year ended 31 March 2020. The purpose of this document is to summarise our audit conclusions.

The scope of our work, including identified significant audit risks and other areas of management judgement, was outlined in our Audit Strategy Memorandum which we presented on 5 February 2020. Since we issued our Audit Strategy Memorandum the UK has been subject to the challenges and restrictions of COVID-19. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remain appropriate.|

One implication of COVID-19 for the Council was that the deadlines for submission of the draft and audited financial statements were pushed back to 31 August and 30 November respectively. Despite the revised deadlines we acknowledge the difficulties encountered by your team during accounts preparation and audit, and would like to express our thanks for the assistance of your team during our audit.

If you would like to discuss any matters in more detail then please do not hesitate to contact me on 0161 238 9248.

Yours faithfully

Karen Murray

Karen Murray, Partner and Engagement Lead
Mazars LLP

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1. EXECUTIVE SUMMARY

Purpose of this report and principal conclusions

The Audit Completion Report sets out the findings from our audit of Trafford Metropolitan Borough Council ('the Council') for the year ended 31 March 2020, and forms the basis for discussion at the Accounts and Audit Committee meeting on 26 November 2020.

The detailed scope of our work as your appointed auditor for 2019/20 is set out in the National Audit Office's (NAO) Code of Audit Practice. Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 and, as outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards of Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

Sections 2 and 5 of this report outline the detailed findings from our work on the financial statements and our conclusion on the Council's arrangements to achieve economy, efficiency and effectiveness in its use of resources. Section 2 also includes our conclusions on the audit risks and areas of management judgement in our Audit Strategy Memorandum, which include:

- Management override of control
- Valuation of Property, Plant & Equipment;
- Valuation of Defined Benefit Pension Liability;
- Valuation of investment in Manchester Airport Holdings Limited.
- Accounting for Council's PFI arrangement
- Accounting for schools

Status of our work

As we outline on the following page, our work is substantially complete. Subject to the satisfactory completion of the outstanding work, at the time of issuing this report we have the following conclusions:

Opinion on the financial statements

We anticipate issuing an unqualified opinion on the financial statements. We have included an Emphasis of Matter paragraph in respect of the valuations of Council land and buildings and investment properties and its share of pension fund property assets. Our proposed audit opinion is included in the draft auditor's report in Appendix B.

Value for Money conclusion

We anticipate concluding that the Council had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources except for the overall effectiveness of the Council's services for children. Our draft auditor's report, including proposed conclusion, is provided in Appendix B

Whole of Government Accounts (WGA)

The NAO's WGA Group Instructions regarding the audit work required and its timetable for audit reporting have been significantly delayed in 2019/20. Group instructions were issued on the 5 November 2020 so the timing of our review of your WGA submission is to be confirmed. We will report the results in our Annual Audit Letter.

Wider powers

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and to consider any objection made to the accounts. Further details on the exercise of our wider powers are provided in section 2.

1. EXECUTIVE SUMMARY

Status of our audit work

We have substantially completed our work on the financial statements and Value for Money conclusion for the year ended 31 March 2020. At the time of preparing this report the following matters remain outstanding:

Audit area	Status	Description of outstanding matters
Property, Plant and Equipment (PPE) and Investment Property (IP) valuations	🔴	We are finalising our review of a sample of asset valuations undertaken by the Council's valuer on PPE and IP. There is a risk that material errors may be identified as a result of this work. Our work on Assets Held for Sale also remains in progress. The declaration of material uncertainties in valuations by the Council's valuer caused by Covid19 requires us to include an emphasis of matter paragraph in the audit opinion. We provide more information on this matter at page 8.
Pension Liability	🟢	We are completing our work on the updated pensions liability and associated disclosures. The declaration of material uncertainties in valuations by the Greater Manchester Pension Fund's valuers caused by Covid19 will lead to an emphasis of matter paragraph in the audit opinion in respect of the Council's share of these assets. We provide more information on this matter at page 10.
Cash & cash equivalents	🟢	We are awaiting receipt of a bank confirmation for two schools.
Post Balance Sheet Events Review	🟢	We will update our review of post balance sheet events disclosures up to the date of signing our audit report.
Review and closure procedures	🟢	Completion of audit closure procedures, including: • review of final Annual Governance Statement; • review of the final version of the financial statements; and • final manager and partner review.
Whole of Government Accounts	🟢	Due to the significant delays with the NAO Group Instructions for local authority audits in 2019/20, our work on the Council's WGA consolidation pack remains outstanding. Further details on this matter are provided on page 13.

Status

🔴 Likely to result in material adjustment or significant change to disclosures within the financial statements
🟠 Potential to result in material adjustment or significant change to disclosures within the financial statements
🟢 Not considered likely to result in material adjustment or change to disclosures within the financial statements

2. AUDIT APPROACH

We will provide the Accounts and Audit Committee with an update in relation to these outstanding matters in a follow-up letter, prior to signing the auditor's report.

Our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum in February 2020. We have not made any changes to our audit approach since we presented our Audit Strategy Memorandum.

Materiality

We set materiality at the planning stage of the audit at £10.6m for the Group accounts and £10.5m for the Council financial statements, using a benchmark of 2% of gross expenditure at the Surplus/Deficit on Provision of Services level.

Our final assessment of materiality, based on the final financial statements and qualitative factors has been updated as set out in the table below. We set our trivial threshold (the level under which individual errors are not communicated to the Audit Committee at 3% of overall materiality.

Materiality element	Group materiality	Council single-entity materiality
Overall materiality	£11,475,000	£11,320,000
Performance materiality	£9,180,000	£9,056,000
Trivial threshold for reporting to Audit Committee	£344,000	£339,000

We confirm that there were no qualitative factors which we considered when setting the level of materiality for the Group or the Council.

We have also calculated materiality for specific classes of transactions, balances or disclosures where we determine that misstatements of a lesser amount than materiality for the financial statements as a whole, could reasonably be expected to influence the decisions of users taken on the basis of the financial statements. We set specific materiality for the following item of account/disclosures:

Item of account/disclosure	Specific materiality
Officer remuneration bandings (Note 9)	£5,000 *

- Reflecting movement from one salary band to another

Misstatements and internal control recommendations

Section 3 sets out the internal control recommendations that we make, together with an update on any prior year recommendations.

Section 4 outlines the misstatements noted as part of our audit as at the time of issuing this report. If any additional misstatements are noted on completion of the outstanding work, these will be reported to the Accounts and Audit Committee in a follow-up letter.

2. EXECUTIVE SUMMARY (CONTINUED)

Overview of our group audit approach

Our Audit Strategy memorandum provided details of our intended group audit approach, including our initial assessment of group materiality. The table below confirms the approach we have taken to auditing the Council's consolidated financial statements.

Entity	Nature of entity audit	Auditor	Description of audit procedures undertaken on the component	Changes to audit approach
Trafford Council (parent)	NAO Code audit	Mazars LLP	A full audit of the Council financial statements and consolidation process	None
Trafford CIC Ltd. (subsidiary)	Statutory audit	Mitchell Charlesworth LLP	Desktop group analytical procedures carried out by Mazars on the financial information prepared for group reporting purposes using component materiality	None
Trafford Bruntwood Ltd. (joint venture)	Statutory audit	Deloitte LLP	Desktop group analytical procedures carried out by Mazars on the financial information prepared for group reporting purposes using component materiality	None
Trafford Bruntwood (Stretford Mall) (joint venture)	Statutory audit	Deloitte LLP	Desktop group analytical procedures carried out by Mazars on the financial information prepared for group reporting purposes using component materiality	None
Trafford Bruntwood (Stamford Quarter) (joint venture)	Statutory audit	Deloitte LLP	Desktop group analytical procedures carried out by Mazars on the financial information prepared for group reporting purposes using component materiality	None

The Council has applied a consideration of materiality in determining which of its subsidiaries, associates and joint ventures to consolidate into its Group financial statements. The result of this consideration, as disclosed in Note G2 to the Group financial statements is that one Council interest is not consolidated: Trust Youth Trafford.

The Council's consideration of the material impact of these interests on its Group financial statements is in accordance with the applicable financial reporting framework.

2. SIGNIFICANT FINDINGS

Set out below are the significant findings from our audit. These findings include:

- our audit conclusions regarding significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. On page 12 we have concluded whether the financial statements have been prepared in accordance with the financial reporting framework and commented on any significant accounting policy changes that have been made during the year;
- any further significant matters discussed with management;
- any significant difficulties we experienced during the audit; and
- modifications required to our audit report.

Significant risks and key areas of management judgement

As part of our planning procedures we considered the risks of material misstatement in the Council's financial statements that required special audit consideration. Although we report identified significant risks at the planning stage of the audit in our Audit Strategy Memorandum, our risk assessment is a continuous process and we regularly consider whether new significant risks have arisen and how we intend to respond to these risks.

Significant risk	Description of the risk
Management override of controls	In all entities, management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.
	How we addressed this risk We addressed this risk through performing audit work over: • Accounting estimates impacting on amounts included in the financial statements; • Consideration of identified significant transactions outside the normal course of business; and • Journals recorded in the general ledger and other adjustments made in preparation of the financial statements.
	Audit conclusion There are no significant matters arising from our work on the management override of controls.

2. SIGNIFICANT FINDINGS (CONTINUED)

Significant risk	Description of the risk
Valuation of Property, Plant & Equipment	The CIPFA Code requires that where assets are subject to revaluation, their year end carrying value should reflect the fair value at that date. The Council has adopted a rolling revaluation model which sees all land and buildings revalued in a five year cycle. The valuation of Property, Plant & Equipment involves the use of a management expert (the valuer), and incorporates assumptions and estimates which impact materially on the reported value. There are risks relating to the valuation process. As a result of the rolling programme of revaluations, there is a risk that individual assets which have not been revalued for up to four years are not valued at their materially correct fair value. In addition, as the valuations are undertaken through the year there is a risk that the fair value as the assets is materially different at the year end.

How we addressed this risk

We have:

- assessed the Council's valuer's qualifications, objectivity and independence to carry out such valuations;
- reviewed the valuation methodology used, including testing of the underlying data and assumptions;
- reviewed the approach that the Council has adopted to address the risk that assets not subject to valuation in 2019/20 are materially misstated and considered the robustness of that approach in light of the valuation information reported by the Council's valuers;
- considered the movement in market indices between revaluation dates and the year end in order to determine whether these indicate that fair values have moved materially over that time.
- tested revaluations to ensure they are correctly reflected in the accounts
- tested additions to ensure correct accounting treatment

Audit conclusion

As set out on page 4, the final elements of our work on the valuation of Property, Plant & Equipment are still to be completed and concluded.

Our testing of valuations is not yet complete due to difficulties in obtaining sufficient supporting evidence for the sample being tested. We are also awaiting responses from the valuer to queries arising from our sample testing that may result in errors in valuations being identified.

The Council's valuer has followed RICS guidance and as expected their valuation report concludes that, due the impact of COVID-19 on the property market, there is "material uncertainty" over the valuation of land and buildings and investment properties at the balance sheet date. This has been properly disclosed in the notes to the Statement of Accounts. We expect, in line with normal practice, to include reference to this disclosure as an 'emphasis of matter' in our audit report.

Our draft Auditor's Report at Appendix B includes a draft 'emphasis of matter' paragraph. The inclusion of an 'emphasis of matter' paragraph is not a modification or qualification of our audit opinion.

2. SIGNIFICANT FINDINGS (CONTINUED)

Significant risk	Description of the risk
Defined benefit liability valuation	The net pension liability represents a material element of the Council's balance sheet. The Council is an admitted body of Greater Manchester Pension Fund, which had its last triennial valuation completed as at 31 March 2019. The valuation of the Local Government Pension Scheme relies on a number of assumptions, most notably around the actuarial assumptions, and actuarial methodology which results in the Council's overall valuation. There are financial assumptions and demographic assumptions used in the calculation of the Council's valuation, such as the discount rate, inflation rates and mortality rates. The assumptions should also reflect the profile of the Council's employees, and should be based on appropriate data. The basis of the assumptions is derived on a consistent basis year to year, or updated to reflect any changes. There is a risk that the assumptions and methodology used in valuing the Council's pension obligation are not reasonable or appropriate to the Council's circumstances. This could have a material impact to the net pension liability in 2019/20.

How we addressed this risk

- Critically assessed the competency, objectivity and independence of the Greater Manchester Pension Fund's Actuary, Hymans Robertson;
- Liaised with the auditors of the Greater Manchester Pension Fund to gain assurance that the controls in place at the Pension Fund are operating effectively. This included the processes and controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the IAS19 valuation is complete and accurate;
- Tested payroll transactions at the Council to provide assurance over the pension contributions which are deducted and paid to the Pension Fund by the Council;
- Reviewed the appropriateness of the Pension Asset and Liability valuation methodologies applied by the Pension Fund Actuary, and the key assumptions included within the valuation. This included comparing them to expected ranges, utilising information provided by PWC, consulting actuary engaged by the National Audit Office;
- Agreed the data in the IAS 19 valuation report provided by the Fund Actuary for accounting purposes to the pension accounting entries and disclosures in the Council's financial statements.

In addition our work focused on two issues that emerged through 2020. In July 2019, MHCLG consulted on the proposed remedy for the 'McCloud' case, an estimate of which was included in the Council's liability in 2019/20. The proposed remedy indicates that the actuarial estimate of the liability for 2019/20 was likely to be overstating the pension fund liability but not materially. A second emerging issue this year is the 'Goodwin' case which also relates to groups of pension fund members suffering discrimination. Although the impact of 'Goodwin' is still being clarified the Council's actuary have provided details of the impact on the Council's liability. In both issues, Management has engaged with the Council's actuary and we and Management have reviewed the evidence provided by the pension fund and the Council's actuary in order to conclude on the material accuracy of the liability. The Council obtained a revised report from the actuary that considered the impact of McCloud and Goodwin and has amended the pension accounting entries and disclosures in the Council's financial statements, as set out on page 18.

3. SIGNIFICANT FINDINGS (CONTINUED)

Significant risk **Defined benefit liability valuation** **(continued)**	**Audit conclusion** Our work on the valuation of the Council's Pension Liability is not yet complete. However, as highlighted above in relation to the Council's property valuations, the Pension Fund and its auditor have highlighted a "material valuation uncertainty" over the valuation of the Pension Fund's property holding. This is disclosed in the notes to the Council's Accounts and, in line with normal practice, we will include reference to this disclosure as an 'emphasis of matter' in our audit report. The inclusion of an 'emphasis of matter' paragraph is not a modification or qualification of our audit opinion.

Management judgement **Valuation of investment in Manchester Airport Holdings Limited**	**Description of the management judgement** The Council uses an external valuation expert to determine the value of its investment in Manchester Airport Holdings Limited (MAHL) at 31 March 2020. The valuation is determined under IFRS13 applying a consistent methodology to the previous year and applying key assumptions. Council officers challenge the valuation assumptions and reach judgements on the valuation to include in the financial statements.
	How our audit addressed this area of management judgement Our approach to auditing the investment in Manchester Airport Holdings Limited included the involvement of the Mazars in-house valuation team. The Mazars in-house valuation team reviewed the methodology and key assumptions used by management's expert, considering the appropriateness of the methodology and the reasonableness of the assumptions used.
	Audit conclusion We have completed our procedures and there are no matters arising against the valuation of the Council's investment in MAHL.

3. SIGNIFICANT FINDINGS (CONTINUED)

Management judgement **Accounting for the outstanding liability for the Private Finance Initiative (PFI) contract in Sale Town Centre**	**Description of the management judgement** In 2003 the Council entered into a 25 year PFI contract for the provision of new office and community facilities in Sale Town Centre. The Council has no new PFI schemes in 2019/20, and continues to make judgements that result in the Council accounting for the PFI assets and liabilities in its financial statements. **How our audit addressed this area of management judgement** We have considered the continued accounting treatment of the PFI scheme assets and liabilities as being in the Council's financial statements. **Audit conclusion** We are satisfied management's judgements in relation to the accounting for PFI schemes remain appropriate.

Management judgement **Accounting for Schools**	**Description of the management judgement** The Council continues to account for schools in its single entity financial statements. In addition the Council discloses that it includes in its financial statements the following categories of schools: Community, Voluntary Aided, Voluntary Controlled and Foundation. **How our audit addressed this area of management judgement** We have considered the continued accounting treatment of the Council's schools and its compliance with the requirements of the CIPFA Code and other sector guidance. **Audit conclusion** We are satisfied management's judgements in relation to the accounting for the Council's schools remain appropriate.

2. SIGNIFICANT FINDINGS (CONTINUED)

Qualitative aspects of the Council's accounting practices

We have reviewed the Council's accounting policies and disclosures and concluded they comply with the requirements of the Code of Practice on Local Authority Accounting (the Code), appropriately tailored to the Council's circumstances.

Draft accounts were received from the Council on 16 July 2020 and were of a good quality. The accounts were supported by sufficient working papers and additional information has been provided when requested. Throughout the audit process we have received cooperation from the Council's Finance team, recognising the pressure they have been under due to the impact of the pandemic.

Significant matters discussed with management

Significant matters discussed with management during our audit and which had implications for out audit testing and reporting included:

- The impact of COVID-19 on the Council's business, including any potential impact on risks of material misstatement. This included the disclosures required regarding the key sources of estimation uncertainty that management has made in preparing the Statement of Accounts. The Council's valuer has followed RICS guidance and as expected their valuation report concludes that, due the impact of COVID-19 on the property market, there is "material uncertainty" over the valuation of land and buildings and investment properties at the balance sheet date. This has been disclosed in the notes to the Financial Statements.
- The Council's adoption of the 'going concern' principle in preparing the Statement of Accounts. The 'going concern' status is confirmed through the 2019/20 local government accounting code, and must also follow International Accounting Standard (IAS) 1: Presentation of Financial Statements. We must comply with a revised ISA (UK) 570 Going Concern, effective for periods commencing on or after 15 December 2019. The above, combined with the impact of COVID-19, means an additional level of scrutiny is required over the going concern assertion in 2019/20. In particular management's explicit considerations of whether the financial statement disclosure for going concern should more explicitly describe the impact of COVID-19.
- The Council's response to relevant legal cases which impact on the valuation of certain pension liabilities included as set out earlier in this section:
  - The proposed remedy for the 'McCloud' case which is likely to have led to an overstatement of the original estimate of the Council's pension fund liability as at 31 March 2020; and
  - The 'Goodwin' case, which emerged in 2019/20.

  Management obtained a revised report from the actuary that considered the impact of McCloud and Goodwin and has amended the pension accounting entries and disclosures in the Council's financial statements, as set out on page 18.
- Work required by our regulators and other risks emerging during the year. As highlighted in our Audit Strategy Memorandum and in our progress reports throughout the year, as a result of independent quality reviews, in particular by the Financial Reporting Council, of our audit work and that of other audit suppliers we have needed to increase the level of work we do on defined benefit pension schemes and valuation of property, plant and equipment. This and other issues emerging during the year (highlighted elsewhere in this report) have had an impact on the fee required to complete the audit and we will discuss any fee variation request with management on completion of our audit work and update the Committee. All fee variation requests are subject to approval from PSAA.

Significant difficulties during the audit

During the course of the audit we did not encounter any significant difficulties and we have had the full co-operation of management.
As set out on page 8, our testing of valuations is not yet complete due to difficulties in obtaining sufficient supporting evidence for the sample being tested. We are also awaiting responses from the Council's external valuer to queries arising from our sample testing that may result in errors in valuations being identified.

2. SIGNIFICANT FINDINGS (CONTINUED)

Wider responsibilities

Our powers and responsibilities under the 2014 Act are broad and include the ability to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to law; and
- issue an advisory notice under schedule 8 of the 2014 Act.

We have not exercised any of these powers as part of our 2019/20 audit.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. To date we have received no questions or objections from local electors.

Modifications required to our audit report

We have identified the following issue(s) which has/have resulted in us proposing to issue a modified audit opinion. Our draft audit report, in full, is set out in Appendix B.

We have identified the following issue(s) which has/have resulted in us proposing to issue a modified audit opinion. Our draft auditor's report, in full, is set out in Appendix B.

Issue	Impact on our audit opinion
In May 2019 Ofsted issued a report on its inspection of the Council's Children's Social Care Services. The inspection report concluded that the overall effectiveness of the Council's services for children is inadequate. We have considered whether the Ofsted inspection findings indicate a significant Value for Money risk, and have concluded that it does.	We intend to issue a qualified 'except for' Value for Money conclusion for 2019/20 More details are provided in section 6 of this report.

Possible delay in Audit certificate – Whole of Government Accounts

The issue of the Audit Certificate confirms that we have discharged all of our audit responsibilities and that the audit is formally 'closed'. The Audit Certificate would normally be published in our Auditor's Report on the Statement of Accounts alongside the accounts opinion and value for money conclusion.

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.

The NAO's WGA Group Instructions regarding the audit work required and its timetable for audit reporting have been significantly delayed in 2019/20. Group instructions were issued on the 5 November 2020 so the timing of our review of your WGA submission is to be confirmed. We will report the results in our Annual Audit Letter.

As a result, it is likely that we will issue the Auditor's Report without the Audit Certificate. We will issue the Audit Certificate separately as soon as we are able to do so (on completion of our WGA work).

At this stage the draft Auditor's Report at Appendix B assumes that we are unable to issue the Audit Certificate alongside the accounts audit opinion and value for money conclusion.

3. INTERNAL CONTROL RECOMMENDATIONS

The purpose of our audit is to express an opinion on the financial statements. As part of our audit we have considered the internal controls in place relevant to the preparation of the financial statements. We do this in order to design audit procedures to allow us to express an opinion on the financial statement and not for the purpose of expressing an opinion on the effectiveness of internal control, nor to identify any significant deficiencies in their design or operation.

The matters reported are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and that we consider to be of sufficient importance to merit being reported. If we had performed more extensive procedures on internal control we might have identified more deficiencies to be reported or concluded that some of the reported deficiencies need not in fact have been reported. Our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

Our findings and recommendations are set out below. We have assigned priority rankings to each of them to reflect the importance that we consider each poses to your organisation and, hence, our recommendation in terms of the urgency of required action. In summary, the matters arising fall into the following categories:

Priority ranking	Description	Number of issues
1 (high)	In our view, there is potential for financial loss, damage to reputation or loss of information. This may have implications for the achievement of business strategic objectives. The recommendation should be taken into consideration by management immediately.	1
2 (medium)	In our view, there is a need to strengthen internal control or enhance business efficiency. The recommendations should be actioned in the near future.	None
3 (low)	In our view, internal control should be strengthened in these additional areas when practicable.	2

Other deficiencies in internal control – Level 1

Description of deficiency

We encountered difficulties obtaining sufficient evidence from the Council's external valuer to support the revaluation for our sample of land and property and investment property assets. We reported similar difficulties last year and again have found that the valuations for some were not clearly documented. Our testing is still in progress and may result in some errors being identified, which may be material. We will report on this further in our completion letter.

This indicates there is insufficient review of the valuations being undertaken.

Potential effects

There is a risk of errors occurring in the valuation of the Council's land and buildings and investment property assets which may lead to significant or material misstatements in the financial statements.

Recommendation

Management should put in place arrangements with the Council's external valuer to ensure that:

- Valuations are documented sufficiently so that the basis of calculations and sources of comparable evidence used to inform the valuer's judgement are clear
- Valuations are subject to sufficient quality control checks, by the valuer and by management, to ensure calculations are correct and to identify and correct any errors

Management response

Following the recommendations in the 2018/19 audit report, work was undertaken in late 2019 and early 2020 jointly between the Council, the Council's external valuers and the auditors to agree expected sample sizes, format of reports and level of back up detail to be provided to improve the 2019/20 audit process. This included a sensitivity analysis undertaken by Council officers on receipt of the valuation information to address queries with the valuers in advance of the audit.

This agreed process was impacted by Covid-19 (in March/April in particular), plus the external valuations team experienced staffing issues which adversely affected their ability to access and verify some of the information. The sample sizes and level of detail requested during the audit in July 2020 were also higher than had been expected and for which resources were initially allocated. These issues led to delays in providing and verifying the valuations data during the audit.

During the audit a small number of discrepancies were identified between what was initially provided to the Council and included with the financial statements and the supporting evidence. This was mainly in relation to the correct use of obsolescence rates which would normally be expected to be in line with the Valuation Office Agency obsolescence rates 2017.

The Council will further review the valuations process agreed early in 2020 to take account of the issues experienced this year, and not least to ensure the valuations team employed by the Council has the appropriate staffing and systems in place to provide sufficient capacity, expertise and resilience to meet the standards expected for the 2020/21 audit.

Other deficiencies in internal control – Level 3

Description of deficiency

Note 18 on Financial Instruments did not include the fair value for the three loans with Manchester Airport Group (MAG) resulting in a material disclosure amendment to the accounts as detailed on page 18. This indicates insufficient checks were completed by management to ensure all required fair values were obtained.

Potential effects

There is a risk of incomplete disclosure in the financial statements of the fair value of financial instruments.

Recommendation

Management should put in place arrangements to ensure all financial instruments requiring a fair value are identified and fair values obtained and included in the required disclosures in the financial statements.

Management response

The Council undertakes a review of all financial instruments on an annual basis to consider which instruments should be disclosed at Fair Value. This is undertaken with the support of external advisors. The approach of disclosing the Fair Value of these loans as the same value as the Carrying Value was based on an understanding that these loans could not be redeemed in an open market and thus derive a suitable comparable Fair Value figure. This approach was also taken by a number of Councils within the Greater Manchester group. After extensive discussions with our external advisors and colleagues across Greater Manchester, a conclusion was subsequently reached that a Fair Value could be derived and the note was amended accordingly.

Description of deficiency

Note 44 on future minimum lease payments required amendment due to the omission of two leases. This indicates insufficient checks were completed by management to ensure completeness of these disclosures.

Potential effects

There is a risk of incomplete disclosure in the financial statements of future lease commitments.

Recommendation

Management should put in place arrangements to ensure all leases are identified and included in the required disclosures in the financial statements.

Management response

The treatment of the two leases were previously disclosed as a contingent rent on the basis that the Council did not have control of the land and was therefore unable to influence who the land was rented to and for how much. This treatment was consistent with the majority of other Councils across Greater Manchester with the same level of land ownership. On reflection the treatment has been amended accordingly and has been applied consistently across the whole group. A review will however be undertaken of the overall procedures to ensure all leases have been recorded accordingly.

4. SUMMARY OF MISSTATEMENTS

We set out below the misstatements identified for adjustment during the course of the audit, above the level of trivial threshold of £0.339m.

The first table outlines the misstatements that were identified during the course of our audit which management has assessed as not being material, either individually or in aggregate, to the financial statements and does not currently plan to adjust.

The second table outlines the misstatements that have been adjusted by management during the course of the audit.

Unadjusted misstatements 2019/20

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Dr: Cash and Cash Equivalents			353	
	Cr: Short Term Creditors				353
	Dr: Gross Income	353			
	Cr: Gross Expenditure		353		
	Cash and Cash Equivalents are understated due to a creditor balance being included rather than it being disclosed as part of the creditor liability.				

4. SUMMARY OF MISSTATEMENTS (CONTINUED)

Adjusted misstatements 2019/20

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Dr: Other Long Term Liabilities - Pensions			6,825	
	Cr: Pension Reserve				6,825
	Dr: General Fund (via MIRS)	6,827			
	Cr: Net cost of service		2,758		
	Cr. Re-measurement of net defined benefit/liability		4,069		

As a result of the Actuary providing a revised IAS19 report to take account of additional information regarding recent legal cases (McCloud and Goodwin). There are corresponding adjustments to the group accounts, the Movement in reserves statement, the Cash flow statement and associated notes. The £2k difference above is due to rounding.

Disclosure amendments

During our review of the financial statements we have identified the following amendments to disclosures which management have agreed to amend. These are presentational and do not impact on amounts in the primary statements, but improve disclosure and Code compliance in the notes. The more significant changes include the following.

Note 1.(a) Expenditure and Funding Analysis: Council-wide Net Expenditure Chargeable to General Fund Balances amended from £3,394k to £9,511k as the incorrect amount had been disclosed due to a typographical error. The total for the 'adjustments to arrive at the net amount chargeable to the General Fund' was correct.

Note 6. Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty: Disclosures added on material uncertainty of the valuations of the Council's land and buildings and investment properties and its share of the Greater Manchester Pension Fund property and investments following the impact of the Covid-19 Pandemic.

Note 8. Events After the reporting Period: Disclosures on MAG shareholder Investment (Car Park Development) and MAG Shareholder Loan (COVID-19) amended to ensure subsequent investments were appropriately reflected for completeness.

Note 18 Financial Instruments:

- Fair value for MAG loans (included within Long term debtors)' was disclosed at the same value as the carrying value and has been amended from £21,056k to £61,289k. The prior year amount has also been amended, from £19,971k to £64,048k and a footnote added to explain this.
- Trafford Bruntwood LLP: "The shares in this company are not traded in an active market and for the financial year 2019/20 the fair value of the shares are compared to £9.041m in 2018/19." The 2019/20 fair value £10.642m has been added.

Note 21 Debtors: Manchester Airport Plc. balance £22,925k amended to show the correct balance of £21,057k.

Note 23 Assets Held for Sale: Property, Plant and Equipment £3,523k split between transfers to and transfers from surplus assets.

4. SUMMARY OF MISSTATEMENTS (CONTINUED)

Disclosure amendments (continued)

Note 38 Officers' Remuneration:

- £50k bandings disclosure amended to show correct split between schools staff and other staff.
- Senior Officers' Salary disclosures for 2019/20 and prior year disclosures amended to add back amounts for additional annual leave purchased by various officers.

Note 40 Dedicated Schools Grant: Amended to show the correct carry forward balance to 2020/21 £(2,895)k.

Note 44 Leases: Future minimum lease payments increased to include a lease entered into in 2018/19 that had been omitted ('Moss Lane, Altrincham – Altrincham Football Club') and to reflect rental income from Manchester Airport land previously disclosed as a contingent rent. The prior year disclosures have also been restated for this.

5. VALUE FOR MONEY CONCLUSION

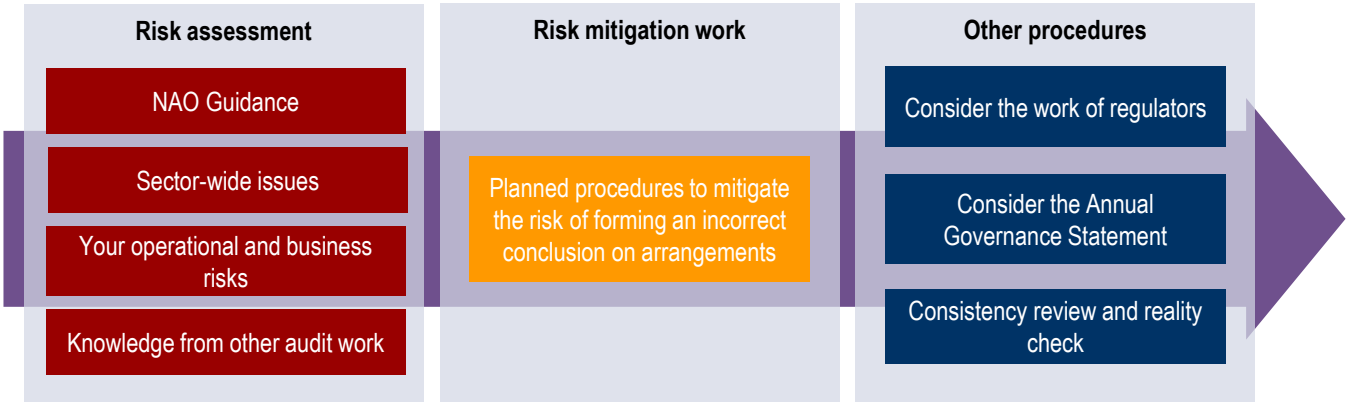
Our approach to Value for Money

We are required to form a conclusion as to whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out in order to form our conclusion, and sets out the criterion and sub-criteria that we are required to consider.

The overall criterion is that, 'in all significant respects, the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.' To assist auditors in reaching a conclusion on this overall criterion, the following sub-criteria are set out by the NAO:

- Informed decision making;
- Sustainable resource deployment; and
- Working with partners and other third parties.

A summary of the work we have undertaken is provided below:



Significant Value for Money risks

The NAO's guidance requires us to carry out work to identify whether or not a risk to the Value for Money conclusion exists. Risk, in the context of our Value for Money work, is the risk that we come to an incorrect conclusion rather than the risk of the arrangements in place at the Council being inadequate. In our Audit Strategy Memorandum, we reported that we had identified two significant Value for Money risks relating to financial sustainability and the Ofsted inspection of children's social care services.

The work we carried out in relation to the significant risk is outlined overleaf.

Our overall Value for Money conclusion

Our draft auditor's report included in Appendix B states that we intend to issue a qualified Value for Money conclusion for the 2019/20 financial year.

This is due to the Ofsted inspection report on the Council's Children's Social Care Services issued on 8 May 2019 which concluded that the overall effectiveness of the Council's services for children is inadequate. Last year we considered whether the Ofsted inspection findings indicate a significant Value for Money risk, and concluded that it did. Consequently we issued a qualified 'except for' Value for Money conclusion for 2018/19. Whilst the Council is taking action to address the issues raised by the Ofsted report, as summarised on page 22 of this report, the Ofsted rating of 'inadequate' remains in place and so we intend to issue a qualified 'except for' Value for Money conclusion for 2019/20.

5. VALUE FOR MONEY CONCLUSION (CONTINUED)

Significant Value for Money risks

Risk	Work undertaken and findings	Conclusion
Financial sustainability The Council's medium term financial strategy (MTFS) approved by Council in February 2019, set out the financial challenges it faces, with a cumulative funding gap of £28.5m comprising of £15.7m in 2020/21 and £12.8m in 2021/22. In October 2019 the Executive received the draft revenue budget for 2020/21 and MTFS 2021-23. This estimated a revised funding gap of £13m in 2020/21 and £10.2m in 2021/22, and a forecast gap of £8.5m in 2022/23. The report included proposals for additional funding and new savings and income generation which would reduce the gap to £0.7m in 2020/21, £9.9m in 2021/22 and £5.4m in 2022/23. Financial performance reported to the end of November 2019 was a year-end underspend of £0.65m with forecast overspends on service budgets of £4.2m expected to be offset by a forecast underspend of £4.8m on Council-wide budgets. The budget proposals for 2020/21 and updated MTFS to 2023 were being finalised for submission to Council in February 2020. The continuing challenges the Council faces are not new or unique to Trafford Metropolitan Borough Council, but do present a significant audit risk in respect of considering the arrangements that the Council has in place to deliver financial sustainability over the medium term.	To address these risks we have • Review the Council's outturn against the 2019-20 budgeted position • Review the Council's progress in setting a balanced budget for 2020/21 • Review the Council's arrangements for identifying savings and other measures to address the funding gap going forward **Findings** The Council has maintained appropriate arrangements throughout 2019/20 for ensuring financial resilience. The Council set a balanced budget for 2019/20 with a budget gap of £13.44m to be addressed by additional funding of £3.79m, use of reserves of £2.8m and £6.85m of service savings. The Council has maintained sufficient arrangements for monitoring and forecasting the financial position and identifying risks and taking actions to mitigate them. The budget position has been reported bi-monthly to Executive Cabinet during the year setting out the current position and the projected position at the year end, and an overview of pressures, which are clearly articulated. The reports include an overview of the position for each service area and details of actions taken to address them and mitigate risks. The forecast year end outturn has fluctuated over the year from a £1.9m overspend at month 2 to a forecast £3m overspend at month 4 and then a significant reduction to a forecast overspend of £0.3m at month 6. This reduction was mainly due to an increased favourable variance in Council-wide budgets but with continuing spending pressures on service budgets, in particular Adult Services and Children's Services. The forecast year-end position continued to show improvement and the final year end actual was an underspend of £0.298m. Savings of £6.83m were delivered against the target for the year of £6.855m. Whilst an overall surplus position was achieved, there remain some significant service pressures, in particular in Adult Services and Children's Services which had year-end overspends of £2.8m and £0.5m respectively. At 31 March 2020, the Council's earmarked reserves totalled £63.2m compared with £53.8m at 31 March 2019. The General Fund was maintained at £7m. The draft revenue budget 2020/21 and Medium Term Financial Strategy 2021 to 2023 were considered by the Executive Cabinet in October 2019. This forecast budget gaps totalling £32m over the 3 year period. Proposals to close the gap were subject to Scrutiny Committee review in November 2019 and considered at two Budget Scrutiny Working Group sessions of Executive Members and Senior officers in December 2019. (continue overleaf)	We conclude that for 2019/20 the Council has made proper arrangements to deliver financial sustainability in the medium term.

5. VALUE FOR MONEY CONCLUSION (CONTINUED)

Significant Value for Money risks

Risk	Work undertaken and findings	Conclusion
Financial sustainability The Council's medium term financial strategy (MTFS) approved by Council in February 2019, set out the financial challenges it faces, with a cumulative funding gap of £28.5m comprising of £15.7m in 2020/21 and £12.8m in 2021/22. In October 2019 the Executive received the draft revenue budget for 2020/21 and MTFS 2021-23. This estimated a revised funding gap of £13m in 2020/21 and £10.2m in 2021/22, and a forecast gap of £8.5m in 2022/23. The report included proposals for additional funding and new savings and income generation which would reduce the gap to £0.7m in 2020/21, £9.9m in 2021/22 and £5.4m in 2022/23. Financial performance reported to the end of November 2019 was a year-end underspend of £0.65m with forecast overspends on service budgets of £4.2m expected to be offset by a forecast underspend of £4.8m on Council-wide budgets. The budget proposals for 2020/21 and updated MTFS to 2023 were being finalised for submission to Council in February 2020. The continuing challenges the Council faces are not new or unique to Trafford Metropolitan Borough Council, but do present a significant audit risk in respect of considering the arrangements that the Council has in place to deliver financial sustainability over the medium term.	The Council set its budget for 2020/21 in February 2020 in line with the statutory requirements and approved an updated Medium Term Financial Strategy 2021 to 2023. In setting the budget, the Council took account of the Local Government finance settlement and the impact of pay increases, inflation levels, demand pressures, etc. However the forecast budget gap increased to £42m over the 3 year period, of which £18.5m related to 2020/21. Measures were identified which would balance the budget in 2020/21, but there remained budget gaps of £15m in 21/22 and £5.7m in 22/23. Work was underway to identify savings to close these gaps. However, the COVID-19 pandemic presents a new and significant challenge to the Council's financial sustainability for 2020/21 and future years. Whilst this had a minimal impact on the Council in 2019/20, additional cost pressures and reduced income have led to the need for the Council to reassess its 2020/21 budget and MTFS. This work is now well underway and will continue over the coming months. An initial assessment of the impact of the pandemic was presented to the Executive Cabinet in April 2020 and estimated an overall adverse impact of £37m in 2020/21 and a possible budget gap in 2021/22 of over £20m. Whilst the Council is currently expecting to manage pressures in 2020/21 to deliver a balanced position for the year, the latest forecast budget gaps reported to the Executive Committee in October 2020 are over £58m over the period 2021 to 2024, almost £16m of which is due to Covid pressures. Proposals have been identified which can reduce the gap to £18m (£4.7m in 2021/22, £5.2m in 2022/23 and £8m in 2023/24). These proposals include the use of earmarked reserves and new savings measures. The Council continues to keep these forecasts and the impact of the continuing pandemic under review. They will be updated as the Government's future funding proposals for local government become clearer. Overall, the Council had appropriate arrangements in place in 2019/20 to monitor and mitigate pressures, particularly in Adult Services and Children's Services. The pandemic is creating further financial pressures and future risks but the Council has appropriate arrangements in place to keep these under review and identify actions to take to manage these pressures. Whilst there is a need to use Council reserves to support services, the Council also recognises that this is not sustainable and is looking to make permanent reductions to the cost base.	

5. VALUE FOR MONEY CONCLUSION (CONTINUED)

Significant Value for Money risks

Risk	Work undertaken and findings	Conclusion
Ofsted inspection: children's social care services In seeking to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources, we are required to consider the reports issued by other regulators. In May 2019 Ofsted issued a report on its inspection of the Council's Children's Social Care Services. The inspection report concluded that the overall effectiveness of the Council's services for children is inadequate. We are aware the Council has taken a number of steps to tackle the issues raised in the Ofsted inspection. However, there remains a risk the Council's arrangements do not secure the required improvements to this key service or that the improvements are not secured in a timely manner.	To address these risks we have considered the progress made by the Council in response to the Ofsted report including any updated commentary from the regulator. **Findings** In order to address the issues that led to the 'Inadequate' assessment by Ofsted, an Interim Director of Children's Services was appointed and a shadow improvement board was created in June 2019. A Department for Education (DfE) improvement adviser was also appointed to work alongside the Council to support the improvement process. In August 2019, the shadow improvement board became a multi-agency Children's Improvement Board (CIB). The CIB meets regularly. Attendees include Council members and officers and other stakeholders, including NHS partners. Its independent Chair is the DfE Improvement Adviser. A two year improvement plan has been put in place which identifies the actions required to improve children's services in Trafford, with the aim of moving from the 'Inadequate' assessment to 'Good'. Reports received and matters discussed by the CIB include improvement activity, progress against the improvement plan, the associated risk register and feedback from Ofsted. An appropriate governance framework is in place below the CIB, with workstreams for each area in the Improvement Plan. In January 2020 a proposed three year investment programme for Children's Services was approved by the Executive Cabinet, focussing on early intervention and help to families at risk, to ensure that children are safeguarded at an earlier stage with the aim of avoiding the need for them to be taken into care. A permanent Director of Children's Services (DCS) was appointed at the end of January 2020. Ofsted commenced an interim visit in March 2020 to assess progress but were unable to fully complete it because of the national lockdown and subsequent restrictions during the pandemic. In June, the DfE confirmed their support for Councils to continue to focus on improving services despite the pandemic. This included flexibilities for the duration of the Covid-19 crisis such as Improvement Boards meeting virtually and re-focussing to support management of Covid-19. The timetable for DfE review meetings was also extended. The new DCS has completed the process of putting in place a new leadership team in Children's Services and the three year investment programme is under review to ensure it remains appropriate for future needs. Although Ofsted's planned 3 monthly assessment visits to assess progress were stood down due to Covid-19 crisis, the Council has continued to engage and has received feedback from the DfE. This includes their views on the progress being made, what has gone well and areas of risk going forward. There is also recognition of the risks caused by the current pandemic and associated restrictions that create additional financial and service pressures and future uncertainty.	The Council's Children's Services were assessed by Ofsted as 'inadequate' overall. Although we have concluded that the Council does not have adequate arrangements in place for these services, we are satisfied that the Council is taking urgent action to address the issues identified.

APPENDIX A
DRAFT MANAGEMENT REPRESENTATION LETTER

To be provided to us on client headed note paper

Date

Dear Karen

Trafford Metropolitan Borough Council - audit for year ended 31 March 2020

This representation letter is provided in connection with your audit of the financial statements of Trafford Metropolitan Borough Council ('the Council') and its Group for the year ended 31 March 2020 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the Code) and applicable law.

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy myself that I can properly make each of the following representations to you.

My responsibility for the financial statements and accounting information

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the financial statements in accordance with the Code and applicable law.

My responsibility to provide and disclose relevant information

I have provided you with:

- access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other material;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to individuals within the Council you determined it was necessary to contact in order to obtain audit evidence.

I confirm as Corporate Director of Finance and Systems that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information.

As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

Accounting records

I confirm that all transactions that have a material effect on the financial statements have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all Council, Cabinet and committee meetings, have been made available to you.

Accounting policies

I confirm that I have reviewed the accounting policies applied during the year in accordance with Code and International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the Council 's financial position, financial performance and cash flows.

APPENDIX A
DRAFT MANAGEMENT REPRESENTATION LETTER (CONT.)

Accounting estimates, including those measured at fair value

I confirm that any significant assumptions used by the Council in making accounting estimates, including those measured at current or fair value, are reasonable.

I confirm that I am satisfied that the actuarial assumptions underlying the valuation of pension scheme liabilities for IAS19 disclosures are consistent with my knowledge. I confirm that all settlements and curtailments have been identified and properly accounted for. I confirm that all significant retirement benefits have been identified and properly accounted for (including any arrangements that are statutory, contractual or implicit in the employer's actions, that arise in the UK or overseas, that are funded or unfunded).

Material Valuation Uncertainty

The outbreak of COVID-19, has impacted global financial markets and as such identified that less weight can be attached to the previous market evidence for comparison purposes and to inform opinions of value. The current response to COVID-19 has resulted in an unprecedented set of circumstances on which to base judgement, resulting in the valuations recognised within the Statement of Accounts being reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Given the unknown future impact that COVID-19 might have on the real estate market. I am satisfied that sufficient and appropriate disclosures have been made in the Statement of Accounts to reflect the impact of 'material valuation uncertainty' on the Council's assets.

Contingencies

There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no undisclosed contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the Council have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the Code and applicable law.

Laws and regulations

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

The Council has complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

Fraud and error

I acknowledge my responsibility as Corporate Director of Finance and Systems for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

I have disclosed to you:

- all the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting the Council involving:
- management and those charged with governance;
-
-

APPENDIX A
DRAFT MANAGEMENT REPRESENTATION LETTER (CONT.)

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the Council's financial statements communicated by employees, former employees, analysts, regulators or others.

Related party transactions

I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed in accordance with the requirements of the Code and applicable law.

I have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which I am aware.

Impairment review

To the best of my knowledge, there is nothing to indicate that there is a permanent reduction in the recoverable amount of the property, plant and equipment and intangible assets below their carrying value at the balance sheet date. I have considered the impact of COVID-19 on the Council's Investment Properties. An impairment review is therefore not considered necessary.

Charges on assets

All the Council's assets are free from any charges exercisable by third parties except as disclosed within the financial statements.

Future commitments

I am not aware of any plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

Subsequent events

I confirm all events subsequent to the date of the financial statements and for which the Code and applicable law, require adjustment or disclosure have been adjusted or disclosed.

Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

Covid-19

We confirm that we have carried out an assessment of the potential impact of the Covid-19 Virus pandemic on the Council, including the impact of mitigation measures and uncertainties, and that the disclosures in the Narrative Report fairly reflects that assessment.

Going concern

To the best of my knowledge there is nothing to indicate that the Council will not continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

APPENDIX A
DRAFT MANAGEMENT REPRESENTATION LETTER (CONT.)

Annual Governance Statement

I am satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and I confirm that I am not aware of any significant risks that are not disclosed within the AGS.

Narrative report

The disclosures within the Narrative Report fairly reflect my understanding of the Council's financial and operating performance over the period covered by the financial statements.

Unadjusted misstatements

I confirm that the effects of the uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole. All uncorrected misstatements are included in the Appendix to this letter.

Yours faithfully

Nikki Bishop
Corporate Director of Finance and Systems

APPENDIX B
DRAFT AUDITOR'S REPORT

Independent auditor's report to the members of Trafford Metropolitan Borough Council
Report on the financial statements

Opinion
We have audited the financial statements of Trafford Metropolitan Borough Council ('the Council') and its subsidiary and joint ventures ('the Group') for the year ended 31 March 2020, which comprise the Council and Group Comprehensive Income and Expenditure Statements, the Council and Group Balance Sheets, the Council and Group Movement in Reserves Statements, the Council and Group Cash Flow Statements and notes to the financial statements, including a summary of significant accounting policies. 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 2019/20.

In our opinion, the financial statements:
- give a true and fair view of the financial position of Trafford Metropolitan Borough Council and the Group as at 31st March 2020 and of the Council's and the Group's 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 2019/20.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities section of our report. We are independent of the Council and Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Effect of the COVID-19 pandemic on the valuation of land, buildings and investment properties
We draw attention to note 6 in the General Notes to the Accounts, which describes the effects of the COVID-19 pandemic on the valuation of the Council's land, buildings and investment properties and the valuation of its share of the Greater Manchester Pension Fund's property and investments. As disclosed in note 6 of the General Notes to the Accounts, the Council's valuers have reported on the basis of 'material valuation uncertainty' and the Greater Manchester Pensions Fund has disclosed in their statements uncertainty with the valuation of property and investments. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern
We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:
- the Corporate Director of Finance and Systems' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Corporate Director of Finance and Systems has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Council's or the Group's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information
The Corporate Director of Finance and Systems is responsible for the other information. The other information comprises the Annual Governance Statement and information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of the Corporate Director of Finance and Systems for the financial statements
As explained more fully in the Statement of the responsibilities for the statement of accounts, the Corporate Director of Finance and Systems 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 2019/20, and for being satisfied that they give a true and fair view. The Corporate Director of Finance and Systems is also responsible for such internal control as the Corporate Director of Finance and Systems determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

APPENDIX B
DRAFT AUDITOR'S REPORT (CONTINUED)

The Corporate Director of Finance and Systems is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 and prepare the financial statements on a going concern basis, unless the Council is informed of the intention for dissolution without transfer of services or function to another entity. The Corporate Director of Finance and Systems is responsible for assessing each year whether or not it is appropriate for the Council and Group to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Matters on which we are required to report by exception under the Code of Audit Practice
We are required by the Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Qualified conclusion on Trafford Metropolitan Borough Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

Qualified conclusion – Except for
On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, with the exception of the matters described in the 'Basis for qualified conclusion' paragraph below, we are satisfied that, in all significant respects, Trafford Metropolitan Borough Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

Basis for qualified conclusion
We have undertaken our review in accordance with the Code of Audit Practice issued by the Comptroller and Auditor General, having regard to the guidance on the specified criterion issued in April 2020, as to whether the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider in satisfying ourselves whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

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 Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

In seeking to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources, we have considered reports issued by other regulators. In May 2019, Ofsted reported the results of an inspection of children's social care services. Ofsted concluded that the overall effectiveness of the Council's services for children is inadequate, with widespread deterioration in the quality of local authority services for children in Trafford as a result of failures in leadership.
Our qualification is in relation to those services that have been assessed as 'inadequate'. This qualification will remain until these services are no longer assessed as inadequate by Ofsted.

Responsibilities of the Council
The Council 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.

APPENDIX B
DRAFT AUDITOR'S REPORT (CONTINUED)

Auditor's responsibilities for the review of arrangements for securing economy, efficiency and effectiveness in the use of resources
We are required under section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice requires us to report to you our conclusion relating to proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Use of the audit report
This report is made solely to the members of Trafford Metropolitan Borough Council, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of the Council those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Council, as a body, for our audit work, for this report, or for the opinions we have formed.

Delay in certification of completion of the audit
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 consolidation pack. We are satisfied that these matters do not have a material effect on the financial statements or on our conclusion on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.

[*Signature*]

Karen Murray
For and on behalf of Mazars LLP
One St. Peter's Square
Manchester
M2 3DE
November 2020

APPENDIX C
INDEPENDENCE

As part of our ongoing risk assessment we monitor our relationships with you to identify any new actual or perceived threats to our independence within the regulatory or professional requirements governing us as your auditors.

We can confirm that no new threats to independence have been identified since issuing the Audit Strategy Memorandum and therefore we remain independent.

CONTACT

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Manager

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TRAFFORD COUNCIL

Report to:	**Accounts and Audit Committee**
Date:	**26 November 2020**
Report for:	**Approval**
Report of:	**Corporate Director of Governance and Community Strategy**

Report Title

Annual Governance Statement – 2019/20

Summary

The preparation and publication of an Annual Governance Statement (AGS) is necessary to meet the statutory requirement set out in the Accounts and Audit Regulations 2015. This report provides the final version of the 2019/20 AGS.

The Committee previously received a report in July setting out the Draft AGS. Draft versions of the AGS had also previously been shared and reviewed by the Corporate Leadership Team.

Since the draft version was presented to the Accounts and Audit Committee on 15th July 2020 a number of the significant issues for 2020/21 have been updated. Those which have been updated are highlighted within the document. Any further issues arising in 2020/21 impacting on governance and developments in relation to governance issues reported to date will be considered as part of the process for compiling the 2021/22 AGS.

Recommendation

The Accounts and Audit Committee is asked to approve the 2019/20 Annual Governance Statement.

Contact person for access to background papers and further information:

Name: Alexander Murray – Democratic and Scrutiny Officer

Extension: 4250

Background Papers: None

TRAFFORD
COUNCIL

ANNUAL GOVERNANCE STATEMENT 2019/20

Executive Summary

The 2019/20 municipal year has seen the Council building upon the foundations put in place in the previous municipal year, when it adopted a new Corporate Plan for Trafford. The Corporate Plan is now in its second of four years and describes Trafford Council's vision and priorities for the borough. Based on seven strategic priorities, the Plan is a plan for the whole community and provides the detail of what the Council will do and how it will work with our communities and its partners to deliver change to Trafford in line with these commitments. The Council monitors its performance against the Corporate Plan, and reports performance quarterly to the Corporate Leadership Team and the Executive.

The Council's Change Strategy "Building a Winning Culture #EPIC" continued to evolve throughout 2019/20. The new organisational values, empower, people centred, inclusive and collaborative from which the acronym of EPIC was created, are now embedded in all of our people and engagement activities.

The Council has developed a system wide Health and Social Care Locality Plan with a focus on integrating a Strategic Commissioning Function (SCF) between the Council and the CCG. Working with partners across the sector, the plan builds on the great work previously undertaken and takes a place based approach in working with the VCFSE and local community groups. It focuses on two key methodologies:

- the delivery of support as close to home as possible and,
- on further developing person and community centred approaches.

Trafford has a Local Care Alliance (LCA) in place to contribute to, shape, monitor and assure the system of progress against the plan and to ensure all partners across health and social care are engaged.

The Council has continued to strengthen and develop its Investment Strategy. In February 2020 the Council approved an increase to the Investment Strategy from £400m to £500m, supported by prudential borrowing, to support the Strategy. The strategy is to support economic regeneration and provide an investment return, supporting the Council's financial resilience and offering an additional solution to address future budget gaps. To mitigate the risks of the approach nationally recognised investment advisors are being used as part of the due diligence process with emphasis placed on securing investments in low risk assets, with a balanced portfolio. All investment decisions are subject to approval by the cross party Investment Management Board.

The end of the municipal year saw the introduction of lockdown measures as a result of the COVID pandemic outbreak. The pandemic emergency has had a huge impact on the Council and its communities which is likely to be felt for many years. The response saw the creation of a number of community outlets for support; these will be developed

further with the communities to embed the commissioning response and approaches for the future and support the " build back better " approach to recovery and reform.

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. The Council are also responsible for ensuring that public money is safeguarded, properly accounted for, and used economically, efficiently, and effectively. Trafford Council has a duty under the Local Government Act 1999 to make arrangements to continuously improve how its functions are exercised, with regards to a combination of economy, efficiency and effectiveness.

1.2 This overall responsibility requires Trafford Council put in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, including arrangements for the management of risk.

1.3 Trafford Council has approved and adopted a corporate governance code, consistent with the principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government'. A copy of the Authority's code is available at: http://www.trafford.gov.uk/about-your-council/budgets-and-accounts/downloadable-documents.aspx. This statement explains how Trafford Council has complied with the code and meets the requirement of Accounts and Audit (England) Regulations 2015, regulation 6, that all relevant bodies have 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. The framework covers the Council's activities through which; it is accountable to, engages with, and leads its communities. It also enables the Authority to monitor performance against strategic objectives and evaluate whether those objectives are fit for purpose.

2.2 The system of internal control forms a significant part of the framework and is designed to manage risk. However, it can only reduce risk of failure and provide reasonable, not absolute, assurance of effectiveness. The system of internal control is an ongoing process designed to identify and prioritise risks to the achievement of Trafford Council's policies, aims and objectives. The system also ensures that identified risks are evaluated, according to their likelihood and potential impact, and managed efficiently, effectively, and economically.

2.3 The governance framework has been in place at Trafford Council for the year ending 31 March 2020 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 consistent with the principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government' 2016 edition. Trafford Council's Corporate Governance Code details how the Authority meets the requirements of the framework and is aligned to the principles of good governance in local government set out in the CIPFA framework: Good Governance in the Public Sector (CIPFA, IFAC, 2014):

- Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of the law
- Ensuring openness and comprehensive stakeholder engagement
- Defining outcomes in terms of sustainable economic, social and environmental benefits
- Determining the interventions necessary to optimise the achievement of the intended outcomes
- Developing the entity's capacity, including the capability of leadership and the individuals within it
- Managing risk and performance through robust internal control and strong public financial management
- Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

3.2 The Annual Governance Statement sets out how the Authority has complied with the Code and also meets with the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 which have amended the Accounts and Audit Regulations (England and Wales) 2015. The Coronavirus amendment revised the deadlines applicable to Local Authorities as follows:

- Approval of Draft Accounts 31 August 2020 (previously 31 May)
- Public Inspection Period to start on or before first working day of September 2020 (previously included first 10 working days of June)
- Publish Final Audited Accounts 30 November 2020 (previously 31 July)

The Authority meets the requirements of the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 in relation to the publication of a statement on internal control. It is subject to detailed review by the Accounts and Audit Committee when they consider the final Statements of Account but before they approve the Statement of Accounts.

3.3 The Authority's financial management arrangements are consistent with a number of the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2016). The key principles for which there is compliance are that the Chief Financial Officer (Corporate Director of Finance and Systems):

- is actively involved and is able to bring influence on the Authority's financial strategy;

- leads the whole Authority in the delivery of good financial management;
- directs a fit for purpose finance function; and
- is professionally qualified and suitably experienced.

In addition, the Statement requires that the Chief Finance Officer should report directly to the Chief Executive and be a member of the leadership team, with a status at least equivalent to others.

The Corporate Director of Finance and Systems (the Chief Finance Officer and designated Section 151 officer) is a member of and attends the meetings of the Corporate Leadership Team.

3.4 The key elements of the system and processes that comprise the Authority's governance framework are outlined in this Annual Governance Statement. The Statement demonstrates the effectiveness of the Council's governance arrangements during 2019/20 in line with the seven governance principles

CIPFA SOLACE Principle A.	Key Elements of Trafford Framework
Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law	• Constitution • Employee Code of Conduct • Members Code of Conduct • Register of Interests • Disciplinary Policy • ICT Acceptable Use Policy • Anti-Fraud & Corruption Strategy • Confidential Reporting Code • Standards Committee • Corporate Governance Code

How we demonstrated effectiveness in 2019/20

A Constitutional review of the Council's Recruitment and Employment Procedures was conducted during the year. The review was done by an external legal practice with the resulting changes being submitted to the Council's Employment Committee and Standards Committee before being approved by Council 9th October 2019.

A working group of the Council's Standards Committee carried out a review of the Member Officer Protocol which was reported to the Standards Committee 25th September 2019 before being approved by Council. The Standards Committee oversaw the Council's response to the report on Local Government Ethical Standards by the Committee on Public Standards in Public Life, which was published in January 2019. The response involved reviewing the Members Code of Conduct, complaint's procedure, and register of interests to bring them in line with the 14 areas of best practice listed within the report. A report was delivered at the Standards Committee 4th March 2020 which covered all the proposed changes. The implementation of the actions by Council has been delayed due to the impact of COVID 19.

The Council has an agreed Anti-Fraud and Corruption Policy and Strategy, Fraud Response Plan and Whistleblowing Policy. Details of how to report suspected fraud are included on the Council website. Referrals of suspected fraud can be reported to the Council using an online form.

The 2018/19 Annual Report for the Counter Fraud and Enforcement team was presented to the Accounts and Audit Committee on 29 July 2019 outlining fraud prevention and detection activities and planned work for 2019/20. The team has primarily focused on revenues related fraud relating to Council tax, Business rates and Adult social care funding misuse. An annual report for 2019/20 will be reported to the Accounts and Audit Committee later in 2020.

The Council continues to participate in the National Fraud Initiative (NFI) data matching exercise. An update was provided by the Audit and Assurance Service to the Accounts and Audit Committee on 5 February 2020 setting out work undertaken

and outcomes from work completed in 2019/20.	
CIPFA SOLACE Principle B.	Key Elements of Trafford Framework
Ensuring openness and comprehensive stakeholder engagement	• Decision Making Protocols • Access to Information Procedure Rules • Budget Consultation • Trafford Partnership Board & Strategic Boards • Public Service Reform Board & Operational Group • Building Strong Communities Strategy • Locality Working Programme • Joint Strategic Needs Assessment

How we demonstrated effectiveness in 2019/20

The Council continued to webcast all Executive, Council, and Committee meetings via the Trafford Council website and YouTube Channel. During the move to virtual meetings in response to the COVID 19 pandemic the Council used a combination of Microsoft Teams, Zoom, and YouTube to ensure openness of the Council's decision making process and engagement with stakeholders, including Trafford residents, was maintained.

Trafford Council has is committed to listen to the views of residents and business and have carried out several consultations on a number of schemes across the borough during the last 12 months. The three main consultations events were:

- The future of Stretford Centre which was held in November. A further consultation session was held on 25 January 2020 to outline feedback from the first event, and provide further opportunities for local people and groups to share ideas that can shape the future of Stretford.
- The Civic Quarter Masterplan. Large-scale proposals for the development of the former Kellogg's site in Stretford. Bruntwood Works and Trafford Council announced plans for a residential-led mixed use development to include housing, primary school, offices and public realm.
- Phase II of the Altrincham Leisure Centre consultation was conducted to gather a wider range of input and engagement. This helped the Council to achieve the best possible solution and maximised the potential of the site for the local area.

The Council has developed a system wide health and social care locality plan, that builds on the great work previously undertaken, including the One Trafford Response pilot, and working with partners across the sector including a place based approach in work with the VCFSE and local community groups, focusing on two key methodologies:

- the delivery of support as close to home as possible and,

- on further developing person and community centred approaches,

which together maintain connections and reconnect people to their local communities, reduces social isolation, empowers residents and develops citizen support to neighbours. The COVID pandemic outbreak has seen the creation of a number of community outlets for support; these will be developed further with the communities to embed the commissioning response and approaches for the future and support the " build back better " approach to recovery and reform.

Trafford has a Local Care Alliance (LCA) in place to contribute to, shape, monitor and assure the system of progress against the plan and to ensure all partners across health and social care are engaged. The LCA has an independent chair to ensure an objective and external view is supporting the development. The Joint Commissioning board (JCB) for Trafford, meets regularly and brings together members across Trafford council and Trafford CCG governing body. Their refocused objectives are to challenge delivery against the plan and support the system changes, unblock barriers and assure progress.

CIPFA SOLACE Principle C	Key Elements of Trafford Framework
Defining outcomes in terms of sustainable economic, social and environmental benefits	• Corporate Plan • Core Strategy • Trafford Locality Plan • Physical Activity Vision • Medium Term Financial Strategy

How we demonstrated effectiveness in 2019/20

The Corporate Plan is now in its second of four years and describes Trafford Council's vision and priorities for the borough. It provides the detail of what the Council will do and how we will work with our communities and our partners to deliver change to Trafford in line with these commitments. The Council has identified seven strategic priorities that we believe are key to enabling Trafford residents, businesses and staff to thrive. Our priorities set out our aspirations for our people, place and communities, and how they can affect and improve their daily lives. These are:

- Building Quality, Affordable and Social Housing
- Health and Wellbeing
- Successful and Thriving Places
- Children and Young People
- Pride in Our Area
- Green and Connected
- Targeted Support

These priorities are not just for the Council but for the whole community and have been shared with members of the Trafford Partnerships. To achieve our aims we will work closely and effectively with partners, residents, businesses and communities to make this a success. While the corporate plan spans just four years it is aimed at

building foundations which will guarantee that Trafford is sustainable in the long term financially (by creating a thriving local economy), socially (by building strong communities who are proud of their area), and environmentally (by implementing local solutions to aid the global effort to combat climate change).

Trafford has progressed the second year of delivery against its 5 Year Health and Social Care Locality Plan with a focus on integrating a Strategic Commissioning Function (SCF) between the Council and the CCG. There has been significant development of work to build a SCF programme of work that includes the integration of 4 commissioning teams. The programme will include work to align to the statutory commissioning functions of the Director of Adult Social Care (DASS) and the Director of Children's Services (DCS). The governance to support this programmes sits with the newly created Health and Social Care Commissioning Advisory Board (HSCCAB) which in turn reports to the Trafford Joint Commissioning Board (TJCB).

Consideration and approval by the Authority of its future budget for 2019/20 took place at its 20 February 2019 full Council meeting. Due to increasing cost pressures on Adult Social Care, the Council Tax recommendation resulted in a specific 1% increase to be implemented to finance expenditure in this area and a 2.99% Council Tax increase for other services.

The Authority has spent its resources within the overall agreed budget for the financial year 2019/20, delivering a net saving of £298k. There was £1.4m of budget pressures linked into COVID-19 which were financed from government grant. In response to the COVID-19 pandemic, Central Government has provided several grants including COVID-19 un-ring-fenced grants totalling £12.658m (£6.119m of which was received on 27 March 2020 and the net balance of £4.722m has been carried forward into 2020/21 via an earmarked reserve) to meet urgent and unforeseen costs and financial pressures impacting on the Council and the Trafford economy. The Council also received a grant of £10.832m at the end of March to support cash flow. This was a cash advance of Government funding anticipated in 2020/21.

Further additional funding of £48m was made available to the Council (in 2020/21) via the Department for Business, Energy and Industrial Strategy, funding to provide grant support to local businesses. The Council will act as an Agent in administering the grants scheme to those in receipt of Small Rates Business Relief or the Retail, Leisure and Hospitality Grant funding.

The Council's Medium Term Financial Strategy continued to be reviewed and updated throughout the year, culminating with the setting of a balanced budget for 2020/21 on the 19th February 2020.

Trafford has a strong commitment to working with the Armed Forces Community and the requirements set out in the Armed Forces Covenant were recognised by the

Ministry of Defence in November 2019, the Council being awarded the Covenant Gold Award. The Council's Armed Forces work goes beyond the Council's statutory obligations and included implementing changes to policy, employment assistance and support of reservists and veterans at times of need.	
CIPFA SOLACE Principle D	Key Elements of Trafford Framework
Determining the interventions necessary to optimise the achievement of the intended outcomes	• Transformation Programme • Annual Delivery Plan • Medium Term Financial Plan • Efficiency Plan • Capital Investment Programme • Social Value Framework
How we demonstrated effectiveness in 2019/20	
The Council monitors its performance against the corporate plan, and reports performance quarterly to the Corporate Leadership Team and the Executive. The performance reports went to the Executive on the 6th January 2020, and the 16th March 2020. The report delivered in March showed that of the 15 performance indicators 8 were over performing, 3 were underperforming but still predicted to meet annual targets, and the remaining 4 were underperforming and rated as amber, with exception reports written as appropriate. The transformation outcomes continue to be monitored through Finance and the Corporate Leadership. In determining a balanced budget for 2019/20, an overall budget gap of £13.44m needed to be addressed by a combination of additional resources of £6.58m and £6.86m of service savings and additional income. The Authority has spent its resources within the overall agreed budget for the financial year 2019/20, delivering a net saving of £298k In order to achieve the long-term financial targets, the Authority at its February 2020 meeting set a budget for the financial year 2020/21 supported by an appropriate assessment of risk by the Corporate Director of Finance and Systems. All the expected risks pre the pandemic to the Authority as at Council Meeting 19 February 2020 were considered in the budget report. The future savings required by the Council along with the planned achievement from future transformation were also presented. The financial resilience was supported by an agreed Reserves Policy which pre-pandemic was subject to regular review underpinning the long-term financial resilience of the Council and supporting the vision of the Borough. The 2020/21 budget was set pre-pandemic. The resources available to the Council reflected the pre-COVID operating environment and were deployed to continue to	

improve performance and reflect the agreed objectives of the Council.

Trafford Council has been working in collaboration with Trafford Clinical Commissioning Group (CCG) and key partners to continue to enhance the joint working seen in the previous year. The next phase of work will focus on wider partnership engagement and alignment to work on community infrastructure that is sustainable and able to deliver the humanitarian aid required for the future spikes in infection outbreaks of COVID 19. The Joint Commissioning Board is committed to forming a Joint Committee to explore pooled and aligned budget opportunities.

The One Trafford Estate programme is in place and in December 2017, Trafford Council were awarded an £85,000 grant to undertake a 'Locality Asset Review' (LAR). The review assesses the size of the public estate required for the future delivery of improved services and establishes a strategic plan for redesign of the estate. The LAR Was approved by the Executive at their meeting on the 24th June 2019, and will be delivered through a Strategic Estates Group.

In March 2020 work completed on the refurbishment of Urmston Leisure Centre, which is the first stage in a larger programme of work. All Trafford Leisure centres were required to close as a result of the Covid-19 lockdown on the 20th March 2020, which has had a severe impact on the financial position of Trafford Leisure CIC, and as a result the remainder of the investment programme will be reviewed during the 2020/21 financial year.

The Executive at their meeting on the 15th July 2019 approved the Playing Pitch Strategy Review, Long Term Security of Tenure and Local Football Facilities Plan which sets out the overall strategy for managing playing pitches in the Borough.

STAR has four key strategic partners and two additional partners: Trafford, Rochdale, Stockport and Tameside and also Trafford Clinical Commissioning Group and Tameside Clinical Commissioning group. STAR continues to exceed savings targets and its wider performance indicators set annually. During 2019/20 STAR commenced using a Social Value tool and new approach (Social Value Portal) and for the STAR partners this has been immensely successful, with a year on securing 25% of the contract value in added value to be delivered during the life of the contracts equating to £31m. This also captures and reports on local/Greater Manchester spend, Small and Medium size Enterprises/Voluntary Community Social Enterprise sector bidding and winning contracts. It has established a more robust contract management function.

Trafford created the Community Response to COVID-19 project to establish a coordinated response to the overwhelming offer of help from community groups and people in Trafford. The Community Response to COVID-19 is a fully collaborative, co-produced project spearheaded by Trafford Metropolitan Borough Council, we are committed to working together in partnership with local organisations, businesses and

partners to ensure that a full community response is taken.	
CIPFA SOLACE Principle E	Key Elements of Trafford Framework
Developing the entity's capacity, including the capability of its leadership and the individuals within it	• Change Strategy • Member Development Strategy • Members' Training Plan • Members' Induction Process • Employee Training & Development Plan • Corporate Induction Procedure • Employees Personal Development Review (PDR) • Staff Health & Wellbeing Strategy • Absence Management Strategy
How we demonstrated effectiveness in 2019/20	
The Council's Change Strategy "Building a Winning Culture #EPIC" continued to evolve throughout 2019/20. The new organisational values, empower, people centred, inclusive and collaborative from which the acronym of EPIC was created, started to be embedded in all of our people and engagement activities. Our EPIC Pioneers have been integral to supporting and championing new ways of working and all of our people initiatives throughout 2019/20. We held a number of leadership and colleague engagement events throughout the year and delivered a Leadership conference in January 2020 to coincide with the launch of our new People Strategy for 2020-2022. In October 2019, we launched the Best Companies B-heard engagement survey across the workforce and achieved a 51% response rate and a Best Companies Index (BCI) score of 631.9. This put us in the 'one to watch' category with a good level of engagement. Throughout 2019/20 we will put the foundations in place to continue to embed our values and engage with our colleagues so that they feel informed and empowered to achieve better outcomes for our residents. The Council has continued to refresh HR policies and plans, (all refreshed policies were submitted to the Council's Employment Committee which support Trafford's commitment to attract the best talent, grow and develop our existing staff, promote a healthy work-life balance, and embed our aspiration to become an employer of choice. A suite of learning and development interventions are available to equip staff with the tools, techniques, and skills they need to work successfully. Learning and Development Plans and a refreshed 'Check in' process are in place at directorate level across the council and all development actions are discussed frequently and updated annually. Trafford's Learning offer is delivered both face to face and via the e-learning platform with access to coaching opportunities and relevant qualifications	

available via the professional development route and/or apprenticeship levy.

A succession planning strategy is in place which ensures key skills are not lost and staff are upskilled to enable them to take on higher graded roles. Successors have been identified at senior manager level and targeted development initiatives provided to ensure that the Council's workforce is equipped to meet new and emerging demands.

Coaching offers are available and a leadership offer - #EPIC Manager is being rolled out that includes modular suite of learning aimed at new leaders, middle leaders and senior leaders. Managers have also accessed the Apprenticeship levy for leadership qualifications and we continue to offer qualification career paths in roles that require professional qualifications.

A refreshed Health & Wellbeing Strategy 'EPIC You' is in place which comprises of initiatives and activities aimed at improving organisational effectiveness and organised around four key themes

- Healthy Lifestyle
- Mental wellbeing
- Focus on Musculoskeletal (MSK) Health
- Health & Safety

Absence Management continues to be monitored at Member and Corporate Leadership level. Sickness performance is reported on quarterly to the Employment Committee as part of the workforce update with the latest update going to the Committee on the 2nd March 2020. A refreshed policy is being developed for implementation that supports positive attendance and support for improvements for Directorate and overall council level targets.

A Member Training Plan has been developed with a refreshed induction programme for all new Members for 2019-20 and an annual training programme based on learning needs analysis undertaken in November 2018. The Member Development Steering Group continues to meet on a regular basis to agree priorities for development and review and evaluate learning and development programmes.

A bespoke set of scrutiny training sessions were delivered by North West Employers to members of the Council's three Scrutiny Committees. The first two sessions were focused upon the key aspects of scrutiny and were held in June 2019 prior to the first meetings of the year. The third session was focused upon budget scrutiny and was held in November prior to the Council's Budget Scrutiny Sessions in December. A scrutiny element was added to the Members induction training to ensure that new Councillors were made aware of the function, the powers of scrutiny, and the role that it plays within the Council's decision making process.

CIPFA SOLACE Principle F	Key Elements of Trafford Framework
Managing risks and performance through robust internal control and strong public financial management	• Financial Procedure Rules • Contract Procedure Rules • Treasury Management Strategy • Scrutiny Committees and Protocols • Risk Management Strategy & Policy Statement • Strategic Risk Register • Internal Audit Strategy • Accounts & Audit Committee

How we demonstrated effectiveness in 2019/20

The Council has robust arrangements in place for managing corporate risks, through the regular reporting of the strategic risk register; non-financial performance through regular reporting of its corporate plan priorities and through bi-monthly reporting of the revenue budget monitoring projections, capital programme performance and reserves position.

The budget position of the Council is also supported by a robustness statement from the Corporate Director of Finance and Systems, including an assessment on the overall adequacy of reserves.

At the Council Meeting 19th February 2020 the Council approved an increase to the Investment Strategy from £400m to £500m, supported by prudential borrowing, to support the Strategy. The strategy is to support economic regeneration and provide an investment return, supporting the Council's financial resilience and offering an additional solution to address future budget gaps.

To mitigate the risks of the approach nationally recognised investment advisors are being used as part of the due diligence process with emphasis placed on securing investments in low risk assets, with a balanced portfolio. All investment decisions are subject to approval by the cross party Investment Management Board.

Further risk mitigation is being undertaken through the creation of a "Risk Reserve" through the ring-fencing of an element of the returns and an allowance for debt repayment (in accordance with national regulations).

The budget for 2020/21 was approved by the Executive 19th February 2020 and set out the Council's Medium Term Financial strategy 2020/21 to 2022/23 including income and savings proposals to address the funding gap of £42.13m over next 3 years. The plan is a rolling document which is updated as changes in assumptions and conditions are known. (See Section 5.3 Significant Governance Issues 2019/20 - Medium Term Financial Position / Savings).

The Annual Budget Scrutiny exercise took place during December 2019 with the

report being submitted to the Executive 27th January 2020. The Executive's response to the process was delivered to the Scrutiny Committee 11th March 2020.

The Council continues to regularly review and monitor its Strategic Risk Register with update reports presented to CLT and the Accounts and Audit Committee. By March 2020, there were 14 strategic risks identified with each risk managed by nominated staff / groups within the Council. In addition to the impact of COVID-19, the other high risks in the strategic risk register by the year-end included risks in relation to safeguarding vulnerable children (reflecting the Ofsted review reported in May 2019); uncertainty regarding the Council's financial position; risks in relation to the impact of Brexit; and the performance of the One Trafford Partnership. These also are reflected as significant governance issues in section 5.

Trafford's Information Governance (IG) activities have focused heavily on GDPR Implementation and completion of the new Data Security and Protection (DSP) Toolkit. GDPR activities included; training and awareness activities (e-learning and workshops), internal communication and awareness campaigns, further work refreshing privacy notices to meet transparency requirements, privacy by design and default through the development and implementation of a Data Protection Impact Assessment template and procedure, and further work developing the Records of Processing Activities. There is further work to be done and the Council's priority moving into 2020-21 will be embedding GDPR as business as usual.

The Authority continues to monitor risks in relation to Cyber security. The authority completed the Public Services Network (PSN) assessment including an independent penetration test on both the internal and external network. A number of remedial actions were addressed prior to Trafford achieving compliance in October 2019. The Council was assessed in April 2019 as 'standards not fully met (plan agreed)' against the new Data Security and Protection Toolkit used to assess compliance with expected data security standards. Progress is being made in the four areas identified in the plan as requiring action and the Council will need to get to a position to submit a standards met Toolkit by the end of September 2020, the revised deadline for the 2019/20 Toolkit. The Toolkit delivery group meets quarterly and engages four areas where the Authority's processes were to be strengthened.

During 2019/20 the Council reformed the Information Security Governance Board into a more focused Information Assurance Board (IAB) with new terms of reference. The Board meets quarterly and brings together Senior leadership with responsibilities around information risk, information security and confidentiality – the Senior Information Risk Owners' and Caldecott Guardians' of the Council and CCG and the Chief Digital Officer – along with the Council and CCG's Information Governance Managers who are also the respective organisations' Data Protection Officers'.

The Council conducted a policy review which has involved key IG policies being updated and the drafting of new policies. A substantive review of service level privacy notices has been undertaken and a number of additional privacy notices have been

drafted and published. These are elements of a larger piece of work the Council is doing to ensure it meets its transparency obligations under GDPR. The work already undertaken, in progress and planned is intended to strengthen the overall Information Assurance position and ensure robust oversight.

A third party service provider continues to provide additional ICT security capacity and expertise, manage the firewall parameters, and provide accredited security advice. A detailed assessment of the Authority's cyber security processes against a recognised best practice framework was undertaken during Quarter Four 2019/20 as part of the Authority's internal audit plan. The recommendations will be formulated into an improvement plan for 2020/21.

The Council has identified where further work is required to ensure it maintains effective business continuity management and to ensure robust data recovery processes in place. A more detailed description of the progress made this year is provided in section 5. This work will be progressed and is listed in section 5.3 as a significant issue for 2020/21.

The Internal Audit 2019/20 work plan incorporated coverage of a number of key financial systems and other business risks. Updates of work undertaken were provided to the Corporate Leadership Team and the Accounts and Audit Committee during the year. The Annual Report of the Head of Internal Audit for 2019/20 states that based on internal audit review work undertaken in 2019/20, the Internal Audit Opinion is that, overall, the control environment encompassing internal control, risk management and governance, is operating to a satisfactory standard. Follow-up internal audit work in areas previously reviewed demonstrates that progress is being made to improve controls and address risks previously identified, although further action is required in respect of some areas reviewed. Where areas for improvement have been identified during 2019/20, actions have been agreed with management to be followed up in 2020/21.

The COVID-19 pandemic has not had a significant impact on levels of assurance provided to support the Internal Audit Opinion for 2019/20 given that the disruption to planned work commenced towards the year-end in March 2020. In terms of 2020/21, considerable time was spent in the first quarter of the year in providing support to the Council's response to the pandemic and audit plans will be subject to review through the year taking into account risks and priorities.

It was also noted in the Internal Audit Opinion that in terms of external inspection, in May 2019, Ofsted published a report on findings following its review of Children's social care services which provided ratings of "inadequate" or "requires improvement to be good" across areas reviewed. Subsequently, this issue was also reflected in the 2018/19 External Audit Value for Money Conclusion reported to the Accounts and Audit Committee in October 2019. It was noted that during 2019/20, an improvement plan was produced in response to this which has been progressed through the year and is subject to monitoring by Ofsted.

The Council's assurance arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit. Internal Audit operates in general conformance with the Public Sector Internal Audit Standards.

As the Council's External Auditors (appointed to audit the accounts of Trafford Council for five years, for the accounts from 2018/19 to 2022/23) Mazars LLP provided regular updates to the Accounts and Audit Committee through the year including details of its planned work and findings.

In 2019-20, STAR Procurement continued to provide the shared procurement service for Stockport, Trafford, Rochdale and Tameside Councils as well as GMCA and other public sector organisations through commissioned activity bringing additional income into the organization from procurement support and shared service expertise. During the period it delivered savings in excess of £7m. Local spend improvement is continuing and has established a more sustainable position.

CIPFA SOLACE Principle G	Key Elements of Trafford Framework
Implementing good practices in transparency, reporting and audit to deliver effective accountability	• Council Website • Freedom of Information Publication scheme • Trafford Partnership Data Lab • Marketing and Communications Team • Annual Financial Statements • Annual Governance Statement • Annual Scrutiny Report • Corporate Plan

How we demonstrated effectiveness in 2019/20

The External Auditor's Annual Letter 2018/19 was presented to the Accounts and Audit Committee on 30 October 2019. The audit opinion reported was that the financial statements give a true and fair view of the Council's financial position as at 31 March 2019 and of its expenditure and income for the year then ended and have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

The report also concluded that in all significant respects, the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019, except for the overall effectiveness of the Council's services for children. In terms of the latter point, the Annual Audit Letter acknowledged, as referred to earlier, that the Council was taking action with a full improvement plan to address the issues raised in the Ofsted report. Findings from the 2019/20 audit will be reported to the Accounts and Audit Committee later in 2020.

During 2019/20 a total of 1413 Freedom of Information requests were received, of which 82% were responded to within the statutory timescale of 20 working days. FOI

reports are produced and circulated to senior managers weekly. The Council will continue to monitor compliance closely. Performance reports are shared with CLT on a regular basis with the target to increases the Council's compliance rate above 90%.

The Annual Scrutiny Report 2018/19 went to the Council meeting 17th July 2019. During the year the Scrutiny Committee met four times, the Health Scrutiny Committee met six times, including an extraordinary meeting to look at issues around the Altrincham Hub, and the Children and Young Peoples Committee met four times. On top of meetings each Committee carried out a number of task and finish groups focused upon areas selected by Committee Members. A review of the Council's Scrutiny function was planned for the end of the municipal year to feed into the 2019/20 report but this was postponed due to the impact of COVID-19.

Information on the Council's decision making is open and transparent and published on the website. The Council continues to publish a range of open data through its website, data.gov.uk and the Trafford Data Lab's website (trafforddatalab.io). It also publishes data on grants to voluntary and community organisations on 360Giving.

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 is informed by the work of the Council's executive managers, the Head of Internal Audit's annual report, by the external auditor's comments, and the results of reviews and inspections.

4.2 The processes applied, the sources of assurance obtained in maintaining and reviewing the effectiveness of governance arrangements, and, as part of that, the systems of internal control include the following:

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

4.3 These governance functions are described in more detail within the Council's Corporate Governance Code and specific assurances or improvements delivered during 2018/19 are detailed in Sections 3 and 5 of this Statement.

4.4 The review of the effectiveness of the governance framework by the Accounts and Audit Committee concluded that the arrangements continue to be fit for purpose in accordance with the governance framework. The areas which have been addressed and those which are to be addressed with new actions are set out in Section 5.

5. Significant Governance issues

5.1 The Council takes its responsibilities and duties seriously with regard to ensuring continuous improvement in the way that its functions are exercised and in the consideration of economy, efficiency and effectiveness.

5.2 In the 2018/19 Annual Governance Statement a number of significant governance issues were identified. Below are the details of those significant governance issues followed by the action that the Council has taken in 2019/20 to address them.

2018/19 Significant Issues	Action Taken 2019/20
Delivery of Corporate Plan - The Corporate Plan was agreed at Council 20th March 2019 and since this time the Directorate Plans have been developed. The Corporate and Directorate Plans are at the core of the Council's performance management framework and are designed to deliver the Council's Corporate Vision. The Directorate Plans and performance measures are being developed and will be reviewed by the Corporate Leadership Team monthly and presented to Executive twice a year. The Transformation, Performance and Resources Group and the Assistant Director Corporate Strategy and Policy will be involved in the annual budget and consultation process which will link in with the delivery of the plan and strategic priorities. The strategic priorities will be delivered on a partnership level through the Trafford Together priorities which have been adopted by the Trafford Partnership as a borough-wide community plan. The Partnership organisations will be focusing on what each of the 7 Priorities mean for them, what success looks like and how they are and will contribute to achieving them. A Trafford Partnership performance dashboard will be developed.	Directorate plans and performance measures have been developed. These are reviewed monthly at DMT and CLT level. A quarterly report detailing progress to targets is produced; with all services contributing with data and celebration of successful achievements. New terms of reference and a revised membership of The Transformation, Performance and Resources Group has ensured increased involvement in the annual budget and consultation process.

2018/19 Significant Issues	Action Taken 2019/20
Medium Term Financial Position / savings - The size of the budget challenge for 2020/21 and later years remains significant, especially when put in the context of the level of savings delivered since 2010. This is compounded with the lack of transparency surrounding future local government funding levels and the impact of the expected full reset of the business rate baselines. Since 2013 the Council has benefitted from a growth in business rate revenues, above pre-determined baselines, to such an extent that the budget for 2019/20 is reliant on approximately £12m of additional funding from growth in retained business rates which are likely to be lost under a full reset. Financial planning will be extremely difficult during 2019 caused by the uncertainty of the reset of the business rate system and the review of the needs and resources distribution methodology, both anticipated to be effective from 2020/21 but with a prospect these could be deferred pending the outcome of Brexit negotiations.	During the course of 2019/20 the MTFP was continually reviewed to reflect changes in budget assumptions around pay and price inflation, changes in Government funding and growing demand pressure on social care services. This exercise identified an overall budget gap for the three year period from 2020/21 of £42.13m, including £18.50m for 2020/21. The budget gap in 2019/20 was met by a combination of new funding and income of £9.86m, including:- ○ A 3.99% increase in the council tax (1.99% general increase and 2% for adult social care) £3.98m; ○ Net income from investment properties and other income £6.12m; ○ Use of Budget Support Reserve £4.47m; ○ savings programmes of £3.93m. The remaining budget gap after the current round of budget proposals is £15.01m and £5.66m in 2021/22 and 2022/23 respectively. Note these figures are “pre-pandemic”
EU Exit - The Council commissioned an independent review of the potential economic impact of Brexit on the Borough. The review considered the potential impact both in relation to an exit in accordance with the Prime Minister’s Withdrawal Agreement or on a No Deal basis. In both scenarios there would be an adverse effect on the Trafford economy, with No Deal having a greater negative impact. Trafford was also identified as being one of the	Whilst the UK has agreed the terms of its EU departure, both sides still need to decide what their future relationship will look like, which means that there still remains a degree of uncertainty. This will be worked out during the ‘Transition Period’, which begins immediately after Brexit day and is due to end on 31 December 2020. During this 11-month period,

2018/19 Significant Issues	Action Taken 2019/20
worst affected local authorities due to the structure of the local economy which is export driven. In response the Council has appointed a senior officer to lead on assessing the impact of Brexit, and established a cross-directorate working group. This group has developed an action plan, taking into account the potential impact on the local economy and on Council services, both directly provided and commissioned, and potential mitigating actions.	the UK will continue to follow all of the EU's rules and its trading relationship will remain the same. So at the moment, there is no change. An internal project group, the Trafford Brexit Impact Group, has been established to provide the cross-Council mechanism to plan, coordinate, monitor and mitigate against the impacts of Brexit on the Council. The Group has produced a Brexit Preparedness Plan which is a 'live' document to identify key issues and activities to mitigate risk. It will also work with key stakeholders to help deal with the impacts of Brexit on the economy of the borough as a whole, such as the GM Combined Authority. The Trafford Resilience Forum leads on emergency planning and works closely with GM in the Resilience Forum that is coordinating with all 10 Local Authorities on civil contingency planning for a No Deal Brexit. The potential impact of Brexit, along with the economic challenges associated with Covid-19 will be addressed through the Recovery Plan.
Trafford Amey Contract - The Contract governance arrangements have been made far more robust over the last six months following the re-establishment of the Contract Management Group (CMG) and associated service delivery performance monitoring groups including Health and Safety. They all meet monthly and serve to inform the quarterly Governance Board which the Leader of the Council chairs. CMG and the service review groups examine in detail performance and service levels, based around an agreed key performance indicator	Reports were presented to the Executive in July and October 2019 setting out the actions taken following the report from the scrutiny task and finish group, and the options appraisal against the alternatives proposed by the group. Amey implemented a route optimisation programme for the domestic waste service in autumn 2019 which led to a sustained period of poor performance. The Council took informal and then formal action, including invoking the Immediate Action Procedure in order to return the service to

2018/19 Significant Issues	Action Taken 2019/20
framework that can be tangibly measured using agreed method statements and validation of prime documents or data systems. There is an emphasis on continuous improvement and performance deductions are applicable, either through self-deducting or through negotiation when shortfalls are identified by the Council or external means. Amey continues to suffer from unreliable service on occasions, often as a result of staff turnover and lack of available resource. As a result of this continued uncertainty over the long term reliability prospects for the partnership, the Council's Executive, following a Scrutiny Committee Task and Finish report which went to the Executive 18th March 2019 , have determined that the Council should conduct an assessment of the feasibility of the following 3 options; 1. Consider alternative models of service delivery, including the development of an In-House Service model, with a view to ending the contract with Amey. 2. Review the contract with Amey with a clear intent that there should be a wholesale reshaping of the contract and partnership between Amey and the Council. 3. Continue the Amey Contract and seek significant improvements to the delivery of existing services. This feasibility study will be presented to Executive in July 2019 and a way forward determined around future service modelling.	an acceptable level of performance. Service was returning to a stable position at the point at which the impact of Covid-19 reduced staff availability requiring service changes.

2018/19 Significant Issues	Action Taken 2019/20
The Trafford Together Way (place based working model) - In order to translate the new Greater Manchester model for unified public service delivery, which was launched and adopted in March 2018, into a meaningful model for Trafford, a new reform statement for the Trafford Partnership has been developed. The aim of this statement is to coalesce all partners around a simple narrative for Trafford's approach (as a borough and a Partnership) to the way we deliver services across our 4 neighbourhoods, based on our Butterfly model, in order to help us collectively deliver the Trafford Together priorities. Work will be done to communicate, share and embed the model across the Council and partners over the next year, overseen by the Partnership Public Service Reform Board whose role is as an enabler of change. This includes for example the roll out of the place based work for early help, commonly known as One Trafford Response.	Work in Trafford is already underway to reimagine both existing early help and locality-based working; aiming to offer the right support, at the right time and in the right way to a diverse range of communities in Trafford. Consultations with partner agencies has continued, including School clusters, GMP, health, commissioned services, VCSE, GP's and Trafford Housing Trust. To explore a place based offer in four neighborhoods, multi-agency cluster meetings/panels, assessments/understanding local needs and services to be arranged within a local offer. Then a wider multi-agency workshop was planned for April to co-design a new blended, integrated offer. This was to build on the work of the draft models and consider a full range of options ensuring a holistic whole-Trafford approach to Early Help and Locality working. The plans for the workshop had to be reviewed in light of covid-19 pandemic. However it has accentuated the appropriateness and urgency to move towards a new model. The current disruption to the status quo has meant we are now prototyping new solutions in real time. We will be taking this learning from these circumstances and act quickly to reshape what the future will look like, aiming to offer the right support, at the right time and in the right way to a diverse range of communities in Trafford. It will be aligned to the wider ambitions within Trafford to

2018/19 Significant Issues	Action Taken 2019/20
	embrace whole family approaches grounded in restorative and relational practices, asset-based in nature. The roll out of the Children's Multi-Agency Early Help panels is being scoped out for the four neighbourhoods in response to addressing the needs of children and their families at the earliest opportunity.
Information Governance - The Council has records management challenges to address both in relation to physical and electronic records. In terms of physical records, a substantial number of boxes were not catalogued or indexed prior to being placed in external storage and need to be reviewed in order to identify what records they contain and whether the information still needs to be retained. With regard to electronic records, in particular emails, a corporate approach to email archiving and retention is required as a substantial volume continue to be stored going back several years. These issues require addressing in order to ensure compliance with Data Protection requirements and will be addressed in reports to CLT with a range of measures and actions to be considered. The Council also has a significant volume of subject access requests outstanding, in particular in Children's Services. This is under review and a report is being produced setting out the position and how the council may be able to address the issue within existing resources or through the recruitment of additional resource. This issue requires addressing in order to ensure compliance with Data Protection obligations.	In terms of records management challenges, the Council is due to embark on an implementation programme for Microsoft 365. This will bring significant changes and improvements to the management of electronic records, in particular email. Proposals for a comprehensive review of email storage which will involve a review and deletion exercise have been presented and agreed by CLT and will be carried out ahead of implementation. New email management and retention policies and protocols will also be developed and put in place. Implementation of Microsoft 365 has been delayed as a result of the Covid-19 Pandemic. The challenges in relation to physical records remain to be tackled. However, it is an issue which remains on the Council's risk register and will be a key piece of work which will be documented in an updated IG work programme and work plan for 2020/21. Moving to the compliance issue relating to the significant volume of subject access requests outstanding covering Children's Services, CLT agreed that additional resources were required and a business case was approved to recruit two additional Information Governance Officers (one permanent, one fixed term for one year) and up to two

2018/19 Significant Issues	Action Taken 2019/20
	agency members of staff to cover the period while recruitment took place. Agency members of staff have been recruited with one starting in late February and the other in early March 2020. The recruitment of the permanent and fixed term positions has been delayed by the Covid-19 pandemic but virtual interviews have now taken place and the positions are expected to be filled in the near future. Electronic redaction software has also recently been purchased for members of the Information Governance team and the Agency members of staff to enable Subject Access Request work to be tackled effectively remotely. Once initial progress is gauged of the impact of additional resource working on the outstanding cases, a detailed improvement/recovery plan will be produced.
OFSTED Report - Trafford Children's Services were inspected in March 2019 and the report was published in May 2019. The report judges Trafford to be Inadequate overall with sub-judgements of Requires Improvement for Help and Protection, Requires Improvement for Care & Care Leavers and Inadequate for Leadership. An Improvement Board will be established and a detailed Action Plan will be developed to address the issues raised and implement improvement rapidly. Immediate actions include the appointment of additional agency social workers, the creation of an agency team to conduct case file audits and approval for additional agency early help workers. The full action plan will outline the longer term measures to be taken to address the issues and there will be formal reporting on progress to the Department for Education. There will now be quarterly Monitoring Visits by OFSTED to	Following the ILACS of March 2019, a detailed improvement plan has been implemented to drive forward changes in practice at every level and to critically improve our services so children in Trafford have better outcomes. The approach that has been taken to this work has been to use a 3 phase approach of responding, strengthening and embedding practice improvement. The plan has incorporated 7 distinct and inter-related areas of focus, each of which has been progressed through dedicated workstreams and associated action plans. In summary most of the key achievements up to the 1st April 2020, contained within the Improvement Plan, have been characterised by Trafford putting the scaffolding and key

2018/19 Significant Issues	Action Taken 2019/20
measure the impact of the actions taken.	mechanisms in place to succeed, e.g. a whole Council approach to supporting Children's Services; aligning and investing resources to areas of greatest need; refreshing and development of policies, practice guidance and standards; a programme of workforce development and training; and the introduction of agreed quality assurance and performance frameworks. Completed sections from the Improvement Plan to date include: • The creation of an Improvement Board • Recruitment of a permanent Director of Children's Services (DCS). • Enhanced status of the Principal Social Worker role to ensure practice leadership across the system. • Fully implemented QA Framework by improved auditing process, closing the loop and using the knowledge to measure and improve practice, so we effectively evidence the impact of our work has on children and families. • Reconfiguration of the First Response team. • Launch of Kindle service and increase in capacity and expertise to support children and families on the edge of care. • Improved Pathway Plans – making it more Young Person friendly. • Formal reporting to Children's Scrutiny Committee.

2018/19 Significant Issues	Action Taken 2019/20
	• Young Person Friendly Improvement Plan in Place. • 1:6:20 rule has been achieved with an average caseload of 17. • Implementation of new standard on updating assessments regularly. • Revisit and relaunch of Levels of Need documents. • More proactive approach to supporting children who go missing. • Focused work with IRO's to ensure consistent approach to challenge.
Business Continuity - This is a continuing issue within the Council and a business case is being established to bring in external support from the GM Civil Contingencies and Resilience Unit (CCRU) to support Trafford in this area. With their support Trafford will conduct a full audit of our current Business Impact Assessments and Business Continuity Plans and upskill senior staff across the organisation. It is hoped that once this has been undertaken processes and staff capability will be more robust. Once the work with the GM Civil Contingencies Unit is complete the Council will be able to deliver a Disaster Recovery solution that meets the recovery time requirements. In the meantime the Council is moving forward with establishing a suitable Disaster Recovery (DR) site as the current provision is not fit for purpose. Previous attempts at collaborations with other GM authorities have not materialised and the Council had been looking at a third party options for a DR Site. However, recent developments have offered	• Work started in Dec 2019 with CCRU, members identified internally, including IT and performance as part of the project implementation group. • Weekly meetings held and progress mapped out against a number of key milestones over 82 days of work. • Key area is disaster recovery (DR), a permanent solution must be found as this is a critical area of failure. IT colleagues are committed to finding a solution in advance of 365 roll out. Areas in development and nearing completion are an electronic template, training deck for service heads created to attend workshop. Early conversation held to understand scope of data collection for software applications held across the council and partners.

2018/19 Significant Issues	Action Taken 2019/20
a new possible low cost solution which the Council is exploring and hope to implement within 2019/20.	• Next phase planned and centered on determining the business requirements in terms of priority restoration for systems and network to determine the specification of the ICT Disaster Recovery solution. • The current work underway to review the organisational support arrangements following the Clinical Commissioning Group (CCG) integration in April 2018 provides an opportunity to ensure that Business Continuity Management requirements are adequately resourced and coordinated across both organisations.

Significant Governance Issues 2020/21

5.3 The Council is committed to achieving its objectives through good governance and continuous improvement. Going forward, the Council will continue to ensure the effective delivery of its objectives and manages its resources to meet the ongoing financial challenges being faced. Detailed below are significant governance issues and actions planned to address these in 2020/21.

Ofsted Report	As a guiding template in relation to good practice we will continue to use the Local Government Association's paper on 'Improvement in Children's Services' to inform not only the rewrite of the Improvement Plan and reporting methodology but to also help us take stock of the wider arrangements which underpin the Improvement Journey, such as governance, risk, innovation, engaging partners, supporting the workforce, effective use of resources, and leadership. The continued engagement and commitment of our Children's workforce (internal and external) will be critical to our success. Having clear and effective communication, as well as clear leadership and vision, will be critical in this regard. Adopting a co-design approach in relation to the rejuvenation of our improvement plan will support this. Plans are in place to utilise the expertise from Future Gov, an independent advisory

	organisation, whose mission it is to 'build on the best of places', supporting them to create a vision and organise for change in the internet and climate era. They will work alongside internal and external colleagues within the Children's service to realign service delivery and governance arrangements so that the best possible outcomes are being achieved for Trafford's Children's whilst making sure value for money is at the heart of everything we do. This will be dovetailed with the creation of a dedicated and expanded project team whose role will be to drive the improvement journey forward, manage risk and maintain effective communication channels. Looking forward to 2020/21, and in order to embed an outcome focused approach to our future improvement activity, the following measures were agreed by the Children's services Improvement Board in September 2020: • A revised and updated improvement plan that clearly sets out the strategy and ambitions for our Children's Services and how we will build on our partnerships for the next year. • The assignment of lead responsibility and membership of each work stream to further embed a collaborative approach • Agreed qualitative and quantitative measures of success aligned to each work stream • The reporting schema for the work streams to the Board on an agreed cycle, including feedback from partners and stakeholders; We are also working to further develop the following: • Our quality assurance and performance activity so that every practitioner understands their own performance and how they are contributing to improving outcomes for the children they work with; • Multi-agency auditing and feedback systems and processes; • Our Voice of the Child approach to provide a range of feedback mechanisms for children

	and families.
Medium Term Financial Position	There are significant future challenges to the Council's financial resilience due to uncertainty on matters outside of the Council's control such as Brexit, the costs of the COVID-19 pandemic, which it will be required to fund directly and indirectly, or the impacts of commitments made under devolution. An added pressure is that the Council's previous plans to deliver savings by Transformation may be constrained by the recent emergency. The Corporate Director of Finance and Systems will consider the risks as part of the closure of accounts and during the monitoring arrangements for 2020/21.
Information Governance	**IG Project: Review of IG Services** The IG Project commenced in July 2020. The Objectives of the IG Project are to undertake a review of: work streams and priorities; client demand; processes and practices; systems and software; resources and skills basis; service level agreements; and budgets. The review is undertaken with a view to: improving service quality; removing inefficiencies from processes and practices; improving processes and practices; and re-focusing future activity around proactivity rather than reactivity within IG Services. The IG Project team have identified a number of key areas for focus, including: Subject Access Requests; Data Security and Protection (DSP) Toolkit; Information Security; Freedom of Information Requests/Environmental Information Regulation; Records Management; Data Protection by Design and Default; IG Service Quality; Systems, Process and Practice. A number of changes and improvements have been identified and actioned to date. **Outstanding Subject Access Request volumes:** Outstanding subject access requests has been ranked as a high priority for the IG Project. The IG Project team have reviewed: Historical Backlog of SARs and completed a mapping exercise; resourcing requirements; practice, process and procedures; existing and future barriers; and audit trails. Dedicated Resource is now in place with two new officers took up post in September 2020 and the IG team are currently being assisted by an agency resource. All outstanding SARs have now been reviewed and all SARs are now RAG rated. The SAR process has been reviewed

	and an improvement plan is being developed. A prioritisation strategy developed and implemented across the team. Data/reporting mechanisms have been established. Hard copy information has now been converted into a digitalised format which the IG team can process more efficiently and electronic redaction software was implemented in May 2020 to enable the IG Team to process SAR work effectively remotely. Work is continuing on SARs against detailed workplans. **FOIs/EIR:** Similar activities to those detailed above are underway in respect of FOIs/EIRs with the objective of finalising detailed workplans for implementation of improved practices across the IG Service in 2021. **Records Management -** The council is due to embark on an implementation programme for Microsoft 365. This will bring significant changes and improvements to the management of electronic records, in particular email. Proposals for a comprehensive review of email storage which will involve a review and deletion exercise has been presented and agreed by CLT and will be carried out ahead of implementation. New email management and retention policies/ protocols will also be developed and put in place. Implementation of Microsoft 365 has been delayed as a result of the Covid-19 Pandemic but a specialist external partner has now been appointed to work alongside Trafford Council on this key digital project over the next 12 months. The challenges in relation to physical records remain to be tackled. However, it is an issue which remains on the Council's risk register and will be a key piece of work which will be documented in an updated IG work programme and work plan as part of the ongoing IG Service Project. **Data breach management -** The council experienced a small number of significant data breaches in the final quarter of 2019/20. These have resulted in extensive investigations. A key action arising from these is that a thorough review of the breach management process is underway and a revised process to ensure clearer accountability and involvement of roles

	across Information Governance, managers within the organisation (who will have a key role in investigations where a breach has occurred within their service) and for Human Resources in some cases is established. Alongside the improved process there will be a training and awareness raising exercise and communication campaign. The IG Project Team is intending to implement the revised process and implement an awareness raising training programme in 2021.
Amey Contract	The Council will continue to actively manage the Amey contract within the performance management framework and contractual mechanisms available. The Council will conclude the options appraisal review and the future delivery in line with the options identified by the Scrutiny committee task and finish group. The contract includes the provision for a seven year review, with the work on this to commence after five and a half years, which will be during the 2020/21 financial year.
Business Continuity	A corporate Coronavirus task and finish group has been established to identify business continuity plans to ensure services can be maintained in the event of a local outbreak. The group will monitor the national and local picture and respond to the changing position. Services are updating their Business Continuity Plans (BCP). This is in the event of managing staffing shortages in particular. A previous internal audit review reported a number of areas for development in business continuity in relation to the following roles and responsibilities; identification of priorities including completion of Business Impact Analyses (BIA) to identify the impact of disruptions; co-ordinated planning including incident management, recovery and resumption plans; monitoring to ensure compliance with the agreed process and testing of plans; and to ensure adequate, accessible records are maintained. As reported previously, a Business Case had been approved by CLT and work has started to review the Business Continuity Management process. In response to the COVID-19 crisis, priority was given to mobilise business critical services to ensure effective business continuity. This, therefore, reflects the risk level increasing. Procedures will continue to be reviewed across the Council during 2020 onwards.

	A full update briefing has been prepared and work continues however, plans are updated in response to the current challenges of Covid-19 and winter preparedness, and it is acknowledged that limited resources are impacting on the pace of the project. This continues to be regularly reviewed.
Impact of Brexit.	The nature of the UKs future trading relationship with the EU will be agreed by the end of the 2020 calendar year. As details of this emerge during the second half of the year the Brexit Preparedness Plan will be revised and updated, and aligned with the Covid-19 recovery plan and the work of the Trafford Partnership.
COVID-19	The Council is continuing to work to the GM Pandemic Strategic Response Plan in preparing a coordinated response to the COVID-19 outbreaks in Trafford. The governance arrangements have been set up with the Recovery Coordinating Group Chaired by the Chief Executive of the Council. This acts at the gold command level. We published our Outbreak Management Plan as required on 30th June 2020 and have established two new Boards: a Health Protection Board, chaired by Eleanor Roaf (DPH) and a Public Engagement Board, to be chaired by the Leader of the Council. Three further Silver level thematic groups are meeting weekly chaired by Corporate Directors. They are: Adults Health and Social Care, Chaired by Diane Eaton; Children's Health and Social Care and Education, Chaired by Jill McGregor; and Operations and Resilience Group chaired by Sara Saleh and Richard Roe. Terms of reference have been established for all the groups with the key areas that each group will oversee and provide assurance that these critical areas are being addressed. A number of sub groups / and time limited task groups have been established. There has been an ongoing communication programme for residents, staff and partners. New HR arrangements have been issued to staff to facilitate working from home. ICT capacity has been enhanced through an increase in VPN licences. Directorates have updated their business continuity plans to focus on critical services. Major changes have been implemented to working practices to ensure that all staff whose job role allows them to work from home are able to do so. A range of programmes to support residents and businesses to mitigate economic impact have been introduced.

	The Health and Social Care Group has progressed both strategic and operational work providing support to Care Homes, Direct Payments services, Home Care, Drug and Alcohol services and Domestic Abuse and, training for care providers. Commissioners have sought assurance of business continuity from all service providers. The group works closely with CCG, primary care and the Trafford Local Care Organisation. The Children's Social Care and Health is working towards trying to secure placement stability for Looked After Children, staffing resilience for maintaining front line critical services, children's health and wellbeing, youth justice and cohesion and advising supporting school and educational settings. With the current high rates of infection in Trafford and the national lockdown in place, the plans for staff returning to work have been put on hold and staff are being encouraged to work from home wherever possible. We have also identified resources for a neighbourhood-based community engagement team to work in localities on community engagement and behaviour change in relation to the Covid-19 pandemic.

The Council is committed to achieving its objectives through good governance and continuous improvement. Going forward, the Council will continue to ensure it delivers its objectives and manages its resources to meet the ongoing financial challenges being faced.

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 Andrew Western
Leader of the Council

Sara Todd
Chief Executive

TRAFFORD COUNCIL

Report to: **Accounts & Audit Committee**
Date: **26 November 2020**
Report for: **Decision**
Report of: **Corporate Director of Finance and Systems**

Report Title

Approval of the Final Accounts 2019/20 (Accounts 2020)

Summary

The pre-audited 2019/20 accounts were approved by the Corporate Director of Finance and Systems on 16th July 2020. They were submitted immediately to the Council's external auditors, Mazars, and placed on deposit in advance of the statutory deadline of 31st August and subsequent public inspection for 30 working days.

Attached are the redrafted Final Accounts for 2019/20, as they currently stand at the time of the Committee report distribution and pending any changes prior to the completion of the audit by 30th November 2020. Amendments made are highlighted and accommodate changes currently agreed with Mazars during their audit.

The majority of changes relate to "Disclosure" changes such as formatting, enhancements to improve readability and typographical errors.

The following issues have also been identified during the audit and further details can be found in the Audit Completion Report (ACR) 2019/20, Item 7 on this Agenda:

Significant Findings (Section 2)

- The draft audit report includes an "emphasis of matter" paragraph, drawing user's attention to Note 6 in the General Notes, which has been disclosed correctly and is fundamental to the understanding of the statements. The Note includes a description of the effects of the COVID-19 pandemic on the Council's land, buildings and investment property and similarly for its share of the same types of assets in the Greater Manchester Pension Fund. It notes that the statements include that there is "material value uncertainty" over the valuation of land and buildings and investment properties at the balance sheet date. It is also stated that, the inclusion of an 'emphasis of matter' paragraph is not a modification or qualification of the audit opinion.
- Property, Plant & Equipment (PPE) - the final elements of audit work are still to be completed. As stated above, due to the impact of COVID-19 on the property market, there is material uncertainty over the valuation which has been properly disclosed.
- Valuation of Defined Pension Liability – the final elements of audit work are still to be completed and concluded. However, the statements have been adjusted to reflect changes as a result of the Actuary providing a revised pension valuation report since the draft accounts were prepared. The updated report reflects additional information regarding recent legal cases (McCloud and Goodwin). Details of the adjustments are shown in Section 4 of the ACR. The

impact of COVID-19 on the valuation on the Pension Funds property holding is referred to above.

Summary of Misstatements (Section 4)

- An unadjusted misstatement of £353k regarding the presentation of a Short Term Creditor as Cash and Cash Equivalents on the balance sheet. This will be adjusted in the 2020/21 Statement of Accounts.
- Valuation of Defined Pension Liability – adjusted to reflect estimated impact on pension liability regarding recent legal cases. Movements of £6.827m within the Comprehensive Income and Expenditure Statement and Pension Liabilities held on the balance sheet.
- A number of "disclosure" amendments have been made to improve readability and to correct typographical errors.

Value for Money conclusion (Section 5)

- In seeking to satisfy themselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources, the external auditors have considered significant risk areas. For 2019/20 significant risk areas included the May 2019 Ofsted report, which concluded that following their inspection of children's social care services, the Council's services for children was deemed inadequate. As such the auditor will issue a qualified conclusion, using the term "except for", in relation to these services. The Auditor has acknowledged satisfaction that the Council is taking urgent action to address the issues identified, however this qualification will remain until these services are no longer assessed as inadequate by Ofsted.

Recommendation

- Members are requested to review and note the Accounts as they currently stand.
- Approval be delegated to the Chair of Accounts and Audit Committee and the Corporate Director of Finance and Systems to approve the Final Accounts for 2019/20, on or before the statutory deadline of 30 November 2020.

Contact person for access to background papers and further information:

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

Background Papers: None

Relationship to Policy Framework/Corporate Priorities	Value for Money
Financial	Failure to approve the accounts in a proper format would be contrary to the Accounts and Audit Regulations.
Legal Implications:	None arising out of this report
Equality/Diversity Implications	None arising out of this report
Sustainability Implications	None arising out of this report
Resource Implications e.g. Staffing / ICT / Assets	Not applicable

Risk Management Implications	Not applicable
Health & Wellbeing Implications	Not applicable
Health and Safety Implications	Not applicable

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TRAFFORD COUNCIL

Statement of accounts

2020

Contents

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS:

Narrative Report

This document provides the detail behind the Council's financial performance for the year 1 April 2019 to 31 March 2020.

The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015. The regulations require the accounts to be prepared in accordance with proper accounting practices and these primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom in 2019/20 (the Code), supported by International Financial Reporting Standards (IFRS).

In complying with the requirements and standards of the Chartered Institute of Public Finance and Accountancy (CIPFA) in preparing the accounts, they aim to provide all stakeholders including partners, elected councillors and residents of the Borough and other interested parties with an understanding of the financial position of the Council in 2019/20, confidence that public money has been accounted for correctly and that the financial position of the Council is robust.

This Narrative Report provides information about Trafford, its objectives and achievements whilst also providing a summary of the financial position at 31 March 2020 and key issues that have affected the accounts during the year.

As a result of the COVID-19 pandemic, every part of society has experienced unprecedented challenges on many levels. The financial repercussions will be felt for many years and there has been a range of Government initiatives providing numerous packages of support for citizens, businesses, Council Tax and Business Rate payers. The ongoing impact of the pandemic is expanded on a section towards the end of this foreword. As a result of the lockdown happening in the last month of the financial year, the financial impact on the Council's management accounts outturn was in the region of £1.3m which was financed from Government Grant, however adjustments such as a revaluation on our strategic investments in Manchester Airport Group have resulted in significant adjustments to our Statutory Accounts.

Trafford the Borough

Trafford Council is one of ten local authorities in Greater Manchester and covers an area of approximately 40 square miles to the south-west of the region.

Trafford has a robust economy with approximately 13,500 businesses, ranging from cutting edge digital and creative companies to advanced manufacturing and green technology. The 237,500 strong population of Trafford is one of the most highly skilled and educated in the North West of England with 50% qualified at NVQ4 and above compared to the North West Average of 35%. The population is projected to increase by around 7% to 257,000 by 2040, a similar rate of increase to that at the national level. However, reflecting the national trend, the highest rates of population growth will be seen within the older age groups. The number of people aged 65 and over is projected to increase by 33%, whilst those aged 85 and over will increase by 50% bringing even greater challenges to the health and social care system; it is these older groups who are most likely to need support from these services.

Trafford has a significant number of visitors per year, mainly due to the prestigious attractions that reside here including the Trafford Centre, one of the largest indoor shopping centres in the UK and visited by over 40 million people per year. Trafford Wharfside is a leading visitor destination, home to Manchester United FC, Lancashire County Cricket Club, Coronation Street and the award winning Imperial War Museum North.

Trafford's Housing Options Service (HOST) has helped to prevent 444 households from becoming homeless in 2019/20 whilst also providing housing advice to 34,485 households/individuals which is an increase of 16,663 from the previous year.

Trafford has seen 788 new build homes developed in 2019/20 with 974 units receiving planning permission. The Council has provided a grant of £1.5m under its Trafford Affordable Housing Fund to Trafford Housing Trust in 2019/20 to develop 30 much needed new social rent apartments in Timperley.

During 2019/20 the Council has helped more people into work with the Council directly supporting around 250 people into employment in Trafford via the Trafford Pledge. The Council is also working with businesses providing opportunities and access to resources to help them to establish and grow with our town centres being revitalised and you can see across the Borough how this determination is working.

The environment is also important to the Council and with the help of residents it is one of the greenest boroughs in the UK with 11 green flag parks and open spaces and is the best in the North West for recycling. This helps to keep Council Tax down and is great for the environment.

Trafford Council the Organisation

Trafford is made up of 21 wards each comprising of three councillors with a political make up at the start of 2020/21 as follows:-

- 35 Labour
- 19 Conservative
- 3 Liberal Democrats
- 3 Green Party
- 1 Independent

Additionally, there are 2 vacancies on the Council following the sad passing of 2 Members in early 2020 and these will continue due to the cancellation of elections due to the Coronavirus Pandemic.

The Council's political structure is that of a Leader and Executive model, with the Leader of the Council having responsibility for Members of the Executive, the allocation of portfolios and the delegation of executive functions. A system of scrutiny also exists to hold Members to account.

The management structure, headed by the Corporate Leadership Team was reviewed during 2019 and now comprises the Chief Executive (the Head of the Paid service) and six corporate directors:-

- Corporate Director, Place
- Corporate Director, Adults & Wellbeing
- Corporate Director, Children's Services
- Corporate Director of Finance and Systems (S151 officer)
- Corporate Director of Governance and Community Strategy (Monitoring Officer)
- Corporate Director, People and Traded Services

Trafford is one of the lowest spending councils in the UK and is proud to be delivering effective high quality services through both direct service delivery and effective partnership working.

The Council provides a broad range of services including schools, children's and adult's social care provision, economic regeneration, environmental and highway services and leisure and cultural services. A number of different delivery vehicles are used to supply some council services for example leisure centres are run by Trafford Leisure, a wholly owned Community Interest Company, some services are delivered through collaborative working, e.g. a shared service for the delivery of some back-office functions whilst others are contracted out to external providers for example waste collection, street cleansing and highway maintenance.

As at April 2019 the Council employed 1,851 full time equivalent staff (excluding school based staff); this had increased to 1,909 (3.13%) by 31 March 2020. Employee health and well-being is a key priority and during the year the Employee Health and Wellbeing Strategy organised numerous events to support workforce wellbeing and work life balance. Performance and development reviews and an appropriate range of blended learning and development opportunities supported our staff to undertake their roles throughout the year.

At the heart of the Council's vision, as set out in The Corporate Plan, is a common cause to make Trafford a better borough; a place where everyone has a chance to succeed and where everybody has a voice. The Council knows it has to do things differently as it cannot do it all and, by virtue of its democratic mandate, will lead the way in ensuring that this is a shared endeavour and that across Trafford there will be a more joined up approach to service delivery. Through the new vision, it is making a commitment to work together across different services and agencies to make the best use of its resources.

The Council's long term vision is "***Working together to build the best future for all our communities and everyone in Trafford."***

These are exciting times for Trafford and the vision aims to meet the opportunities and challenges that lie ahead. Over the next few years, this vision will be at the forefront of everything the Council does and aims to achieve.

Partnerships and collaboration will underpin the approach across Trafford and, using a place based approach, the Council will work together with partners to deliver co-ordinated support that empowers the individual, makes the most of its assets and focusses on prevention. It will start from a basis of what people can do, not from what they can't do. This will mean that it can achieve things it can't do alone and ensure that it keeps improving the lives of our residents.

The Council has identified seven strategic priorities that it believes are crucial to enabling Trafford residents, businesses and staff to thrive. These priorities set out the aspirations for our people, place and communities, and how they can affect and improve their daily lives.

Building Quality, Affordable and Social Housing
Trafford has a choice of quality homes that people can afford

Health and Wellbeing
Trafford residents health and Well-Being is improved and Reducing Health Inequalities

Successful and Thriving Places
Trafford has successful and thriving town centres and communities

Children and Young People
All Children and Young People in Trafford will have a fair Start

Pride in Our Area
People in Trafford will take pride in their Local Area

Green and Connected
Trafford will maximise its Green Spaces, Transport and Digital Connectivity

Targeted support
People in Trafford will get support when they need it most

To deliver on the plan it is also necessary to develop the way we work given the ten years of austerity that the Council has been through and therefore during the latter part of 2019, the Council embarked on a Modernisation journey to improve the way it delivers its services by thinking differently and fundamentally reshaping the Council and its services. There is a need to work smarter, make use of digital technology and collaborate with partners where it can. The Council takes a leading role in shaping how joined up services across the sector can best support the local area and people and is continuously shaping our culture, practices, processes and business models to respond to people's changing needs and expectations. It is working to improve the way it delivers services to meet the needs of a modern Trafford and has been holding focus groups, workshops and ongoing discussions in recent months for staff and partners to input to and help determine the change projects that will be delivered in the future. This is being done so that by 2023:-

the Council will be a people-focused, digitally enabled, commercially minded Council where our high-performing place based services will provide an excellent customer experience making the most of our assets in the borough.

It is acknowledged that Council employees are its greatest resource. A significant cultural change programme is underway that has a strong focus on establishing a more strategic commercial and performance orientated culture. Equal weight is put on how things are done not just what is achieved and in order to achieve the vision and plan, a number of key values have been co-produced with staff:-

- **EMPOWER** – We inspire and trust our people to deliver the best outcomes for our customers, communities and colleagues.
- **PEOPLE CENTRED** – We value all people, within and external to the organisation and give those around us respect. We will act with honesty and integrity in all that we do.
- **INCLUSIVE** – We are committed to creating an environment that values and respects the diversity and richness differences bring.
- **COLLABORATE** – We build relationships, collaborate; treat people as equal partners and work together to make things happens.

Dealing with coronavirus is putting an extreme strain on Council resources as we battle to make sure we continue to provide essential services for everyone in Trafford. Our staff have been extremely dedicated to this task, especially those in health care who are working on the front line, to deliver essential services to some of the most vulnerable people at this challenging time. Our recovery will build on the momentum and positive experience of collaborative, pre-emptive action and care shown by those involved in meeting the evolving needs of residents and businesses impacted by Covid-19. The recovery aims and objectives are designed to support the strategic priorities and corporate plan. The work delivered through recovery will accelerate the ambitions set out in the Modernisation programme while also incorporating and supporting the Digital Strategy, Workforce Reintegration, Investing in Children and Localities programmes. Our people have been truly amazing through the pandemic and continue to be our greatest asset. We remain committed to investing our workforce of the future. Our Recovery aim is:

We will create a bolder, more focussed council, building on the strengths of our people, communities and partnerships to shape and develop a new social and economic model for Trafford that grasps the opportunity for sustainable and inclusive growth while proactively supporting those most in need and addressing inequalities that may exist.

We are continuing with our bold ambitions and COVID-19 has provoked our thinking away from traditional approaches to be more streamlined and proactive by responding positively to the challenges we face, including meeting changing customer expectations, modernising current working practices and maintaining financial sustainability, so we can provide the best possible service to the public. We will continue to contribute to the wider economy and work together to improve transport, economic development and regeneration during this recovery phase

These priorities will be refreshed during 2020 to ensure the recovery stage from the COVID-19 pandemic can be as effective as possible and allow the Council to "Build Back Better". They will also incorporate the Council's ambition to be carbon neutral by 2038.

Risk Management and Opportunities

The Council's corporate approach to risk management ensures that we have robust processes in place to support the delivery of our strategic goals. Ongoing risk management is undertaken to identify the risks that could affect the delivery of key priorities and objectives, determining appropriate ways of mitigating the risk. A Strategic Risk Register (SRR), which articulates the risk, quantifies its likelihood and potential impact, names the responsible officer who owns the risk, and articulates how the risk is managed and any mitigating actions. The SRR is updated on a quarterly basis and continues to include the financial position and outlook as a key risk to the organisation.

The key issues with the greatest impact that will affect the operational and financial environment of the Council are:

- Significant disruption as a consequence of the COVID-19 outbreak.

- The continuing uncertainty regarding the Council's medium term financial position - which could suffer due to the uncertainty arising from issues such as Brexit, financial pressures caused by the pandemic and uncertainty about future levels of Government support including possible changes to the grant funding regime. The resilience of the Council will be stretched over the medium term because of its relatively low level of reserves to support the financial consequences of these events.
- Safeguarding vulnerable children - Safeguarding children 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 early help, identification, assessment and support. Trafford Children's Services was inspected under the Inspection of Local Authority Children's Service Framework in March 2019 and received an overall rating of inadequate. The sub-judgements were Requires Improvement for children in need of protection, Requires Improvement for children in care and care-leavers and Inadequate for Leadership. Following this judgement a number of actions are being progressed to address the issues.
- Impact of Brexit - Whilst the UK has agreed the terms of its EU departure, both sides still need to decide what their future relationship will look like, which means that there still remains a degree of uncertainty. This will be worked out during the 'Transition Period', which began immediately after Brexit day and is due to end on 31 December 2020. During this 11-month period, the UK will continue to follow all of the EU's rules and its trading relationship will remain the same.
- Financial pressure on Health and Social Care system resulting from COVID-19 adversely affecting integration efficiencies plus the added pressure of COVID-19
- Future resilience of key partners and ability of the Council to support them, in part caused by the pressures arising from COVID-19.

Governance

Each year the Council prepares an Annual Governance Statement which is approved annually at the same time as these Accounts and is available on the Council's website. No significant changes to governance arrangements have been made during the year.

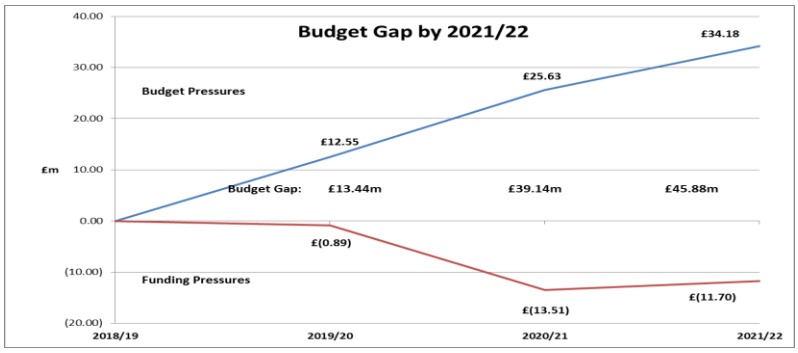
The Budget Process 2019/20

On 20 February 2019 the Executive recommended the Council approve an overall net revenue budget of £169.94m following a budget process that involved consultation with stakeholders, the Final Local Government Finance Settlement and following detailed scrutiny. When preparing the Council's Medium Term Financial Strategy (MTFS) the Council makes provisional spending plans for future financial years ensuring these are balanced against the expected funding from Government, Council Tax payers and Business Rate payers. The MTFS is a three year incremental process that builds on the work and achievements of previous years, taking into account demographic, legislative and other pressures; mitigated by a series of savings proposals to ensure a balanced budget can be achieved in the coming year, and that there is financial sustainability for future years. To meet the needs of the community the budget is divided into a number of key service areas as shown in the table 2 below.

In determining the budget for 2019/20 an overall budget gap of £13.44m was addressed by a combination of additional resources of £6.58m and £6.86m of service savings and additional income. This means that since 2010 the Council has addressed an overall budget gap over the period of £197m.

There was a 2.99% increase in Council Tax in April 2019 for Trafford services and a 1% increase was made in respect of the adult social care precept specifically to support adult social care costs. This increased the Band D Council Tax to £1,292.22. This Band D Council Tax increased to £1,567.47 when precepts for the GMCA Mayoral Police and Crime Commissioner and GMCA Mayoral General Precept (including Fire Services) are added; ensuring Trafford had one of the lowest council tax levels in the country.

At the time of setting the budget for 2019/20 the overall funding gap for the next three years stood at £45.9m taking into account rising demand for adult and children's social care services and updated funding announcements.



The major factors contributing to the future budget shortfall continue to be the anticipated reductions in central government funding coupled with a reset of the business rate baselines and cost pressures which include demographic pressures in social care, national living wage and other inflationary pressures. These pressures have been exacerbated as a result of the pandemic with huge uncertainty facing the economic outlook. The Council has successfully delivered a balanced budget in previous years by prioritising an approach of growth in new funding and income streams which have reduced the requirement to make savings through reshaping services. Local income sources from council tax and retained business rates have remained relatively buoyant prior to COVID-19 and have helped to support the budget in recent years through a continued focus on economic regeneration. This approach, coupled with the Investment Strategy, will be key components of our budget strategy in future years. Despite this the future requirement to make savings remains a major issue particularly in the context of the savings made since 2010. As a consequence the continuing uncertainty regarding the Council's medium term financial position remains a key risk within the Council's strategic risk register.

Overall Performance

This section provides details on the:-

a) Performance Monitoring

b) the management accounts position

c) the statutory accounts

Performance Monitoring

The Council monitors and reports, using performance dashboards at a service directorate and council priority level, on a range of key measures of performance which are aligned to the Council's priorities with examples given below in table 1.

Table 1

Priority Area	Sample Measure
Building Quality, Affordable and Social Housing	The number of housing completions
Health and Wellbeing	Percentage of adults undertaking less than 30 minutes of moderate intensity physical activity each week
Successful and Thriving Places	Percentage of Trafford residents in employment
Children and Young People	Proportion of 'Disadvantaged' pupils at Key Stage 2 achieving expected standard in Reading/Writing/Maths
Pride in our area	Number of green flag awards achieved in Trafford
Green and Connected	Increase in online transactions
Targeted Support	Delayed Transfers of Care attributable to Adult Social Care per 100,000 pop 18+

Performance is monitored by individual service directorates, the Corporate Leadership Team, Executive Members and Scrutiny Committee. Full details of the quarterly reports can be found on the Council's website.

Any performance concerns are shared by Corporate Directors with Executive Members and where necessary a detailed improvement plan is put in place to address these.

Although there were no significant areas of inadequate performance in 2019/20, a number of areas were understandably impacted in the last quarter by the COVID pandemic such as Admissions to Residential and Nursing Care, Council Tax Collection Rates, number of library visits and recycling levels. During the year, the waste collection Route Optimisation Project resulted in a significant increase in Stage 1 and Stage 2 complaints after the wholesale change to 80% of the bin rounds were implemented. The changes were made to provide long term benefit and better resilience in the future, although it was acknowledged the process had taken longer to return to steady state than anticipated.

Performance against budget

The Council's net revenue expenditure was £169.679m taking account of a £0.285m shortfall in funding from Council Tax in 2019/20 and this represents a saving of £0.258m against budget; a specific report on the draft outturn position is available on the Council's web site, which contains more detail on financial performance against budget. In-year service savings and one-off income increases (including the Manchester Airport dividend) led to an overall Council service underspend of £0.543m. This underspend has been reduced by a shortfall of £0.285m in funding from Council Tax mainly attributable to the adjustment to our assumptions on the collection of historic debt associated with the impact of COVID-19. This has resulted in a final net revenue outturn underspend of £0.258m.

A reconciliation between the revenue outturn management accounts and the statutory accounts is shown in a later section.

Table 2:

Revenue Budget	Revised Budget £m	Actual Exp £m	Variance £m	%
Children's Services	36.057	36.563	506	1.4%
Adult Services (incl. Public Health)	48.772	51.601	2.829	5.8%
Public Health	11.778	12.203	0.425	3.6%
Place	34.862	35.068	0.206	0.6%
People	3.201	3.267	0.066	2.1%
Finance & Systems	7.559	7.494	(0.065)	(0.9)%
Governance & Community Strategy	7.840	7.957	0.117	1.5%
Directorate Budgets	**150.069**	**154.153**	**4.084**	**2.7%**
Council-wide Budgets	19.868	15.241	(4.627)	23.3%
Net Service Expenditure Outturn	**169.937**	**169.394**	**(0.543)**	**(0.3)%**
Financed by:				
Business Rates	(66.489)	(66.489)		
Council Tax	(99.500)	(99.215)	0.285	0.3%
Collection Fund Surplus	(2.624)	(2.624)		
Reserves	(1.324)	(1.324)		
Funding variance	**(169.937)**	**(169.652)**	**0.285**	**0.2%**
Net Revenue Outturn	**0**	**(0.258)**	**(0.258)**	**(0.2)%**

Major variances included:-

- The impact of COVID-19 has had a neutral impact on our management outturn as the additional expenditure and lost income of approximately £1.3m incurred in March 2020 was fully met from a Central Government un-ring fenced Covid-19 Support Grant plus a contribution via the CCG from their allocation given by the NHSE. Central Government has provided several cash grants, the most significant being the Covid-19 Support Grant of £6.119m which was received on 23rd March 2020 and was accounted for within the Council Wide budget, with the unspent balance being carried forward in an earmarked reserve for use in 2020/21. The respective COVID-19 pressures incurred in service area budgets are included in the highlights below;
- Children's Services – £0.5m additional net cost of placements, home to school transport and staffing, offset by running cost savings;
- Adults Services - £2.8m net overspend relating to increase in cost of clients, due to market conditions and complexity of cases (including Section 117 clients). These costs have been offset by one-off staff and running cost savings. The coronavirus has had a significant impact on the service and changes to its service delivery. However, the additional costs incurred to the end of March 2020 of £124k were met by the CCG from their allocation given by the NHSE;
- Public Health - £0.4m budget pressures from increased costs of Community Service contracts;
- Place – a net overspend of £0.2m from increased running costs across a number of areas, offset by staff vacancies; this included £0.185m of COVID-19 pressures largely relating to let estate rents;
- Corporate Budgets – a net overspend of £0.118m, including £0.358m of COVID-19 pressures such as lost income from schools catering and cleaning contracts;
- Council-wide/Corporate Budgets – underspend of £4.67m being a mix of savings on corporate budgets including net income from our Investment Strategy and the release of a number of Council-wide contingencies and provisions of £3.3m;
- Corporate Budgets – net overspends of £1.4m mainly from Benefit Subsidy (payments made, less subsidy and overpayment recovery) and Liability Order income;
- Covid-19 – In March 2020 the Council received its first instalment of grant funding from MHCLG of £6.119m to cover cost and income pressures caused by the pandemic. An amount of £1.397m has been used and accounted for in the Council-wide budget to offset the service pressures above with the balance of £4.722m carried forward to an earmarked reserve;
- Sale PFI Bullet Payment – the Sale Waterside PFI budget is held within Council-wide and following an adjustment to the final bullet payment which is due at the end of the PFI contract, an amount of £0.8m has been released from the accumulated liability amount set aside on our balance sheet. This unbudgeted amount has been transferred into the Budget Support reserve and therefore has had no impact on our outturn position;
- Investment Properties - an amount of £1.5m transferred to reserves to cover the potential impact of COVID-19 on rental income in 2020/21;
- Manchester Airport Group (MAG) dividend £1.3m above budget;
- Funding – Council Tax – Shortfall in Council Tax of £0.285m largely the result of changes to assumptions on collection of historic debt due to COVID-19. Although the Business Rate outturn is showing as neutral, an underlying in-year deficit of £1.2m has been met from a contribution from the Business Rate Risk Reserve.

Reserves

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

The balance at the start and end of the year was £7.0m. This is the minimum level agreed by the Council on 19 February 2020 to be maintained for 2020/21.

The level of other earmarked reserves has increased by £9.4m due to a combination of changes which are detailed in the movement in reserves statement. Notable movements include increases to a number of reserves including COVID-19 Support Grant Reserve being unspent balance of grant received in 2019/20, £4.7m, Budget Support Reserve net increase of £4.37m which includes £2.624m application to support the 2019/20 budget, a transfer of £2.7m from the MAG Dividend Reserve and Business Rate Risk Reserve of £2.0m. The Strategic Investment Property Risk Reserve was bolstered by £3.5m, which was £1.5m more than budgeted, to provide a cushion against a downturn in market conditions. In addition a new Reserve has been created for Greater Manchester wide Bus Reform at £1.5m.

A number of reserves were applied in the year with the major one being the Children's Action Fund Reserve £1.1m to support the action plan relating to OFSTED findings.

Capital Investment

The Capital Programme for 2019/22 was approved at the Council meeting of 20 February 2019 and provided the framework within which the Council's capital investments plans were to be delivered. Capital resources are allocated based on a process which affords priority to:-

- Schemes of a statutory nature
- Schemes which protect our asset base
- Invest to save projects

The value of the three year Capital Programme, covering 2019/20 to 2021/22, was set at £212.28m. Of this, £167.93m was originally programmed for 2019/20, however, was subsequently changed to £262.77m, with the approval of the Council's Executive.

Financing of the investment proposals was made up of grants and contributions of £55.53m relating to specific areas of investment e.g. schools and highways, capital receipts of £20.03m generated from the disposal of assets, revenue and reserves contributions £2.16m, and prudential borrowing of £131.62m which is only undertaken where the investment is linked to revenue savings and it is affordable and sustainable to do so. In setting the 3 year programme all potential resources were fully utilised and the Programme included £2.94m of over-programming

Investment across the 3 years included addressing specific Council priorities:

- Leisure Centre Strategy;
- Investment in Highways;
- Secondary Schools - Expansion Programme and Improvement;
- One Public Estate, particularly relating to new health related provision and best use, including rationalisation of public sector assets;
- Adult Social Care – In-house dementia support;
- Affordable Housing;
- Regeneration of Strategic Locations including, Stretford Civic Quarter, Sale Town Centre and the development of the Stretford Town Centre Masterplan;
- Major infrastructure schemes to support new housing development, including Carrington Relief Road - A1 Route;
- Asset Investment Strategy, including the acquisition of commercial properties, provision of senior development or investment debt and direct development of council owned sites.

In October 2018 the Council approved an updated Investment Strategy. The objective of this being to stimulate economic development and to support the Council's financial resilience over the next few years, whilst offering an alternative solution that can be used to address future budget gaps. An increase to the Fund was made in February 2020 of £100m meaning that the total Fund is £500m, supported by prudential borrowing.

By the end of 2019/20 thirteen transactions had been agreed by the Investment Management Board at a total capital cost of £372.99m. This investment has provided a net benefit to support the revenue budget in 2019/20 of £3.12m, which is £0.71m above the budgeted target for the year.

- To mitigate the risks of the approach, nationally recognised investment advisors are being used as part of the due diligence process with emphasis placed on securing investments in low risk assets;
- As part of this Strategy, the Council has set up three joint ventures with Bruntwood Development Holdings Ltd. These entities will be responsible for the ownership and redevelopment of three key sites in Trafford; the Stretford Mall, Stretford, the Stamford Quarter, Altrincham, and the K-Site, Old Trafford. These entities form part of the Council's group accounts.

The Council spent £196.27m on its Capital Programme in 2019/20 compared to the budgeted spend of £262.77m. Details of which can be found on pages 142. The capital expenditure incurred during the year and financing of this expenditure is shown in the table below.

Capital Programme	Budget £m	Actual Exp £m	Variance £m
Schools Investment	13.08	5.36	(7.72)
Supporting Infrastructure	4.10	2.30	(1.80)
Regeneration Projects	6.98	2.46	(4.52)
Highways / Transport Improvements	23.31	15.28	(8.03)
Social Services	4.08	3.99	(0.09)
ICT Investment	2.39	1.02	(1.37)
Recreation & Culture	11.69	8.07	(3.62)
General Programme	**65.63**	**38.48**	**(27.15)**
Investment Programme	197.14	157.79	(39.35)
Total Programme	**262.77**	**196.27**	**(66.50)**
FINANCED BY:			
Grants and Contributions	(31.37)	(21.07)	(10.30)
Capital Receipts	(12.53)	(2.01)	(10.52)
Earmarked Reserves	(3.83)	(3.14)	(0.69)
Borrowing	(215.04)	(170.05)	(44.99)
	(262.77)	**(196.27)**	**(66.50)**

The variance between the budgeted capital expenditure and the final outturn for the year was £66.50m and this will require re-profiling into 2020/21 and later years along with the associated financing.

More details of the variance can be found at: http://www.trafford.gov.uk/about-your-council/budgets-and-accounts/revenue-and-capital-budgets.aspx

Treasury Management

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

Throughout 2019/20 the Council complied with its legislative and regulatory requirements, including compliance with all treasury management prudential indicators.

Debt - at 31 March 2020 the Council's total external level of debt was £377.3m compared to £220.7m at 1 April 2019. The net increase of £156.6m is a result of planned debt repayments of £(4.8)m together with the receipt of new debt of £161.4m. The new debt taken consisted of £144.4m from the Public Works Loan Board and £17m from other Local Authorities to fund capital schemes including the Council's Investment Strategy which generates a revenue income stream sufficient to repay borrowing costs and action to reduce the under borrowed position. Whilst the Council continues to maintain a deliberate policy of being under borrowed, debt interest continues to be saved as a result of this action.

The average external rate of interest payable during the year was 2.90%, which compares favourably with 3.97% in 2018/19. The following table provides further details, including the interest rate at the beginning and end of the financial year.

	as at 1.4.19	as at 31.3.20
Average weighted maturity of long term loans (in years)	26.9	31.03
Number of loans	26	33
Value of loans	£220.7m	£377.3m
Loan rate	3.33%	2.68%

Investments

The Council operates its own trading function for the investment of any temporary surplus cash. The Council's money market investments, excluding cash at bank, totalled £88.4m as at 31 March 2020 and this compares to £77.9m as at 31 March 2019. In 2019/20 an average investment rate of 1.12%, 0.58% above the market benchmark (London Inter-bank BID 7 day rate), was achieved. This compares with an average return of 1.06%, in 2018/19 which was 0.55% above the LIBID 7 day rate. A £17.6m loan facility agreement was also carried out during 2019/20 which has a maximum duration of 5 years and is secured on 4 prominent properties within Manchester City Centre.

Impact of the COVID-19 pandemic

The outbreak of the COVID-19 pandemic during March will have a widespread impact on the way we work and live. The impact in 2019/20 has been limited but the effect on both the local and national economy cannot yet be determined with any accuracy. To offset the adverse impact on local taxpayers a number of short term support measures have been introduced, including additional support for council tax through the Council Tax Support Scheme and a range of business grants and rates relief measures for business ratepayers.

The Council has responded to the outbreak at pace and is continuing to work to the GM Pandemic Strategic Response Plan in preparing a coordinated response to the COVID-19 outbreaks in Trafford. Governance arrangements were established with a Recovery Coordinating Group Chaired by the Chief Executive of the Council which acts as the gold command level. Three further Silver level thematic groups have met regularly, chaired by Corporate Directors. These included Adults Health and Social Care, Children's Health and Social Care and Education, and Operations and Resilience Groups. Terms of reference were established for all the groups with the key areas that each group will oversee and provide assurance that these critical areas are being addressed. A number of sub groups / and time limited task groups have also been established.

On 30 June 2020 an Outbreak Management Plan was published with two new boards being established; a Health Protection Board, chaired by the Director of Public Health and a Public Engagement Board, chaired by the Leader of the Council.

Right from the outset, the Adult Social Care team had to implement new working arrangements. Under the Council's emergency decision making powers a range of short-term initiatives were agreed for either immediate or phased implementation. These were aimed at assisting the system wide efforts to ensure as far as possible, there was sufficient capacity in the local hospitals to provide hospital based care to those in greatest need and to ensure that care providers operating in neighbourhoods were able to continue to support vulnerable people, facilitate discharge and prevent admissions to hospital.

These new measures included making advanced payments and payments to providers based on commissioned/planned rather than actual activity. An additional £1 per hour uplift for home care, £50 or £60 additional per week per residential and nursing client, plus the payment for all PPE costs over the 'normal' costs homes would have had within a month. In addition to this additional PPE was purchased by the Council for onward distribution with no charge to the care homes. Plus purchasing of capacity in care homes falling below 90% occupancy.

All these measures were supported by extra Council investment (funded by additional Government grant) and also by the NHS via Trafford CCG accessing a £1.3bn national fund set up to support accelerated discharges from hospital including the full or enhanced cost of care packages agreed at the point of discharge and delivered in the community.

As the situation evolves and restrictions ease some of the measures will either reduce or cease entirely and there may be requirements for support in different ways or in different areas, almost certainly extending into future financial years potentially instigating permanent change and creating a new 'norm'.

The Council has actioned a range of other Government initiatives to provide support to local businesses in the form of the administration of Business Grants and the application of additional Business Rate reliefs. Adopting the measures set out in the Government's Procurement Policy Note 2, the Council has introduced measures to ensure suppliers at risk are able to resume normal contract delivery once the outbreak is over. Immediate payment terms have been introduced for suppliers, and where appropriate, the Council has paid in advance of normal contractual terms, made interim payments and paid on order rather than on receipt of goods.

The impact of COVID-19 has had a widespread impact on the workforce of the Council and the way in which the Council delivers services. The Council has utilised technology to allow staff to work seamlessly from home to minimise disruption to services, however, facilities such as libraries have had to close and where appropriate staff have been redeployed to services such as the Community Hubs. For those officers who cannot work from home, such as those engaged in refuse collection, working practices have been adapted to ensure their health and wellbeing.

The Council has relaxed compliance measures in relation to Council Tax and Business Rates collection and allowed Council Tax payers and businesses to defer payments for the first three months of 2020/21 with revised payment plans over July 2020 to March 2021. The Council is also applying the Government's hardship relief scheme to Council Tax payers of working age in receipt of Council Tax Reduction.

Other income streams, such as car parking, school catering, registrars services, licencing, planning and building control have all been interrupted. The challenge for 2020/21 will be for the Council to regain the lost or deferred income to avoid placing an additional burden on the people and businesses of Trafford whilst at the same time attempting to manage its finances effectively.

Central Government has provided several cash grants including two COVID-19 un-ringfenced grants totalling £12.658m (£6.119m of which was received on 27 March 2020 and a balance has been carried forward into 2020/21 via an earmarked reserve) to meet urgent and unforeseen costs and financial pressures impacting on the Council. On 27 March 2020 the Council also received an advanced payment of £10.832m to support cash flow. This was a cash advance of Government funding anticipated in 2020/21.

The pandemic will have a significant impact on the Council's resources. It has put pressure on expenditure required to tackle the implications of changes to service provision being particularly felt in adults social care and the need to support the NHS and the discharge process from hospitals and children's social care provision. There is also a significant short term impact on income streams, including both those derived from fees and charges from operational service delivery and also from council tax and business rates; the latter expected to have implications on the council's resources into the medium term which coupled with other recurrent impacts will place a strain on balancing budgets in the next few years.

Whilst the impact on the 2019/20 financial year has been limited, the pandemic sets the scene for future financial years and placing additional strain on the budget for 2020/21 and later years. The main focus on 2020/21 will be how the Council reacts to the implications of the pandemic and identifying a solution to the pressures. The Council and its officers are continuing to work closely with the Ministry of Housing, Communities and Local Government to identify a solution to both the in-year and future year pressures but this is likely to be on the basis of a burden sharing approach with authorities inevitably being expected to meet some of the financial pressures themselves from their reserves, which for an authority like Trafford is difficult because of its low levels of available reserves. Until the Spending Review later in 2020, which will signal the trajectory of local government for the next few years, the full extent of future budget challenges will not be known.

There are undoubted risks to the financial sustainability of many local authorities and Trafford is no different in that respect. The position is constantly evolving but to date a cautious approach has been undertaken by adding to reserves where it can, for example to cover short term income and valuation risks on its commercial property income until the full economic impact becomes clearer.

Financial Management Code

Linked to financial resilience and issued in 2019/20 was the CIPFA Financial Management Code. The objectives of this code are "to support good practice in financial management and to assist Local Authorities in demonstrating their financial sustainability". The code is based upon a series of principles which will be supported by specific standards of practice which CIPFA consider necessary for a strong foundation and builds upon the success of the CIPFA Prudential Code.

The finance service will work through the requirements detailed within the Code to ensure compliance before the implementation date of 1 April 2021, with 2020/21 being used as a "test" year enabling Local Authorities further time to address any gaps or issues.

Statutory Accounts

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

Comprehensive Income & Expenditure Statement (CIES):

- The deficit on the provision of services on the CIES is £26.97m (2018/19 at £17.87m). However, the management accounts declare an outturn underspend of £0.258m (2018/19 £1.783m). The differences between these two statements of financial performance relate to the differences in accounting practices applied, which are adjusted for in the MiRS, and a summary reconciliation between the two outturns is provided later in the Narrative Report;
- The total balance on the CIES has moved from a £33.61m deficit to a £41.3m surplus. The movement in the CIES of £74.91m primarily relates to;
- Changes in pension charges of £86.3m;
- Changes in Net Gains/Losses on asset revaluations including PPE and Investment assets £12.8m;
- A net reduction in financing and investment income and expenditure between 18/19 and 19/20 of £23.1m, relating to one off loan charges incurred in 18/19 of £11.67m which were not repeated in 19/20, increased interest payments of £3.3m on loans offset by increased dividends from strategic investments of £7.5m and changes in fair value of investment property and book value of assets written out on the transfer of an academy school totalling £7.1m;
- An increase in tax and non-specific grant income £4.1m largely related to the Covid-19 support grant of £6.1m received in late March;
- An increase in the cost of provision of services, excluding pension charges, of £31.6m consisting of an increase in general expenditure and service grants of approximately £10m and £21m of capital related adjustments such as depreciation, revenue related capital items and asset revaluations.

Balance Sheet:

There has been an increase in net assets of £41.3m to £247.6m representing a 16.7% increase in the value of the balance sheet, with the key movements being:

- An increase in the value of long term assets of £142.2m including capital expenditure relating to the acquisition of new investment property as part of the Investment Strategy, long term debtors in respect of a shareholder loan to Manchester Airport Group (MAG) and a loan to Bruntwood Development Holdings Limited, equity investment in the three Trafford Bruntwood LLP's, depreciation, revaluation adjustments and disposals. The above figure includes a revaluation downwards of £22.5m due to COVID-19 in our strategic shareholder investment in MAG. At this stage specific valuations for our investments and commercial properties have not been undertaken to take account of the short term impact of COVID-19 but these will be revisited during 2020/21 once the situation becomes clearer;

- An increase in current assets of £55.6m including £42.7m for short term debtors relating to strategic loan repayments due in 2020/21, and over £10m cash held from COVID-19 support grants received in late March 2020;
- An increase in current liabilities of £42.0m associated with an increase in Short Term Borrowing of £29m to meet cashflow requirements of our Investment Strategy and advanced pension payment and £11m associated with the advance receipt of COVID-19 rate relief grants;
- An increase in long term liabilities of £114.5m primarily due to an increase in long term borrowing to finance the acquisitions made under the Investment Strategy and a reduction in the pension liability of £18.67m, following actuarial assessment and caused a change in assumptions in corporate bond yield

Net Pensions Asset / Liability

The Council participates in two pension schemes: the Local Government Pension Scheme, administered by Tameside Metropolitan Borough Council and the Teachers' Pension Scheme, administered by the Department for Education (DfE). At 31 March 2020 the Council had a net liability for pensions of £257.03m, which compares with £275.7m at 31 March 2019. The liability has reduced by £18.67m. This is a result of the changes in the financial assumptions used by the pension fund Actuary and represents the market conditions at the reporting date.

Further details on the Council's overall net pensions asset/liability are included in notes 49 and 50 on pages 147 to 148.

Collection Fund – Council Tax:

The Council collected Council Tax in 2019/20 on behalf of itself, the Greater Manchester Combined Authority (Mayoral, Police and Fire) and Partington Town Council.

A total of £120.4m of Council Tax was collected in respect of 2019/20, a performance of 97.8% (98.1% in 2018/19). Details of the Collection Fund can be found on page 167, which shows an overall surplus of £1.12m. This surplus is apportioned to the Council, the GMCA Mayoral Police and Crime Commissioner and the GMCA Mayoral General Precept (including Fire Service) on a proportionate basis. Trafford's share of the surplus is £0.92m which is planned to support future budgets.

- Council Tax collection rates were strong and in year collection rates were just below target of 98.1%. As a result of COVID-19, our assumptions regarding the collection of historic debt were adjusted downwards which was reflected in an adjustment in our provision set aside for bad debt;
- There was an underlying deficit on the Council Tax Collection Fund of £0.92m, largely caused by the award of discounts and reliefs (single person discount, carers discount) exceeding our budget expectations and £0.056m of backdated property valuation appeals. This deficit was offset by the release of one-off 'Credits held' of £1.44m, relating to historical overpayments by previous council tax payers who have now left the area and despite all efforts could not be traced;
- The Council Tax Support Scheme, was largely in-line with budget and due to a small reduction in numbers of claimants costs were £0.032m lower than expected;
- As a result of the above, a net surplus of £0.522m was generated in the financial year;
- After taking into account the brought forward collection fund surplus of £2.18m and the planned budget support of £1.59m, the net impact of the above has resulted in a year end cumulative surplus of £1.12m, which is committed to support the future budgets of all precepting authorities.

Collection Fund - Business Rates

The Council continues to participate in the 100% business rates pilot, along with the remaining GM districts. The level of business rate income for the year after discounts, reliefs, cost of collection and provisions was £154.262m (£153.012m in 2018/19) compared with an estimated income of £155.556m (£154.063m in 2018/19), resulting in an in-year deficit of £1.294m (deficit £1.051m in 2018/19). During the year there was significant volatility in the rating system as a result of building demolitions, refurbishments and appeals relating to major infrastructure projects.

Demolitions and refurbishments saw a reduction in income of approximately £2.0m. Some significant historic appeals were settled during the year which was met from our existing appeals provision. A general review of the remaining appeals provision resulted in an amount of £2.9m being released due to major appeals being dismissed by the Valuation Office during the year.

A further exercise took place to release one-off "credits held" of £1.05m, relating to historic overpayments. As a result of the COVID-19 pandemic, the provision for bad debt has been bolstered by £0.5m to reflect the potential for a higher level of default on historic debt. The net effect of the above resulted in a net deficit on the Collection Fund of £1.29m, (£1.05m in 2018/19) of which the Council's share is £1.28m (£1.04m in 2018/19).

The accumulated surplus on the NDR element of the collection fund carried forward as at 31st March 2020 was a deficit of £0.800m (deficit £0.142m in 2018/19). The accumulated deficit is made up from the 2019/20 deficit of £1.294m and the better than budgeted difference between the 2018/19 estimated and actual deficit of £0.494m. The distribution of the difference in 2018/19 deficit will be made in 2020/21 and the collection of the 2019/20 deficit will be made in 2021/22 both under the sharing agreement with the Council's share being 99% and Greater Manchester Fire and Rescue Authority at 1%. See page 173.

Reconciliation between Statutory Accounts and Management Accounts

The Council's management accounts outturn position is an underspend of £0.258m (analysed above), whereas the (Surplus)/Deficit on the Provision of Services in the CIES on pages 21 to 22 shows an overspend of £26.97m.

The differences between the CIES and the Council's management accounts are adjusted for in the Movement in Reserves Statement (MiRS) (pages 25 to 26) and further analysed in the Expenditure and Funding Analysis. (page 28). The MiRS statement reconciles the surplus on provision of services in the CIES to the movement in the General Fund and Earmarked Balances (first two columns of the MiRS, with detail in note 9).

The net increase in the General Fund and Earmarked Reserves is £9.112m, as detailed below:

CIES account reconciled to outturn	£m
CIES Account Deficit on Service Provision	**26.9**
Accounting adjustments in MiRS:	
- Capital charges and Capital Grants	(9.3)
- Pensions	(25.0)
- Collection Fund and Other Adjustments	(2.0)
Total Accounting adjustments	**(36.3)**
Net Transfers to/(from) reserves	
-Net transfer to/(from) schools reserves	(0.3)
-Net transfer to/(from) Other earmarked reserves	9.4
-Net transfer to/(from) General Reserve	0.0
Total Net transfers to/(from) earmarked reserves	**9.1**
Total Management Outturn (under)/Overspend *	**(0.3)**

* figure is £258k (Table 1 of the Revenue Budget Outturn report) and has been transferred to the Budget Support Reserve held within Earmarked Reserves and will be carried forward into 2020/21.

Schools

At the end of 2019/20 the Council maintained 53 primary schools, 6 secondary schools and 3 special schools (62 in total) for which the year-end balances were included within the Council's balance sheet. Five of the Council's schools carried over a deficit budget at the end of the year. Schools may carry forward any surplus/deficit in expenditure for the year from one financial year to the next. School balances for 2019/20 decreased by £0.261m when compared to 2018/19, to £7.956m.

Schools with balances that exceed the recommended maximum (8% primary and special schools, 5% secondary schools) are requested to submit information detailing how they have accrued balances and how they intend to utilise them.

During 2019/20, one primary school and one special school converted to academy status bringing the total number of academy schools to 27.

At the end of 2019/20 a central DSG reserve of £2.895m was carried forward and this will be held in reserve to cover ring-fenced commitments in the Schools and Early Years blocks and to cover expenditure pressures within the high needs block.

Outlook

The next few years will continue to prove to be a challenging period to the Council particularly due to the financial shock to both the Council and the wider economy of the COVID-19 pandemic as well as the uncertainty around local government funding with 2019/20 being the end of the current comprehensive spending review (CSR) period.

A new CSR is planned for later in the year and this will no doubt be heavily influenced by the COVID-19 crisis. Currently there is no clarity around the future funding levels for Local Government.

The Government had already signalled some major changes prior to the pandemic, including a move to a 75% business rate retention scheme and a resetting of baselines used to calculate business rate growth and the fair funding review of the relative need of authorities which will result in a redistribution of resources nationally through updated baseline funding levels. No other indication of the level of funding Local Authorities can expect to receive for 2021/22 and beyond has been announced. This, coupled with the uncertainty caused by Brexit will lead to significant financial turbulence over the period.

Future Budgets

Information on the planned future expenditure and the financial environment of the Council can be found in the Council's 2020/21 Budget and 2020/23 Capital Investment Programme and Prudential Indicators Reports, which can be found on the Council's website.

Receipt of Further Information

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

Nicola Bishop ACA CPFA
Corporate Director of Finance and Systems
16th July 2020

Explanation of the Financial Statements

Please note that a glossary of terms can be found on page 194.

A description of the responsibilities of the Council regarding the Accounts 2020 is provided at page 19, and the Audit Report can be found on page 20.

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 3) on pages 39 to 55.

The main financial statements that make up the Accounts (pages 21 to 27) are: the Comprehensive Income and Expenditure Statement (CIES); Balance Sheet; Movement in Reserves Statement (MiRS) and, Cash Flow Statement. These are explained in summary below, with a full explanation included with each statement in the main accounts.

The Comprehensive Income and Expenditure Statement (page 21 to 22) 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 2019 to 31 March 2020. However, the Council is required to set its budget and raise Council Tax on a different accounting basis than the Code, the main differences being:

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

The variations in accounting treatment between the Council's management accounts and (financial) Accounts 2020 are adjusted for within the Movement in Reserves Statement on pages 25 to 26, with more detail in note 9 on pages 62 to 69. A summary reconciliation between the CIES net gain and the management accounts net declared underspend position is provided in the narrative report.

The MiRS (pages 25 to 26) also shows the movements in reserves of the Council for the year split between usable and unusable reserves. Unusable reserves relate to accounting adjustments for the differences between management and financial accounting treatment and are not 'cash backed' and cannot be used to support service activity.

The total net worth of the Council, total assets less total liabilities, as a statement of value is listed on the Balance Sheet on pages 23 to 24.

The Cash Flow statement (page 27) 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 28 to 166. These notes expand on the figures, providing greater detail and information as prescribed or as necessary. Included within these notes is a statement on 2019/20 capital expenditure and how this was financed on pages 142 to 143.

The Council has the responsibility for collecting all Council Tax due in the Borough on behalf of itself, the GMCA Mayoral Police and Crime Commissioner, the GMCA Mayoral General Precept (including Fire Services) and Parish Councils. It also has the responsibility for collecting all Non-Domestic Rates (Business Rates) on behalf of itself and the GMFRA. The financial activity relating to local taxation is contained in the Collection Fund statement, pages 167 to 173.

Main Changes to the Core Statements and Significant Transactions in 2019/20

Pension Valuation and Advance Pension Payment

The actuarial valuation of the Council's pension scheme liabilities shown on the Balance Sheet has reduced during the year. This is a result of the changes in the financial assumptions related used by the pension fund Actuary (Hymans-Robertson). These assumptions are determined by the Actuary and represent the market conditions at the reporting date. The Council relies and places assurance on the professional judgement of the Actuary and the assumptions used to calculate this actuarial valuation.

In April 2017 the Council made a payment of £36.3m to the Greater Manchester Pension Fund to cover three years of employer related pension payments which had the impact of reducing the annual contribution rate by 1.2% per year over the period 2017/18 to 2019/20. This had the impact of reducing the overall pension liability on the balance sheet over the three year period.

At 31 March 2020 the Council had a net liability for pensions of £257.0m, which compares with £275.7m at 31 March 2019, a change of £18.67m. The amount of pension movements shown within the CIES total £30.8m (£23.8 in Cost of Services, £7.0m Financing and Investment Income and Expenditure and a credit of £55.8m in Other Comprehensive Income and Expenditure). The difference between the two figures of £12.1m is represented by the draw down of the final year of the advanced pension payment. Additionally, the figure of £23.8m charged to Cost of Services includes the impact of a £4.55m unadjusted item relating to in the 2018/19 statement of accounts.

New Debt and purchase of investment properties

In October 2018 the Council agreed an updated investment strategy with the objective of supporting the Council's resilience over the next few years and offer an alternative solution to address future funding gaps. This strategy was reviewed in February 2020, and it was agreed for the Council to continue to grow its investment with the fund value limit increased to a potential £500m. During the year a number of new investment and other assets at a value of £157.79m were acquired and which were financed by additional borrowing.

MAG shares valuation

A firm of financial experts and valuers have been engaged by the Council to provide an independent valuation which includes reviewing the financial performance, stability and business assumptions of the Manchester Airport Group. As at 31 March 2020 the Council's valuers advised of a decrease of £22.5m in the fair value Council share from £52.7m to £30.2m which has been reflected in the financial statements. This decrease in valuation reflects the impact COVID-19 is having on both domestic and worldwide travel and values of similar size airports throughout the world.

Academy School Transfer of Assets

During 2019/20 two schools transferred to Academy status. This has resulted in a loss on disposal of £2.93m as the associated assets are removed from the Council's Balance Sheet and the full amount is recognised as a loss in the Financing and Investment Income and Expenditure line of the CIES. Further details can be found in Notes 7 & 12.

Statement of responsibilities for the statement of accounts

The Council's Responsibilities

The Council is required to:

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

Responsibilities of the Chief Finance Officer

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

In preparing this Statement of Accounts, the Chief Finance Officer has:

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

The Chief Finance Officer has also:

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

Certification

By the Chief Finance Officer

I certify that the Statement of Accounts set out on the following pages gives a true and fair view of the financial position of Trafford Borough Council at 31 March 2020, and its expenditure and income for the year ended 31 March 2020.

Nicola Bishop ACA CPFA
Corporate Director of Finance and Systems
16th July 2020

Audit opinion

These accounts are subject to audit and the External Auditor's Report 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 statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

2018/19			Year ended 31 March	2019/20			
Gross Expenditure £000	**Gross Income £000**	**Net Expenditure £000**	**Service**	**Note**	**Gross Expenditure £000**	**Gross Income £000**	**Net Expenditure £000**
198,816	(158,402)	40,414	Children's Services		233,265	(166,798)	66,467
97,923	(37,848)	60,075	Adults Services		109,088	(41,531)	67,557
46,988	(18,360)	28,628	Place		53,964	(24,564)	29,400
11,604	(2,920)	8,684	Governance and Community Strategy		12,733	(2,960)	9,773
13,431	(3,883)	9,548	Finance and Systems		14,927	(4,007)	10,920
8,221	(4,964)	3,257	People and Traded Services		9,243	(4,920)	4,323
57,330	(52,196)	5,134	Council-wide		54,348	(48,775)	5,573
434,313	**(278,573)**	**155,740**	**Cost of Services**		**487,568**	**(293,555)**	**194,013**
41,478	(5,566)	35,912	Other Operating Expenditure	11	35,906	(2,046)	33,860
50,870	(34,310)	16,560	Financing and Investment Income and Expenditure	12	39,809	(46,348)	(6,539)
	(190,346)	(190,346)	Taxation and Non-Specific Grant Income and Expenditure	13/41	0	(194,366)	(194,366)
		17,866	**(Surplus) or Deficit on Provision on Services**				**26,969**

Comprehensive income and expenditure statement (continued)

2018/19			Year ended 31 March	2019/20			
Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Service	Note	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
		17,866	**(Surplus) or Deficit on Provision of Services**				**26,969**
			Items that will not be subsequently classified in the Deficit on Provision of Services				
		41,053	Re-measurement of Net Defined Benefit / Liability	27(iv)			(55,751)
		(24,508)	(Surplus) or Deficit on Revaluation of Property, Plant and Equipment Assets	14			(35,010)
			Items that will be subsequently classified in Deficit on Provision of Services				
		(800)	(Surplus) or deficit on financial assets measured at fair value through other comprehensive income	27(ii)			22,500
		15,745	**Other Comprehensive (Income) and Expenditure**				**(68,261)**
		33,611	**Total Comprehensive (Income) and Expenditure**				**(41,293)**

Balance sheet

About this Statement

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves are those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold: and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

31 March 2019 £000		Notes	31 March 2020 £000
484,055	Property, Plant & Equipment	14	510,692
996	Heritage Assets	15	991
110,364	Investment Property	16	113,520
4,693	Intangible Assets	17	5,133
66,783	Long Term Investments	18	73,101
31,153	Long Term Debtors	21	136,846
698,044	**Long Term Assets**		**840,284**
50,777	Short Term Investments	18	50,694
7,534	Assets Held for Sale	23	2,950
74	Inventories	19	365
32,315	Short Term Debtors	21	80,217
32,950	Cash and Cash Equivalents	18/22	45,022
123,650	**Current Assets**		**179,248**
(6,285)	Short Term Borrowing	18	(35,423)
(54,825)	Short Term Creditors	24	(68,027)
(30,396)	Short Term Provisions	25	(29,814)
(805)	Grants Receipts in Advance (Revenue)	41	(1,169)
(1,735)	Grants Receipts in Advance (Capital)	41	(1,635)
(94,046)	**Current Liabilities**		**(136,068)**

Balance sheet (continued)

31 March 2019 £000		Notes	31 March 2020 £000
(36)	Long Term Creditors		(36)
(12,310)	Provisions	25	(14,208)
(216,690)	Long Term Borrowing	18	(344,580)
(113)	Revenue Grants & Contributions – Long-Term Receipts in Advance (REFCUS)	41	(113)
(7,352)	Grant Receipts in Advance (Capital)	41	(11,787)
(275,655)	Other Long Term Liabilities – Pensions	27/50	(257,037)
(9,157)	Other long-term liabilities – Deferred	24	(8,074)
(521,313)	**Long Term Liabilities**		**(635,835)**
206,335	**Net assets**		**247,629**
(7,000)	General Fund Balance	10	(7,000)
(53,814)	Earmarked General Fund Reserves	10	(63,185)
(703)	Capital Receipts Reserve	26	(303)
(3)	Revenue Grants Unapplied (REFCUS)		(3)
(10,827)	Capital Grants Unapplied		(20,863)
(72,347)	**Usable Reserves**	**26**	**(91,354)**
(67,878)	Revaluation Reserve	27	(95,173)
(42,528)	Financial Instrument Revaluation Reserve	27	(19,848)
(329,357)	Capital Adjustment Account	27	(317,792)
16,164	Financial Instruments Adjustment Account	27	15,609
287,765	Pensions Reserve	27/50	257,036
(1,941)	Collection Fund Adjustment Account	27	(124)
3,787	Accumulated Absences Account	27	4,018
(133,988)	**Unusable Reserves**		**(156,275)**
(206,335)	**Total Reserves**		**(247,629)**

Nicola Bishop ACA CPFA
Corporate Director of Finance and Systems
16th July 2020

Movement in reserves statement

About this Statement

This statement shows the movement from the start of the year to the end on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The Movement in Reserves Statement shows how the movements in year of the authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The Net Increase/Decrease line shows the statutory General Fund Balance movements in the year following those adjustments.

	General Fund Balance £000	Earmarked General Fund Reserves £000	Total General Fund Balance £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 2019	**(7,000)**	**(53,814)**	**(60,814)**	**(703)**	**(3)**	**(10,827)**	**(72,347)**	**(133,988)**	**(206,335)**
MOVEMENT IN RESERVES DURING 2019/20									
(Surplus) or deficit on the provision of services	26,968	-	26,968	-	-	-	26,968		26,968
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	(68,261)	(68,261)
Total Comprehensive Income and Expenditure	**26,968**	**-**	**26,968**	**-**	**-**	**-**	**26,968**	**(68,261)**	**(41,293)**
Adjustments between accounting basis & funding basis under regulations (note 9) *	(36,340)	-	(36,340)	400	-	(10,035)	(45,976)	45,976	-
Net (Increase)/Decrease before transfers to Earmarked Reserves	**(9,372)**	**-**	**(9,372)**	**400**	**-**	**(10,035)**	**(19,007)**	**(22,285)**	**(41,293)**
Transfers (to)/from Earmarked Reserves (note 10)	9,372	(9,372)	-	-	-	-	-	-	-
(Increase)/Decrease in 2019/20	**-**	**(9,372)**	**(9,372)**	**400**	**-**	**(10,035)**	**(19,007)**	**(22,285)**	**(41,293)**
Balance as at 31 March 2020	**(7,000)**	**(63,186)**	**(70,186)**	**(303)**	**(3)**	**(20,863)**	**(91,355)**	**(156,273)**	**(247,629)**

Movement in reserves statement (continued)

	General Fund Balance £000	Earmarked General Fund Reserves £000	Total General Fund Balance £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 2018	**(6,000)**	**(52,459)**	**(58,459)**	**(6,604)**	**(219)**	**(9,727)**	**(75,009)**	**(164,937)**	**(239,946)**
MOVEMENT IN RESERVES DURING 2018/19									
(Surplus) or deficit on the provision of services	17,866	-	17,866	-	-	-	17,866	-	17,866
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	15,745	15,745
Total Comprehensive Income and Expenditure	**17,866**	**-**	**17,866**	**-**	**-**	**-**	**17,866**	**15,745**	**33,611**
Adjustments between accounting basis & funding basis under regulations (note 9) *	(20,221)	-	(20,221)	5,901	216	(1,100)	(15,204)	15,204	-
Net (Increase)/Decrease before transfers to Earmarked Reserves	**(2,355)**	**-**	**(2,355)**	**5,901**	**216**	**(1,100)**	**2,662**	**30,949**	**33,611**
Transfers (to)/from Earmarked Reserves (note 10)	1,355	(1,355)	-	-	-	-	-	-	-
(Increase)/Decrease in 2018/19	**(1,000)**	**(1,355)**	**(2,355)**	**5,901**	**216**	**(1,100)**	**2,662**	**30,949**	**33,611**
Balance as at 31 March 2019	**(7,000)**	**(53,814)**	**(60,814)**	**(703)**	**(3)**	**(10,827)**	**(72,347)**	**(133,988)**	**(206,335)**

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.

2018/19 £000	Year Ended 31 March	2019/20 £000
17,866	Net (surplus) or deficit on the provision of services	26,969
(50,524)	Adjustments to net surplus or deficit on the provision of services for non-cash movements **(Note 28a)**	(30,877)
20,732	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities **(Note 28b)**	21,858
(11,926)	**Net cash flows from Operating Activities (Note 28c)**	**(17,950)**
87,549	Investing Activities (Note 29)	139,450
(55,381)	Financing Activities (Note 30)	(157,362)
(12,081)	Cash flows from Advanced Pension Contribution (Note 28d)	(12,111)
8,161	**Net (increase) or decrease in cash and cash equivalents**	**(12,073)**
(41,110)	Cash and cash equivalents at the beginning of the reporting period	(32,949)
(32,949)	**Cash & cash equivalents at the end of reporting period (Note 22)**	**(45,022)**

Notes to the accounts

1. Expenditure and Funding Analysis

About this Statement

The objective of the Expenditure and Funding Analysis is to demonstrate to council tax payers how the funding available to the authority (i.e. government grants, rents, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Council's directorates [services or departments]. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

1. (a) Expenditure and Funding Analysis

2019/20	As reported for Management Accounts Outturn £000	Adjustments to arrive at the net amount chargeable to the General Fund (note 1b) £000	Net Expenditure Chargeable to General Fund Balances £000	Adjustments between the Funding and Accounting Basis (note 1b) £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000
Children's Services	36,563	900	37,463	29,004	66,468
Adults Services	63,804	67	63,872	3,685	67,557
Place	35,068	(19,019)	16,050	13,350	29,400
Governance and Community Strategy	7,957	568	8,525	1,248	9,773
Finance and Systems	7,494	1,708	9,202	1,718	10,920
People and Traded Services	3,267	(186)	3,081	1,242	4,323
Council-wide	15,241	(5,729)	9,511	(3,938)	5,573
Net Cost of Services	**169,394**	**(21,689)**	**147,704**	**46,310**	**194,014**
General Fund Financing	(169,652)	169,652	-	-	-
Other Operating Expenditure	-	33,335	33,335	525	33,860
Financing & Investment Income & Expenditure	-	(13,489)	(13,489)	6,951	(6,538)
Taxation and Non Specific Grant Income	-	(176,921)	(176,921)	(17,445)	(194,367)
Total Other Income and Expenditure	**(169,652)**	**12,576**	**(157,076)**	**(9,970)**	**(167,045)**
(Surplus) or Deficit	**(258)**	**(9,113)**	**(9,372)**	**36,340**	**26,969**

The table below shows the comparative information for 2018/19

2018/19	As reported for Management Accounts Outturn £000	Adjustments to arrive at the net amount chargeable to the General Fund (note 1b) £000	Net Expenditure Chargeable to General Fund Balances £000	Adjustments between the Funding and Accounting Basis (note 1b) £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000
Children's Services	32,952	(2,214)	30,738	9,675	40,413
Adults Services	60,362	(2,113)	58,249	1,826	60,075
Place	22,911	(6,917)	15,994	12,634	28,628
Governance and Community Strategy	7,444	(4)	7,440	1,244	8,684
Finance and Systems	6,540	1,603	8,143	1,404	9,547
People and Traded Services	2,642	(213)	2,429	829	3,258
Council-wide	31,241	(15,212)	16,029	(10,894)	5,134
Net Cost of Services	**164,092**	**(25,070)**	**139,022**	**16,718**	**155,740**
General Fund Financing	(165,875)	165,875	-	-	-
Other Operating Expenditure	-	32,601	32,601	3,311	35,912
Financing & Investment Income & Expenditure	-	(7,889)	(7,889)	24,449	16,560
Taxation and Non Specific Grant Income	-	(166,089)	(166,089)	(24,257)	(190,346)
Total Other Income and Expenditure	**(165,875)**	**24,498**	**(141,377)**	**3,503**	**(137,874)**
(Surplus) or Deficit	**(1,783)**	**(572)**	**(2,355)**	**20,221**	**17,866**

The table below reconciles between the opening and closing balances of the General Fund (including earmarked reserves). Additional information on the movement in General Fund balances can be found on the Movement in Reserves Statement.

Movement in General Fund	2018/19 £000	2019/20 £000
Opening General Fund as at 1 April	(58,459)	(60,814)
(Surplus) or Deficit on the General Fund in year	(2,355)	(9,372)
Closing General Fund as at 31 March	**(60,814)**	**(70,186)**

1. (b) Note to the Expenditure and Funding Analysis

This note provides a reconciliation of the main adjustments to net expenditure chargeable to the General Fund balance to arrive at the amounts in the Comprehensive Income and Expenditure Statement. The relevant transfers between reserves are explained in the Movement in Reserves Statement.

2019/20 Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement	Levies and Precepts reported at Directorate Level/ GF Financing £000	Interest Payable, receivable, Other Investment Income and Trading profit reported at Directorate Level £000	Tax and Non Specific Grants and general funding reported at Directorate Level/ GF Financing £000	Investment Property Income and Expenditure reported at Directorate Level £000	Reserve Movements reported at Directorate Level/ GF Financing £000	Total Adjustments to arrive at the net amount chargeable to the General Fund £000
Children's Services	-	(33)	34	-	899	901
Adults Services	-	-	136	-	(68)	67
Place	(17,227)	(68)	(1)	996	(2,719)	(19,019)
Governance and Community Strategy	-	-	-	-	569	569
Finance and Systems	-	-	1,114	-	594	1,708
People and Traded Services	-	(259)	-	-	74	(186)
Council-wide	(16,041)	9,990	7,856	2,863	(10,394)	(5,729)
Net Cost of Services	**(33,268)**	**9,631**	**9,139**	**3,859**	**(11,049)**	**(21,689)**
General Fund Financing	(67)	-	167,783	-	1,936	169,652
Other Operating Expenditure	33,335	-	-	-	-	33,335
Financing & Investment Income & Expenditure	-	(9,631)	-	(3,859)	-	(13,489)
Taxation and Non Specific Grant Income	-		(176,921)	-	-	(176,921)
Total Other Income and Expenditure	**33,268**	**(9,631)**	**(9,139)**	**(3,859)**	**1,936**	**(12,576)**
Difference between General Fund (surplus) or deficit and Comprehensive Income and Expenditure Statement (surplus) or deficit	**-**	**-**	**-**	**-**	**(9,113)**	**(9,113)**

2019/20 Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement	Adjustments between Accounting Basis and Funding Basis 2019/20 Adjustments for capital purposes £000 (i)	Net change for pension adjustment £000 (ii)	Other differences £000 (iii)	Total adjustments between accounting & funding basis £000
Children's Services	19,864	9,104	36	29,004
Adults Services	1,550	2,063	72	3,685
Place	12,379	936	35	13,350
Governance and Community Strategy	171	1,044	33	1,248
Finance and Systems	242	1,439	37	1,718
People and Traded Services	634	591	17	1,242
Council-wide	(6,810)	2,871	1	(3,938)
Net Cost of Services	**28,031**	**18,048**	**231**	**46,310**
General Fund Financing	-	-	-	-
Other Operating Expenditure	525	-	-	525
Financing & Investment Income & Expenditure	(23)	6,974	-	6,951
Taxation and Non Specific Grant Income	(19,263)	-	1,818	(17,445)
Total Other Income and Expenditure	**(18,761)**	**6,974**	**1,818**	**(9,970)**
Difference between General Fund (surplus) or deficit and Comprehensive Income and Expenditure Statement (surplus) or deficit	**9,269**	**25,022**	**2,049**	**36,340**

2018/19 Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement	Levies and Precepts reported at Directorate Level/ GF Financing £000	Interest Payable, receivable, Other Investment Income and Trading profit reported at Directorate Level £000	Tax and Non Specific Grants and general funding reported at Directorate Level/ GF Financing £000	Investment Property Income and Expenditure reported at Directorate Level £000	Reserve Movements reported at Directorate Level/ GF Financing £000	Total Adjustments to arrive at the net amount chargeable to the General Fund £000
Children's Services	-	(33)	18	-	(2,198)	(2,213)
Adults Services	-	-	133	-	(2,246)	(2,113)
Place	(8,737)	(68)	-	2,837	892	(5,076)
Governance and Community Strategy	-	-	-	-	(4)	(4)
Finance and Systems	-	-	1,297	-	306	1,603
People and Traded Services	-	(43)	-	-	(170)	(213)
Council-wide	(23,798)	5,196	1,650	-	(101)	(17,053)
Net Cost of Services	**(32,535)**	**5,052**	**3,098**	**2,837**	**(3,521)**	**(25,069)**
General Fund Financing	(66)	-	163,145	-	2,795	165,874
Other Operating Expenditure	32,601	-	-	-		32,601
Financing & Investment Income & Expenditure	-	(5,052)	-	(2,837)		(7,889)
Taxation and Non Specific Grant Income	-	-	(166,243)	-	154	(166,089)
Total Other Income and Expenditure	**32,535**	**(5,052)**	**(3,098)**	**(2,837)**	**2,949**	**24,497**
Difference between General Fund (surplus) or deficit and Comprehensive Income and Expenditure Statement (surplus) or deficit	**-**	**-**	**-**	**-**	**(572)**	**(572)**

2018/19 Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement	Adjustments between Accounting Basis and Funding Basis 2018/19 Adjustments for capital purposes £000 (i)	Net change for pension adjustment £000 (ii)	Other differences £000 (iii)	Total adjustments between accounting & funding basis £000
Children's Services	3,479	6,062	134	9,675
Adults Services	428	1,389	9	1,826
Place	12,069	562	3	12,634
Governance and Community Strategy	526	716	2	1,244
Finance and Systems	388	1,014	2	1,404
People and Traded Services	438	389	2	829
Council-wide	(12,096)	1,202	-	(10,894)
Net Cost of Services	**5,232**	**11,334**	**152**	**16,718**
General Fund Financing	-	-	-	-
Other Operating Expenditure	3,311	-	-	3,311
Financing & Investment Income & Expenditure	18,582	5,867	-	24,449
Taxation and Non Specific Grant Income	(14,712)		(9,545)	(24,257)
Total Other Income and Expenditure	**7,181**	**5,867**	**(9,545)**	**3,503**
Difference between General Fund (surplus) or deficit and Comprehensive Income and Expenditure Statement (surplus) or deficit	**12,413**	**17,201**	**(9,393)**	**20,221**

(i) Adjustments for Capital Purposes

Depreciation, impairment charges and revaluation gains and losses are included within the net cost of services. In addition,

- **Other operating expenditure** – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets;

- **Finance and investment income and expenditure** – the statutory charges for capital financing, i.e. Minimum Revenue Provision (MRP) and other revenue contributions, are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices (GAAP);

- **Taxation and non-specific grant income and expenditure –** capital grants are adjusted for income not chargeable under GAAP. Revenue grants are adjusted from those receivable during the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied within the year.

(ii) Net Change for Pension Adjustments

The removal of pension contributions and the addition of the IAS 19 *Employee Benefits* pension related expenditure and income are reflected as follows:

- **For the net cost of services –** the removal of the employer pension contributions made by the Council as determined by statute and their replacement with current service costs and past service costs;
- **For financing and investment income and expenditure –** the net interest on the defined benefit liability is charged to the Comprehensive Income and Expenditure Statement (CIES).

(iii) Other Differences

Other differences between amounts debited/credited to the CIES and amounts payable/receivable to be recognised under statute are set out below:

- **For financing and investment income and expenditure -** the other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts;

- **For taxation and non-specific grant income -** the charge represents the difference between what is chargeable under statute for Council Tax and Business Rates that was forecast to be received at the start of the year, and the income recognised under GAAP. This is a timing difference as any difference is brought forward in the surpluses or deficits on the Collection Fund.

2. Expenditure and Income Analysed by Nature

	2018/19 £000	2019/20 £000
Expenditure		
Employee benefit expenses	165,910	183,191
Other service expenses	264,454	273,926
Depreciation, amortisation & impairment	17,825	33,963
Interest payments	5,697	9,013
Precepts and levies	32,601	33,335
Loss on the disposal of assets	3,311	525
Loss on transfer of schools to academy status	5,619	2,928
Pension interest costs	24,475	24,336
Change in fair value of investment property	1,367	-
Total expenditure	**521,260**	**561,218**
Income		
Fees, charges and other service income	(43,909)	(45,227)
Interest and investment income	(10,867)	(18,723)
Income from Council Tax and Business Rates	(172,691)	(165,965)
Government grants and contributions	(239,556)	(260,836)
Other grants and contributions	(17,763)	(23,005)
Change in fair value of investment property	-	(3,131)
Pension expected return on assets	(18,608)	(17,362)
Total income	**(503,394)**	**(534,249)**
(Surplus) or Deficit on the Provision of Services	**17,866**	**26,969**

3a. Accounting Concepts

The Statement of Accounts summarises the Council's transactions for the 2019/20 financial year and its position at the year-end 31 March 2020. The Council is required to prepare an Annual Statement of Accounts by the Accounts and Audit Regulations 2015 which require the accounts 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 2019/20 (The Code) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under Section 21(2) of the Local Government Act 2003.

As local authorities need to reflect statutory conditions, specific statutory adjustments are complied with so that the Council's accounts present a true and fair view of the financial position and transactions of the Council. All accounting policies are disclosed where they are material.

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

Underlying Assumptions

Going Concern

The Accounting Code, (standard IAS 1) requires management to make an assessment of an entity's ability to continue as a going concern and to disclose any material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern. The authority discloses that the accounts have been prepared on a going concern basis and that the Council will continue in existence for the foreseeable future.

This assumption is made because local authorities carry out functions essential to the local community and are themselves revenue-raising bodies (with limits on their revenue-raising powers arising at the discretion of central government). If an authority were in financial difficulty, the prospects are that alternative arrangements might be made by central government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year. The Code is clear that transfers of services under combinations of public sector bodies (such as local government reorganisation) do not negate the presumption of going concern. However, if there are material concerns about the financial health of the authority this would be raised as part of the statutory responsibilities of the Section 151 Officer and by the external auditors as part of the accounts audit process.

The accounts have been prepared on a going concern basis, under the assumption that the Council will continue in existence for the foreseeable future.

Primacy of Legislation Requirements

In accordance with the Code, where an accounting treatment is prescribed by law then it has been applied, even if it contradicts accounting standards. The following are examples of legislative accounting requirements which have been applied when compiling these accounts:

- Capital receipts from the disposal of property, plant and equipment are treated in accordance with the provisions of the Local Government Act 2003.

- The Local Government Act 2003 requires the Council to set aside a minimum revenue provision.

3b. Accounting Policies

(a) Accruals of Income and Expenditure

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

- revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council;
- revenue from the provision of services is recognised when the Council can measure reliably the percentage of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council;
- supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet;
- expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made;
- interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract;
- where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

(b) Accounting for Non Domestic Rates (NDR) and Council Tax

Non Domestic Rates (NDR)

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

Council Tax

- Council Tax income included in the Comprehensive Income & Expenditure Statement for the year will be treated as accrued income. Both NDR and Council Tax income will be recognised in the Comprehensive Income & Expenditure Statement in the line Taxation & Non-Specific Grant Income. As a billing authority the difference between the NDR and Council Tax included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund shall be taken to the Collection Fund Adjustment Account and reported in the Movement in Reserve Statement. Each major preceptor's share of the accrued NDR and Council Tax income will be available from the information that is required to be produced in order to prepare the Collection Fund Statement. The income for Council Tax and NDR is recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the authority, and the amount of the revenue can be measured reliably.

- Revenue relating to such things as Council Tax and NDR shall be measured at the full amount receivable (net of any impairment losses) as they are non-contractual, non- exchange transactions and there can be no difference between the delivery and payment dates.
- The Balance Sheet includes the authority's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

Accounting for Business Improvement District

- A Business Improvement District (BID) scheme applies to Altrincham Town Centre from 1 April 2016. The scheme is funded by a BID levy paid by Business Rates ratepayers. The Council acts as an agent for the scheme. It collects the BID levy on behalf of the scheme and pays this to the BID body, without bearing any of the risks or rewards of the scheme.

(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.

The Council is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. Depreciation, revaluation and impairment losses, and amortisation are replaced by Minimum Revenue Provision (MRP). This adjusting transaction is done through the Movement in Reserves Statement with the Capital Adjustment Account charged with the difference between the two amounts.

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

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. Termination Benefits are charged on an accrual 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 Capita plc on behalf of the Department for Education (DfE);
- The Greater Manchester Pensions Fund (part of the Local Government Pension Scheme), administered by Tameside Metropolitan Borough Council.

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

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

The Local Government Pension Scheme

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

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

Liabilities are discounted to their value at current prices, using a discount rate of 2.3% (based on the indicative rate of return on a basket of high quality corporate bonds, Government gilts and other factors).

The assets of the Greater Manchester Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:

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

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

Service cost comprising:

- current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
- past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years - debited to the

Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;

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

Remeasurement comprising:

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

Contributions paid to the Greater Manchester Pension Fund:

- cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners, and any such amounts payable but unpaid at the year end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

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

(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:

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

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

(j) Financial Instruments

Financial Liabilities (Debt and Interest Charges)

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

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

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.

Where premiums and discounts have been charged to the CIES, regulations allow the impact on the General Fund Balance to be spread over future years. The authority has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the CIES to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets

Financial assets e.g. investments (excluding those in companies included in the Council's group accounts) are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI).

Where the authority's business model is to hold investments to collect contractual cash flows the Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument), i.e. where assets are held to sell or receive dividends.

Financial Assets Measured at Amortised Cost

Financial assets, including simple deposits, treasury bills and gilts, money market funds, measured at amortised cost are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest

receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

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

Expected Credit Loss Model

The authority recognises expected credit losses on all of its financial assets held at amortised cost [or where relevant FVOCI], either on a 12-month or lifetime basis.

The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the authority.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

The authority has grouped the loans into four groups for assessing loss allowances:
Loans

- Group 1 – the Council has previously made two loans to Manchester Airport Group. An initial loan of £8.7m was made in 2009/10 and is due to expire in 2055 and a further advance of £11.3m was made in 2018/19 specifically for the development of Terminal 2 due for repayment in 2058.

- Group 2 – Loans made under Investment Strategy – The scope of the Council's investment strategy covers direct investment in properties (see policy covering investment property) as well as loans made to third party developers. To date the Council has made four developer loan advances in respect of redevelopment purposes. Loss allowances for this type of loan will be assessed on an individual basis using common industry-related risk characteristics and the financial health of the companies.

- Group 3 – Town Centre Loans – The Council offers an interest-free loan scheme for businesses that want to occupy ground floor, vacant premises in Altrincham, Sale, Urmston or Stretford town centres to part-fund works, overheads and marketing costs that are needed to bring a vacant unit back into use. The loans are advanced in two instalments and the first instalment is made within Long Term Debtors and Prepayments. Once the second instalment is made, the debt is transferred into our debtor collection system and appears in Short Term Debtors. Due to the immaterial value of these loans, Credit losses will be calculated under the simplified approach adopted for all Trade Debtors.

- Group 4 - 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. Credit losses will not be calculated on a collective basis using information available on any mortgage defaults.

Financial Assets Measured at Fair Value through Profit and Loss (FVPL)

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

- instruments with quoted market prices – the market price

- other instruments with fixed and determinable payments – discounted cash flow analysis.

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

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

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

The Council has one investment, the CCLA Property Investment Fund, which is currently classified as Fair Value through Profit and Loss. Subsequently, any Fair Value gains and losses should be recognised as they arrive in the Surplus or Deficit on the Provision of Services, thus impacting on the Council's General Fund balance. However, investments in CCLA property funds fall under the category of "pooled investment funds" as defined in Statutory Instrument SI 2018/1207. This means that until 31 March 2023, English Local Authorities are prohibited from charging to a revenue account fair value gains or losses, unless the gain or loss relates to an impairment or the sale of the asset.

The Statutory override will allow the gain or losses to be reversed via the Movement in Reserves to the Financial Instruments Revaluation Reserve.

Fair Value through Other Comprehensive Income (FVOCI)

Financial assets that are measured at FVOCI are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value.

The Council has a number of equity instruments, which by definition would automatically fall under the category of FVPL, meaning that changes in fair value would impact on the General Fund.

In 2018/19 and 2019/20, due to the strategic and regional economic development nature associated with the following non-tradeable equity holdings, the Council elected to designate them as FVOCI.

- Manchester Airport Holding Limited (2018/19)
- Manchester Airport Holding Limited (2019/20) – a new investment totalling £5.6m, payable £1.87m 2019/20 and £3.73m 2020/21 to be used to part fund a new car parking facility.

The impact of this election in relation to these equity instrument is to post gains/losses in fair value to other comprehensive income to the Surplus or Deficit on the Provision of Services as they arise with such movements being reversed via the Movement In Reserve account and accumulated in the Financial Instruments Revaluation Reserve until the asset is derecognised, at which point the net gain or loss would be transferred to the General Fund Balance.

(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. Where amounts in foreign currency are outstanding at the year-end, they are re-converted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

(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.

(m) Heritage Assets

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.

In addition, two community interest companies (CIC's) were established during 2015/16 for the provision of leisure and youth services but were not considered material in 2015/16.

The Trust Youth Trafford remains to be immaterial; Trafford Leisure CIC Ltd has been included in group accounts since 2016/17.

Trafford Council also has interests in three Joint Venture Companies, Trafford Bruntwood LLP is a Joint Venture Company with K Site Ltd (a wholly owned Subsidiary of Bruntwood Development Holdings Ltd) and Trafford Bruntwood (Stretford Mall) and Trafford Bruntwood (Stamford Quarter) are joint venture companies with Bruntwood Development Holdings Ltd with each investor owning a 50% share in each of the companies.

In the Council's single-entity accounts the interests in Trafford Leisure CIC and the three joint ventures are recorded as long term investments at cost.

As a subsidiary, Trafford Leisure CIC Ltd. has been consolidated on a line by line basis with all intra-group transactions and balances removed.

As Joint Ventures, Trafford Bruntwood LLP, Trafford Bruntwood (Stretford Mall) and Trafford Bruntwood (Stamford Quarter) have been consolidated on an equity basis with the group accounts. The investment is shown under a separate line in the group balance sheet and adjusted by the Council's share (50%) in the joint venture's net asset movement since acquisition. The Council's share

of the joint venture's operating results for the year is included within the group income and expenditure account.

(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 properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. Statutory arrangements do not allow any gains or losses from a change in fair value 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.

The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

(r) Joint Ventures

On 20 March 2018 the Council set up a joint venture with Bruntwood (K Site Ltd) called Trafford Bruntwood LLP. The entity will deliver a new university campus on the former Kelloggs headquarters site at Talbot Road Stretford. From 2018/19 the entity forms part of the Council's group accounts and will be treated as a Joint Venture and consolidated on an equity basis.

On 4th July 2019 the Council set up two more joint venture companies with Bruntwood Development Holdings Ltd called Trafford Bruntwood (Stretford Mall) and Trafford Bruntwood (Stamford Quarter) as part of its master plans for town centre regeneration. From 2019/2020 these entities form part of the Council's group accounts and will be treated as a Joint Venture and consolidated on an equity basis.

(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. 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.

(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.

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

- infrastructure, community and assets under construction – depreciated historical cost;
- surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective;
- all other assets – current value, determined as the amount that would be paid for the asset in its existing use.

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

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

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

Depreciation

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

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

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

- vehicles, plant and equipment between 3 and 8 years;
- all other property, including infrastructure and community assets between 10 and 60 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.

Revaluation and Impairment Losses

Assets are reviewed annually at each year end for any impairment or revaluation loss. Where a loss has occurred on an asset used by the service these are written off to the Revaluation Reserve, where a balance exists, or charged to the service revenue account where there is no remaining balance on the Revaluation Reserve.

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

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

Disposals and Non-current Assets Held for Sale

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

When assets are disposed of or decommissioned the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal and matched against any capital receipt from the disposal. Any revaluation gains on the asset held in the Revaluation Reserve are transferred to the Capital Adjustment Account. Resultant gains or losses following the transfer of schools to academy status are included under financing and investment income and expenditure.

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

Capital Receipts

Capital receipts from the disposal of assets are treated in accordance with provisions of the Local Government Act 2003. They can be used to fund capital expenditure in the year, to meet debts or other liabilities, or used to cover payments to the Secretary of State under receipts pooling arrangements.

(v) Schools

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

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

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

(w) 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.

(x) 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.

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.

(y) Reserves

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

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

Insurance

The Council essentially self-insures on its major risk areas and operates with significant excess levels, for example liability insurance policies carry an excess of £0.275m and property insurance £0.250m. A provision is maintained to cover costs for which it is responsible for liability claims and a reserve is maintained for property related costs. Further details can be found in note 10 and 25.

(z) Revenue Expenditure Funded from Capital Under Statute (REFCUS)

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

(aa) 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.

(ab) Fair Value Measurement

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

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

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

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

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

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

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

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

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

Level 3 – unobservable inputs for the asset or liability.

4. Accounting Standards that have been issued but have not yet been adopted

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change as a result of a new standard that has been issued but not yet adopted by the 2019/20 Code.

The Code also requires that changes in accounting policy are to be applied retrospectively unless transitional arrangements are specified, this would result in an impact on disclosures spanning two financial years.

Accounting changes that are introduced by the 2020/21 code are:-

- Amendments to IAS 28 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures;
- Annual Improvements to IFRS Standards 2015–2017 Cycle;
- Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement.

These changes are not expected to have a material impact on the Council's single entity statements or group statements.

5. 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 continues to be a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of future changes in levels of service provision.
- Leases - lease agreements have been reviewed and a determination made on whether these are finance or operating leases. This judgement has been based upon the degree to which the lease transfers the risks and rewards of ownership to the Council in accordance with IAS 17. It has been determined that all current lease arrangements are operating leases, with the exception of the PFI for Sale Waterside.
- Upfront pension payment - The Council is liable to make contributions towards the cost of post-employment benefits. For the 3 year period 2017/18 – 2019/20 the Council agreed with the Greater Manchester Pension Fund (GMPF) that the employer contributions payable to the Local Government Pension Scheme (LGPS) can be paid as a single up-front payment. Subsequently, in April 2017 the Council paid £36.3m representing an estimate of three years of pension payments to make a budget saving. In line with the Council's accounting policies in 2017/18 the amounts relating to 2018/19 and 2019/20 were offset against the pension liability on the balance sheet. In each subsequent year the actual pension charges were accounted in year, with the pension liability being adjusted accordingly. As 2019/20 was the final year of the up-front payment period, all amounts have now been reflected in the pension reserve which is aligned to the pension liability. For further details see note 50 Defined Benefit Pension Schemes. For the 3-year period 2020/21 – 2022/23, the Council has again agreed with the Greater Manchester Pension Fund (GMPF) that the employer contributions payable to the Local Government Pension Scheme (LGPS) can be paid as a single up-front payment. The payment and associated transactions will be accounted for in the same way as the 2017/18 – 2019/20 payment.

- 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. The CIPFA Code of Practice requires that where a Council has material financial interests and a significant level of control over one or more entities, it should prepare Group Accounts. From October 2015 the services provided by Trafford Community Leisure Trust were transferred into a Community Interest Company (CIC), Trafford Leisure CIC Ltd, wholly owned by the Council. Due to the material size of the CIC turnover, the Council has produced Group Accounts from 2016/17. Please see pages 174 to **Error! Bookmark not defined.** for the core group statements and relevant disclosure notes. A similar CIC, called Trust Youth Trafford was also established on 11th March 2016 for the provision of Youth Services, however is not materially significant to include in group accounts. The Council has entered into three joint ventures, with Trafford Bruntwood, and all entities forms part of the Council's group accounts and have been consolidated on an equity basis.
- Transfer of Schools to Academy Schools - When a school that is held on the Council's balance sheet transfers to Academy status the Council accounts for this as a disposal for nil consideration, on the date that the school converts to Academy status, rather than as an impairment on the date approval was granted. Where the Council has entered into construction contracts for replacement schools on behalf of an Academy, the Council charges the cost of construction against Revenue Financed from Capital Under Statute (REFCUS) in the year in which costs are incurred.
- Component assets - where an asset value exceeds £1m a review is undertaken to determine whether any major components comprising plant, equipment and services exist and these components are depreciated separately.
- Accounting for Schools – Balance Sheet Recognition of Schools - The Council recognises schools in line with the provisions of 'the Code'. It states that property used by local authority maintained schools should be recognised in accordance with the asset recognition tests relevant to the arrangements that prevail for the property. The Council recognises the school's land and buildings on its Balance Sheet where it directly owns the assets, the school or school Governing Body own the assets or rights to use the assets that have been transferred from another entity.

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

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

Type	Number
Community schools	36
Voluntary Controlled (VC) schools	1
Voluntary Aided (VA) schools	22
Foundation schools	3
Sub-Total Maintained Schools	**62**
Academies	27
Total Number of Schools	**89**

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

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

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

- Accounting for Schools Consolidation – Recognition of Income and Expenditure, Current Assets, Current Liabilities and Reserves – all maintained schools (Community schools, Voluntary Controlled, Voluntary Aided and Foundation schools) are funded by the DSG and fall under the umbrella of Trafford's Scheme for Financing Schools in the same way. The financial relationship between the Council and these schools is the same across all types. Transactions for all of these schools are recorded in the Income and Expenditure Account in line with the Council's Accounting Policies applied to other service areas. Year end balances for current assets, liabilities and revenue reserves are also recorded on the Council's Balance Sheet.
- Investment properties have been assessed using the identifiable criteria under the international accounting standards and are being held for rental income or for capital appreciation. Properties have been assessed using these criteria, which is subject to interpretation to determine if there is an operational reason for holding the property such as regeneration.
- The Council has a 3.22% shareholding in Manchester Airport Holdings Limited (MAHL). Following the adoption of accounting standard IFRS 9 Financial Instruments which came into effect on 1 April 2018, the default valuation method of the Council's equity holdings would be Fair Value through Profit and Loss. However, the shareholding is a strategic investment and not held for trading and therefore the Council has designated the investment as fair value through other comprehensive income. It is the Council's view that this is a reasonable and reliable accounting policy for the investment.

6. 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, especially in the current climate, certain estimates cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. Treasury management risk is considered in note 53.

The following items are considered in further detail as potential risk:-

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Business Rates	Following the introduction of the Business Rate Retention Scheme in April 2013, the Council is now responsible for a share of the cost of successful appeals by businesses against their rateable value. A provision has therefore been included for the cost of appeals as at 31 March 2020 of £38.739m	If the cost of appeals settled exceeds the provision then this will be charged against future business rate income and the cost of which will be financed, in part, 99% by the Council.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
	(of which the Council's share is £38.352m) based on VOA office data on appeals.	
Provisions	**Insurance Claims:** Annually the Council reassesses the amount to be set aside to cover the cost of outstanding liability claims. As at 31 March 2020 the provision stands at £3.164m.	In the event that the cost of insurance claims exceeds this amount then the excess will be met from the insurance reserve.
Pensions liability	The pensions liability is based on assumptions relating to discount rates used, future changes in salaries, changes in retirement ages, mortality rates and expected returns on pension fund assets. These assumptions are reviewed regularly. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	Changes in liability are actuarially measured every three years, and increases in contributions spread over the following three years. The pension contribution is a key financial assumption in the medium term financial plan.
Pension Scheme Assets	Greater Manchester Pension Fund has disclosed in their statements uncertainty with the valuation of property related investments following the impact of the Covid-19 Pandemic. Following the disclosure it is our view that the uncertainty in the valuation is material to Trafford being a value of £32.5m and as such is including in these Statements for disclosure.	The valuation provided is assessed annually. If any change in valuation is material the pension scheme asset will be adjusted.
Pension Guarantees	The Council is guarantor for a number of admitted bodies in the Greater Manchester Pension Fund. An assessment has been undertaken of the surplus/deficit position for those bodies together with their risk of default. This has identified a minimal level of exposure as at 31/3/20.	The position is assessed annually and if material would lead to a liability being recognised on the balance sheet.
Long Term Assets – Manchester Airport Group	The Council's shareholding in Manchester Airport Group is 3.22% as at 31 March 2020. The asset is valued using the earnings based method resulting in the asset being valued at fair value rather than historic cost, therefore requiring an annual valuation. A firm of financial experts and valuers have been engaged by the Council to provide an independent valuation which includes reviewing the financial performance, stability and business assumptions of the Manchester Airport Group.	As at 31 March 2020 the Council's valuers advised of a reduction of £22.50m in the fair value Council share from £52.7m to £30.2m which has been reflected in the financial statements.
Property, Plant & Equipment – Funding implications	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets.	If funding streams were reduced, in so far that it results in the reduction of service delivery or closure of facilities,

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
	The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance bringing into doubt the useful lives assigned to assets. If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase in these circumstances.	this could result in the impairment of assets due to obsolescence. However, the Council has determined that the level of uncertainty at this time is not sufficient to indicate this course of action.
Property, Palnt and Equipment – Revaluation	The Council's valuers have stated that COVID-19 may have an impact on the valuation report for land and buildings and investment properties. In accordance with the RICS Red Book Global, the valuers have reported on the basis of 'material valuation uncertainty'.	Advice has been provided by valuers employed by the Council. If the actual results differ from the assumptions the value of PPE will be over or understated. This would be adjusted when the assets were next revalued
PFI Arrangements	PFI and similar arrangements have been considered to have an implied finance lease within the agreement. In reassessing the leases the Council has estimated the implied interest rate within the leases to calculate interest and principal payments. In addition, the future RPI increase within the contracts has been estimated as remaining constant throughout the remaining period of the contract.	The Council has one PFI scheme and the impact is not material.
Arrears	At 31 March 2020, the Council had a balance on trade debtors of £7.3m. 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 £0.4m
Future year assumptions	The impact of COVID-19 on the Councils future assumptions are yet unknown.	The impact of COVID-19 is likely to be significant in future years, however no specific assumptions have been made about this in the 2019/20 Statement of Accounts.

7. Material Items of Income and Expense (Comprehensive Income & Expenditure Statement page 21)

This note identifies material items of income and expenditure that are not disclosed on the face of the Comprehensive Income and Expenditure Statement.

Within Financing & Investment Income & Expenditure a net loss of £2.929m relating to the disposal of a school that 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 43 Capital Expenditure and Capital Financing.

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

8. Events After the reporting Period

The Statement of Accounts was authorised for issue on 16 July 2020 by the Corporate Director of Finance and Systems (Section 151 Officer). This is the date up to which events after the balance sheet date have been considered and included where relevant.

There are two non-adjusting events after the balance sheet date as detailed below:

Advance pension payment

The Council opted to make a three-year advance payment of its employer pension contributions totalling £42.963m on 14 April 2020, covering employer pension contributions for 2020/21, 2021/22 and 2022/23.

MAG Shareholder Investment (Car Park Development)

In March 2020, the Council made an equity investment in Manchester Airport Holding Ltd (MAHL), (along with the other nine Greater Manchester District Councils) for the Airport's new Drop and Go Car Park Project. The Council's investment of £1.870m in March 2020 is to assist in funding the capital build of a car park in return for the issue of class C ordinary shares in MAHL. It should be noted that as a result of the C share equity investment there will be no change to the existing share capital or shareholdings of MAHL other than the creation of the new C shares. Two further investments were made in April 2020, each of the same amount (totalling £5.610m).

MAG Shareholder Loan (COVID-19)

The Council has a 3.22% minority stake in Manchester Airport Holdings Limited (MAHL). As a result of Covid-19, due to the world-wide lock down there has been much reduced passenger traffic through the group's airports since late March and uncertainty in the aviation industry will continue for the foreseeable future. In order to ensure MAHL's financial sustainability, the council along with MAHL's other shareholders has agreed to provide financial support.

9. 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.

2019/20		Usable Reserves 2019/20						2019/20
	General Fund Balance £000	Earmarked General Fund Reserves £000	Total General Fund Balance £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Revenue Grants Unapplied £000	Capital Grants Unapplied £000	Movements in Unusable Reserves £000
ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL ADJUSTMENT ACCOUNT:								
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:								
Charges for depreciation, impairment and downward revaluations of non-current assets.	(17,552)	0	(17,552)	0	0	0	0	**(17,552)**
Revaluation losses on Property, Plant & Equipment.	(15,984)	0	(15,984)	0	0	0	0	**(15,984)**
Movements in the fair value of Investment Properties.	3,131	0	3,131	0	0	0	0	**3,131**
Amortisation of intangible assets.	(428)	0	(428)	0	0	0	0	**(428)**
Capital grants and contributions applied.	0	0	0	0	0	0	0	**0**
Movement in the Donated Assets Account.	0	0	0	0	0	0	0	**0**
Revenue expenditure funded from capital under statute.	(1,767)	0	(1,767)	0	0	0	0	**(1,767)**
Amounts of non-current assets and current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement.	(3,453)	0	(3,453)	(1,867)	0	0	0	**(5,320)**
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:								
Statutory provision for the financing of capital investment.	4,258	0	4,258	0	0	0	0	**4,258**
Voluntary provision above MRP	0	0	0	0	0	0	0	**0**
Capital expenditure charged against the General Fund balance.	3,138	0	3,138	0	0	0	0	**3,138**

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

		Usable Reserves 2019/20 (continued)						2019/20
2019/20	**General Fund Balance £000**	**Earmarked General Fund Reserves £000**	**Total General Fund Balance £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.	19,263	0	19,263	0	0	0	(19,263)	**0**
Application of grants to capital financing transferred to the Capital Adjustment Account.	0	0	0	0	0	0	9,228	**9,228**
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	**0**
Use of the Capital Receipts Reserve to finance new capital expenditure.	0	0	0	2,015	0	0	0	**2,015**
Use of the Capital Receipts Reserve to repay Debt.	(252)	0	(252)	252	0	0	0	**0**
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals.	0	0	0	0	0	0	0	**0**
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	0	0	0	0	0	0	0	**0**
Transfer from Deferred Capital Receipts Reserve upon receipt of cash.	0	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	**0**

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

		Usable Reserves 2019/20 (continued)						2019/20
2019/20	General Fund Balance £000	Earmarked General Fund Reserves £000	Total General Fund Balance £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Revenue Grants Unapplied £000	Capital Grants Unapplied £000	Movements in Unusable Reserves £000
ADJUSTMENT PRIMARILY INVOLVING THE MAJOR REPAIRS RESERVE:								
Reversal of Notional Major Repairs Allowance credited to the HRA.	0	0	0	0	0	0	0	**0**
Use of the Major Repairs Reserve to finance new capital expenditure.	0	0	0	0	0	0	0	**0**
ADJUSTMENT PRIMARILY INVOLVING THE FINANCIAL INSTRUMENTS REVALUATION RESERVE:								
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.	555	0	555	0	0	0	0	**555**
ADJUSTMENTS INVOLVING THE FIRR								
Gain/loss on revaluation of Financial Instruments charged to FVPL	(180)	0	(180)	0	0	0	0	**(180)**
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 50).	(41,417)	0	(41,417)	0	0	0	0	**(41,417)**
Employer's pension contributions and direct payments to pensioners payable in the year.	16,395	0	16,395	0	0	0	0	**16,395**
ADJUSTMENTS PRIMARILY INVOLVING THE COLLECTION FUND ADJUSTMENT ACCOUNT:								
Amount by which council tax and non-domestic rating income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rating income calculated for the year in accordance with statutory requirements: Council Tax	(884)	0	(884)	0	0	0	0	**(884)**
NDR	(933)	0	(933)	0	0	0	0	**(933)**

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

		Usable Reserves 2019/20 (continued)						2019/20
2019/20	**General Fund Balance £000**	**Earmarked General Fund Reserves £000**	**Total General Fund Balance £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	**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.	(231)	0	(231)	0	0	0	0	**(231)**
Total Adjustments	**(36,340)**	**0**	**(36,340)**	**400**	**0**	**0**	**(10,035)**	**(45,976)**

9. 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.

2018/19		Usable Reserves 2018/19						2018/19
	General Fund Balance £000	Earmarked General Fund Reserves £000	Total General Fund Balance £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Revenue Grants Unapplied £000	Capital Grants Unapplied £000	Movements in Unusable Reserves £000
ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL ADJUSTMENT ACCOUNT:								
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:								
Charges for depreciation, impairment and downward revaluations of non-current assets.	(15,254)	0	(15,254)	0	0	0	0	**(15,254)**
Revaluation losses on Property, Plant & Equipment.	(2,038)	0	(2,038)	0	0	0	0	**(2,038)**
Movements in the fair value of Investment Properties.	(1,369)	0	(1,369)	0	0	0	0	**(1,369)**
Amortisation of intangible assets.	(532)	0	(532)	0	0	0	0	**(532)**
Capital grants and contributions applied.	0	0	0	0	0	0	0	**0**
Movement in the Donated Assets Account.	0	0	0	0	0	0	0	**0**
Revenue expenditure funded from capital under statute.	(940)	0	(940)	0	0	0	0	**(940)**
Amounts of non-current assets and current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement.	(8,930)	0	(8,930)	(456)	0	0	0	**(9,386)**
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:								
Statutory provision for the financing of capital investment.	3,212	0	3,212	0	0	0	0	**3,212**
Voluntary provision above MRP	0	0	0	0	0	0	0	**0**
Capital expenditure charged against the General Fund balance.	10,186	0	10,186	0	0	0	0	**10,186**

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

		Usable Reserves 2018/19 (continued)						2018/19
2018/19	**General Fund Balance £000**	**Earmarked General Fund Reserves £000**	**Total General Fund Balance £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.	14,712	0	14,712	0	0	0	(14,712)	**0**
Application of grants to capital financing transferred to the Capital Adjustment Account.	0	0	0	0	0	216	13,612	**13,828**
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	**0**
Use of the Capital Receipts Reserve to finance new capital expenditure.	0	0	0	6,120	0	0	0	**6,120**
Use of the Capital Receipts Reserve to repay Debt.	(237)	0	(237)	237	0	0	0	**0**
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals.	0	0	0	0	0	0	0	**0**
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	0	0	0	0	0	0	0	**0**
Transfer from Deferred Capital Receipts Reserve upon receipt of cash.	0	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	**0**

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

		Usable Reserves 2018/19 (continued)						2018/19
2018/19	General Fund Balance £000	Earmarked General Fund Reserves £000	Total General Fund Balance £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Revenue Grants Unapplied £000	Capital Grants Unapplied £000	Movements in Unusable Reserves £000
ADJUSTMENT PRIMARILY INVOLVING THE MAJOR REPAIRS RESERVE:								
Reversal of Notional Major Repairs Allowance credited to the HRA.	0	0	0	0	0	0	0	**0**
Use of the Major Repairs Reserve to finance new capital expenditure.	0	0	0	0	0	0	0	**0**
ADJUSTMENT PRIMARILY INVOLVING THE FINANCIAL INSTRUMENTS REVALUATION RESERVE:								
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.	(11,299)	0	(11,299)	0	0	0	0	**(11,299)**
ADJUSTMENTS INVOLVING THE FIRR								
Gain/loss on revaluation of Financial Instruments charged to FVPL	77	0	77	0	0	0	0	**77**
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 50).	(33,162)	0	(33,162)	0	0	0	0	**(33,162)**
Employer's pension contributions and direct payments to pensioners payable in the year.	15,960	0	15,960	0	0	0	0	**15,960**
ADJUSTMENTS PRIMARILY INVOLVING THE COLLECTION FUND ADJUSTMENT ACCOUNT:								
Amount by which council tax and non-domestic rating income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rating income calculated for the year in accordance with statutory requirements: Council Tax	(24)	0	(24)	0	0	0	0	**(24)**
NDR	9,569	0	9,569	0	0	0	0	**9,569**

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

		Usable Reserves 2018/19 (continued)						2018/19
2018/19	General Fund Balance £000	Earmarked General Fund Reserves £000	Total General Fund Balance £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	**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.	(152)	0	(152)	0	0	0	0	**(152)**
Total Adjustments	**(20,221)**	**0**	**(20,221)**	**5,901**	**0**	**216**	**(1,100)**	**(15,204)**

10. Transfers to/from Earmarked Reserves (Balance Sheet page23)

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 2019/20.

	Balance as at 1 April 2018 £000	Movements Out 2018/19 £000	Movements In 2018/19 £000	Balance at 31 March 2019 £000	Movements Out 2019/20 £000	Movements In 2019/20 £000	Balance at 31 March 2020 £000
General Fund	**(6,000)**	0	(1,000)	**(7,000)**	0	0	**(7,000)**
Earmarked Reserves:							
Balances held by schools under a scheme of delegation	**(7,331)**	7,383	(8,306)	**(8,254)**	8,401	(8,151)	**(8,004)**
Other Earmarked Reserves:							
Synthetic Pitch Replacement Reserve							
This will be used towards replacing one synthetic pitch within the Borough.	**(48)**	0	(15)	**(63)**	0	(15)	**(78)**
Training Reserve							
To undertake corporate training across the Council.	**0**	0	0	**0**	0	0	**0**
Insurance Reserve							
Funds earmarked for future claims and to carry out various risk management initiatives.	**(2,682)**	1,000	(188)	**(1,870)**	75	(104)	**(1,899)**
Delegated Service Budgets							
Revenue budget under/overspends to be carried forward as part of the Council's Medium Term Financial Plans.	**(3,880)**	2,128	(1,095)	**(2,847)**	1,064	(398)	**(2,181)**
ICT Development							
Investment in new ICT to improve efficiency Council-wide.	**(180)**	0	(118)	**(298)**	115	(441)	**(624)**
Dedicated Schools Grant (DSG)							
Government grant specifically for the funding of schools and schools' related services.	**(929)**	0	(1,376)	**(2,305)**	46	(636)	**(2,895)**

10. Transfers to/from Earmarked Reserves (continued)

	Balance as at 1 April 2018 £000	Movements Out 2018/19 £000	Movements In 2018/19 £000	Balance at 31 March 2019 £000	Movements Out 2019/20 £000	Movements In 2019/20 £000	Balance at 31 March 2020 £000
Elections Reserve							
To smooth the elections budget across the 4 year Municipal cycle.	**(324)**	100	(23)	**(247)**	103	0	**(144)**
Transformation Reserve							
Money set aside to pump prime the achievement of the next stage of efficiencies through the Transformation Programme.	**(197)**	237	(40)	**0**	0	0	**0**
Interest Rate Reserve							
To smooth the effect on the Council's budget of volatile movements in interest rates.	**(311)**	0	(980)	**(1,290)**	137	(978)	**(2,131)**
Waste Levy Reserve							
To smooth the effects on the Council's budget of movements in the waste levy over the medium term.	**(1,470)**	395	0	**(1,075)**	16	0	**(1,059)**
Long Term Accommodation Decant Reserve							
To cover the cost of accommodation changes arising from the Long Term Accommodation Project.	**(470)**	10	0	**(460)**	6	(149)	**(603)**
Employment Rationalisation Reserve							
To cover the cost of rationalising the employment of staff by the Council.	**(1,612)**	168	0	**(1,444)**	444	0	**(1,000)**

10. Transfers to/from Earmarked Reserves (continued)

	Balance as at 1 April 2018 £000	Movements Out 2018/19 £000	Movements In 2018/19 £000	Balance at 31 March 2019 £000	Movements Out 2019/20 £000	Movements In 2019/20 £000	Balance at 31 March 2020 £000
Capital Reserve							
Investment in disabled facility schemes.	**(280)**	280	0	**0**	0	0	**0**
LAA Performance Reward Grant Reserve							
Revenue element of grant to be allocated to schemes via the Trafford Partnership.	**(112)**	22	(25)	**(115)**	115	0	**0**
Prepaid Revenue Grants Reserve							
To hold revenue grants included in the Comprehensive Income and Expenditure Statement which are paid in advance and which no conditions exist.	**(154)**	154	0	**0**	0	0	**0**
Winter Maintenance Reserve							
To provide emergency funds to cover the costs of highway & footway maintenance during periods of adverse weather conditions.	**(120)**	0	0	**(120)**	0	0	**(120)**
NDR Deficit Reserve							
Reserve established towards meeting Trafford's share of the NDR Deficit.	**(5,256)**	5,256	(1,040)	**(1,040)**	1,530	(1,281)	**(791)**
NDR Levy Reserve							
Reserve established to manage the timing differences between accounting for and payment of NDR Levy on business rates growth (Levy is payable immediately, however growth is only released based on prior year estimate) and also holds the national levy rebate.	**0**	0	(550)	**(550)**	550	0	**0**

10. Transfers to/from Earmarked Reserves (continued)

	Balance as at 1 April 2018 £000	Movements Out 2018/19 £000	Movements In 2018/19 £000	Balance at 31 March 2019 £000	Movements Out 2019/20 £000	Movements In 2019/20 £000	Balance at 31 March 2020 £000
Economic Development Reserve							
Reserve set aside to earmarked grant specifically for economic development related projects (previously held within Service Earmarked Reserve).	**(1,042)**	299	(101)	**(844)**	183	(2)	**(663)**
Troubled Families Reserve							
Reserve set aside to strengthen the team and provide an opportunity for Partner agencies to develop integrated services.	**0**	0	0	**0**	0	0	**0**
Manchester Airport Dividend Smoothing Reserve							
Dividends received above budget to be used to support future years' Revenue Budgets.	**(1,245)**	0	(2,038)	**(3,283)**	2,733	0	**(550)**
Budget Support Reserve							
To smooth out potential volatility in Revenue Budget funding and the significant level of savings required over the medium term.	**(5,331)**	1,630	(1,783)	**(5,484)**	2,624	(6,996)	**(9.856)**
Airport Investment Reserve							
To be used on measures that provide sustainable benefits to the budget in future years. Fully utilised in 2019/20 as part of the MAG investment.	**(4,962)**	8,951	(3,989)	**0**	2,481	(2,481)	**0**
Business Rates Reserve							
The business rate risk reserve was established to be used to offset any fluctuation in the significant level of business rate income that will be supporting the budget in 2018/19 and later years.	**(6,689)**	413	(2,500)	**(8,776)**	5,776	(4,978)	**(7,978)**
Transformation Fund Reserves							
Monies allocated from Greater Manchester Health and Social Care Partnership for the transforming of health and social care services, in addition to monies set aside by the	**(2,885)**	231	(2,443)	**(5,097)**	1,006	(727)	**(4,818)**

	Balance as at 1 April 2018 £000	Movements Out 2018/19 £000	Movements In 2018/19 £000	Balance at 31 March 2019 £000	Movements Out 2019/20 £000	Movements In 2019/20 £000	Balance at 31 March 2020 £000
Council to match fund expenditure in the Transformation Fund.							
COVID-19 Reserve							
Government Grant to support local COVID-19 pressures	**0**	0	0	**0**	0	(4,722)	**(4,722)**
Council Tax Collection Fund Reserve							
To smooth the timing difference in Trafford's shortfall of estimated Council Tax Surpuls	**0**	0	0	**0**	0	(285)	**(285)**
Business Reform Reserve							
Potential contribution to the Bus reform in 2021	**0**	0	0	**0**	0	(1,500)	**(1,500)**
Other Reserves							
Other amounts earmarked for specific purposes.	**(4,949)**	2,167	(5,570)	**(8,352)**	3,412	(6,344)	**(11,284)**
Total Earmarked Reserves (incl. Schools)	**(52,459)**	**30,824**	**(32,180)**	**(53,814)**	**30,817**	**(40,188)**	**(63,185)**
Total Reserves	**(58,459)**	**30,824**	**(33,180)**	**(60,814)**	**30,817**	**(40,188)**	**(70,185)**

11. Other Operating Expenditure (Comprehensive Income & Expenditure Statement page 21)

2018/19 £000		2019/20 £000
66	Parish council precepts (i)	67
32,535	Levies (ii)	33,268
3,767	Amount written off on disposal of non-current assets	2,392
(456)	Sale proceeds from disposal of non-current assets	(1,867)
5,000	Amount written out on repayment of ST Debt (Local Authority Mortgage Scheme Loan and LCCC)	-
(5,000)	Proceeds from the repayment of Short Term Loan (Local Authority Mortgage Scheme and LCCC)	-
35,912	**Total**	**33,860**

(i) Partington Town Council at its meeting on 10 December 2018 elected to keep the level of Band D Council Tax at £42.50, the same as in 2018/19. With a 2019/20 Parish Tax Base of 1,577 (1,550 in 2018/19) the precept was £67,023 (£65,875 in 2018/19). The Council also agreed to provide grant of £10,000 to support the 2019/20 precept, the same as in 2018/19, in addition to the Parish Council grant of £26,569 (£26,569 in 2018/19), both of which are contained within the Cost of Services.

No other Parish Councils set a precept for 2019/20.

(ii) Included are levies as follows:

2018/19 Expenditure £000		2019/20 Expenditure £000
142	Flood Defence	144
8,737	Waste Disposal Authority	17,227
23,656	GM Combined Authority	15,897
32,535	**Total**	**33,268**

In 2017/18 additional resources were required by the Greater Manchester Waste Disposal Authority (GMWDA) in order to facilitate savings in the waste contract. In order to assist districts in meeting those costs the Transport levy was reduced by £87.98m on a one off basis, £7.4m for Trafford, resulting in a substantial call on GMCA transport reserves. This switch in resources has been managed at a GM level.

In 2018/19 the funding switch was reversed with a one-off adjustment to reinstate the GMCA transport reserves, resulting in a net movement from the Waste Disposal levy to the Transport levy for Trafford of £14.8m. In 2019/20 the levies for Transport and Waste have reverted back to their "relative" positions, i.e. had the switch in resources not occurred.

12. Financing and Investment Income and Expenditure (Comprehensive Income & Expenditure Statement page 21)

2018/19 £000		2019/20 £000
5,696	Interest payable and similar charges	9,013
(18,608)	Interest income on plan assets (pensions)	(17,362)
24,475	Interest cost on defined benefit obligation (pensions)	24,336
(2,767)	Interest receivable and similar income (i)	(3,372)
(1,468)	Income and expenditure in relation to investment properties and changes in their fair value (ii)	(6,990)
(77)	Gains and losses arising from the revaluation of financial assets measured at fair value through profit and loss	180
43	Residual (Surplus)/deficit on trading undertakings (iii)	259
11,671	Other charges (iv)	0
(8,024)	Other investment income (v)	(15,531)
5,619	(Profit)/Loss on Disposal of Academy non-current assets (vi)	2,928
16,560	**Total**	**(6,539)**

(i) During 2019/20 the average amount invested in the money market was £98.2m, at an average interest rate of 1.12%. Investment interest generated for the year was £3.372m, including £2.171m of interest receivable from Manchester International Airport following the renegotiation of loan debt held by each of the Greater Manchester Authorities in February 2010 and additional loan debt issued in 2018. For 2018/19 the average amount invested was £86.7m at an average rate of 1.06%, producing £2.767m of investment interest, including £1.632m from the Airport.

(ii) Includes increase/(decrease) in the fair value of investment properties £(3.131)m (£1.369m in 2018/19). Net expenditure/(income) on investment properties is £(3.859)m, (£(2.837)m in 2018/19), also included in note 16.

(iii) Details on the financial activity of trading operations are included in note 33.

(iv) During 2018/19 the Council restructured its debt with regards to its inverse LOBO Loan of £20m, a premium of £11.67m was incurred on settlement.

(v) During 2019/20 a share dividend of £6.429m was received from Manchester International Airport (£5.635m in 2018/19). In addition to this £8.53m was received with regard to the Investment Strategy.

(vi) During 2019/20 a net loss on the disposal of assets was realised of £2.928m (£5.619m loss in 2018/19). This arises where the value of proceeds received, which is zero in the case of school academy transfers, is less than the value of those assets held on the balance sheet.

13. Taxation and Non-Specific Grant Income (Comprehensive Income & Expenditure Statement page 21)

2018/19 £000		2019/20 £000
(95,039)	Council Tax income	(100,007)
(77,652)	Non domestic rates*	(65,958)
(2,943)	Non ring-fenced government grants*	(9,139)
(14,712)	Capital grants and contributions*	(19,263)
(190,346)	**Total**	**(194,366)**

** Further detail on grants is shown in note 41.*

14. Property, Plant and Equipment (Balance Sheet page 23) Movements on Balances 2019/20:

	Other land & buildings £000	Vehicles, plant & equipment assets £000	Infrastructure assets £000	Community assets £000	Surplus assets £000	Assets under construction £000	Total £000
COST OR VALUATION:							
As at 1 April 2019	**314,948**	**22,745**	**238,486**	**21,526**	**13,841**	**9,202**	**620,748**
Additions	12,127	260	6,906	550	897	5,319	**26,059**
Disposals (incl. adj. for academy school transfers)	(6,733)	-	-	-		-	**(6,733)**
Reclassification to Assets Held for Sale	-	-	-	-	3,523	-	**3,523**
Other Reclassifications	(79)	53	-	-	26	-	**0**
Restatement due to transfer from Assets Under Construction	6,532	16	381	11	0	(7,103)	**(163)**
Revaluation increases/(decreases) recognised in the revaluation reserve	35,920	-	-	-	(910)	-	**35,010**
Revaluation increases/(decreases) recognised in the surplus/deficit on the provision of services	(12,104)	-	-	-	-	-	**(12,104)**
As at 31 March 2020	**350,610**	**23,075**	**245,772**	**22,086**	**17,379**	**7,418**	**666,340**

14. Property, Plant and Equipment (continued):

	Other land & buildings £000	Vehicles, plant & equipment assets £000	Infrastructure assets £000	Community assets £000	Surplus assets £000	Assets under construction £000	Total £000
DEPRECIATION AND IMPAIRMENTS:							
As at 1 April 2019	**(41,108)**	**(19,932)**	**(68,100)**	**(5,404)**	**(2,151)**	**0**	**(136,695)**
Depreciation charged to CIES (ii)	(12,016)	(425)	(4,784)	(321)	-	-	**(17,546)**
Revaluation downwards charged to CIES	(14,075)	-	-	-	(1,909)	-	**(15,984)**
Impairment written off to Revaluation Reserve	-	-	-	-	-	-	**-**
Revaluation Reserve	-	-	-	-	-	-	**-**
Disposals	2,474	-	-	-	-	-	**2,474**
Reclassifications	-	-	-	-	-		
Accumulated depreciation and impairment written out on revaluation adj.	12,104	-	-	-	-	--	**12,104**
Revaluations	-	-	-	-	-	-	**-**
As at 31 March 2020	**(52,621)**	**(20,357)**	**(72,884)**	**(5,725)**	**(4,060)**	**0**	**(155,647)**
NET BOOK VALUE:							
Balance Sheet amount as at 31 March 2020	**297,989**	**2,717**	**172,888**	**16,361**	**13,319**	**7,418**	**510,692**
Nature of Asset Holding	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Owned	285,578	2,717	172,888	16,361	13,319	7,418	**498,281**
Finance Lease	-	-	-	-	-	-	**-**
PFI (i)	12,411	-	-	-	-	-	**12,411**
Total	**297,989**	**2,717**	**172,888**	**16,361**	**13,319**	**7,418**	**510,692**

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

Movement in PFI Asset Value	£000
Opening Value 1 April 2019	**13,121**
Additions	34
Less Depreciation	(214)
Less Impairment	(530)
Closing Value 31 March 2020	**12,411**

(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	Between 5 and 20 years
Infrastructure and Community assets	Between 10 and 40 years
Buildings	Between 15 and 60 years

There are no changes to depreciation methods used between 2018/19 and 2019/20.

Comparative Movements in 2018/19:

	Other land & buildings £000	Vehicles, plant & equipment assets £000	Infrastructure assets £000	Community assets £000	Surplus assets £000	Assets under construction £000	Total £000
COST OR VALUATION:							
As at 1 April 2018	**304,306**	**22,094**	**227,371**	**23,001**	**13,280**	**8,760**	**598,813**
Additions	9,496	218	10,972	261	10	8,288	**29,245**
Disposals (incl. adj. for academy school transfers)	(8,941)	0	0	(1,754)	0	0	**(10,695)**
Reclassification to Assets Held for Sale	0	0	0	0	(2,018)	0	**(2,018)**
Other Reclassifications	4,528	433	143	17	0	(7,846)	**(2,725)**
Accumulated depreciation and impairment written out on revaluation adjustment	(16,381)	0	0	0	0	0	**(16,381)**
Revaluation increases/(decreases) recognised in the revaluation reserve	21,940	0	0	0	2,569	0	**24,508**
Revaluation increases/(decreases) recognised in the surplus/deficit on the provision of services	0	0	0	0	0	0	**0**
As at 31 March 2019	**314,948**	**22,745**	**238,486**	**21,526**	**13,841**	**9,202**	**620,748**

Comparative Movements in 2018/19 (Continued):

	Other land & buildings £000	Vehicles, plant & equipment assets £000	Infrastructure assets £000	Community assets £000	Surplus assets £000	Assets under construction £000	Total £000
DEPRECIATION AND IMPAIRMENTS:							
As at 1 April 2018	**(48,080)**	**(19,437)**	**(63,696)**	**(5,516)**	**(1,431)**	**0**	**(138,160)**
Depreciation charged to CIES (ii)	(10,009)	(495)	(4,404)	(342)		0	**(15,249)**
Revaluation downwards charged to CIES	(1,318)	0	0	0	(720)	0	**(2,038)**
Impairment written off to Revaluation Reserve	0	0	0	0	0	0	**0**
Revaluation Reserve	0	0	0	0	0	0	
Disposals	1,917	0	0	454	0	0	**2,371**
Reclassifications	0	0	0	0	0	0	
Accumulated depreciation and impairment written out on revaluation adj.	16,381	0	0	0	0	0	**16,381**
Revaluations	0	0	0	0	0	0	**0**
As at 31 March 2019	**(41,108)**	**(19,932)**	**(68,100)**	**(5,404)**	**(2,151)**	**0**	**(136,695)**
NET BOOK VALUE:							
Balance Sheet amount as at 31 March 2019	**273,840**	**2,813**	**170,386**	**16,122**	**11,690**	**9,202**	**484,055**
Nature of Asset Holding							
Owned	260,719	2,813	170,386	16,122	11,690	9,202	**470,932**
Finance Lease	0	0	0	0	0	0	**0**
PFI (i)	13,121	0	0	0	0	0	**13,121**
Total	**273,840**	**2,813**	**170,386**	**16,122**	**11,690**	**9,202**	**484,055**

Valuation of Non-Current Assets held at current value

This statement shows the progress of the Council's rolling programme for the revaluation of non-current assets. The valuations were carried out by Mr Martin Tucker, MRICS, who is employed by Amey Consulting, a company which provides property services to the Council as part of the One Trafford Partnership. The basis for valuation is set out in the statement of accounting policies.

	Other land & buildings £000	Vehicles, plant & equipment £000	Surplus assets £000	Investment Assets £000	Total £000
Held at historic cost		**2,717**			**2,717**
Current Year (1 April 2018)	254,066	0	13,319	**113,518**	**380,903**
Previous year (1 April 2017)	9,201				**9,201**
Two years ago (1 April 2016)	30,702				**30,702**
Three years ago (1 April 2015)	3,165				**3,165**
Four years ago (1 April 2014)	855				**855**
Total	**297,989**	**2,717**	**13,319**	**113,518**	**427,543**

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

Significant commitments under capital contracts as at 31 March 2020

As at 31 March 2020 the Council was contractually committed to capital expenditure relating to Property Plant and Equipment which amounted to approximately £5.93m. Major contracts included the following schemes:

	£000
Worthington Primary School – Expansion Works	1,827
Manchester Airport	3,740
Total at 31 March 2020	**5,567**

15. Heritage Assets (Balance Sheet page 23)

The Council is required to recognise and measure Heritage Assets at current valuation. 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	**2018/19 £000**	**2019/20 £000**
Opening Value 1 April	1,002	996
Additions	-	-
Reclassifications	-	-
Disposals	-	-
Less Depreciation	(6)	(5)
Less Impairment	-	-
Closing Value 31 March	**996**	**991**

16. Investment Properties (Balance Sheet page 23)

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

	2018/19 £000	2019/20 £000
Balance at start of year	**72,200**	**110,364**
Additions:		
Purchases	39,533	25
Construction	-	-
Subsequent expenditure	-	-
Disposals	-	-
Net gains/(losses) from fair value adjustments	(1,369)	3,131
Transfers:		
to/from Inventories	-	-
to/from Property, Plant & Equipment	-	-
Other changes	-	-
Balance at end of year	**110,364**	**113,520**

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

The Council's 4.64% interest in land held at Manchester airport has been valued at £10.02m and has also been assessed as Level 2 in the fair value hierarchy.

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

	2018/19 £000	2019/20 £000
Rental income from investment property	(4,833)	(6,951)
Direct operating expenses arising from investment	1,996	3,092
Net (gain)/loss	**(2,837)**	**3,859**

17. Intangible Assets (Balance Sheet page 23)

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

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

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

None of the software are internally generated.

The carrying amounts of intangible assets is amortised on a straight-line basis. The amortisation of £0.428m charged to revenue in 2019/20 was charged to the ICT, Finance and HR cost centres 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:

	2018/19			2019/20		
	Internally Generated Assets £000	Other Assets £000	Total £000	Internally Generated Assets £000	Other Assets £000	Total £000
Balance at start of year:						
Gross carrying amounts		5,989	5,989		8,121	8,121
Accumulated amortisation		(2,896)	(2,896)		(3,428)	(3,428)
Net carrying amount at start of year		**3,093**	**3,093**		**4,693**	**4,693**
Additions:						
Internal development						
Purchases		273	273		704	704
Transfer from Assets under Construction		1,859	1,859		163	163
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		(532)	(532)		(428)	(428)
Other changes						
Net carrying amount at end of year		**4,693**	**4,693**		**5,133**	**5,133**
Comprising:						
Gross carrying amounts		8,121	8,121		8,990	8,990
Accumulated amortisation		(3,428)	(3,428)		(3,858)	(3,858)
Balance at the end of the year		**4,693**	**4,693**		**5,133**	**5,133**

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

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

18. Financial Instruments

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

Financial Assets

	Long Term				Short Term				
	Investments		Debtors		Investments		Debtors		Total
	31 March 2019 £000	31 March 2020 £000	31 March 2019 £000	31 March 2020 £000	31 March 2019 £000	31 March 2020 £000	31 March 2019 £000	31 March 2020 £000	31 March 2020 £000
Fair value through profit and loss									
Church Commissioner Local Authority Fund - Principal	5,042	4,862	0	0	0	0	0	0	4,862
Sub-total – Fair value through profit and loss	**5,042**	**4,862**	**0**	**0**	**0**	**0**	**0**	**0**	**4,862**
Amortised Cost									
Other Investments									
Principal (i)	0	0	0	0	50,570	50,396	0	0	50,396
Accrued Interest (i)	0	0	0	0	145	237	0	0	237
Cash and cash equivalent:									
Cash at Bank	0	0	0	0	10,655	12,247	0	0	12,247
Principal	0	0	0	0	22,280	32,751	0	0	32,751
Accrued interest	0	0	0	0	14	26	0	0	26
Other Financial Instruments									
MAG Loans (included within Long term debtors)	0	0	19,971	21,056	0	0	0	0	21,056
Homestep Loans (included within Long term debtors)	0	0	827	685	0	0	0	0	685
Capital Loans (included within Long term debtors)	0	0	9,103	96,278	0	0	0	42,723	139,001
Treasury Asset Investments (included within Long term debtors)	0	0	0	17,600	0	0	0	0	17,600
Trafford Leisure CIC	0	0	0	300	0	0	0	0	300
Trade Debtors (included within Short term debtors)	0	0	0	0	0	0	6,237	7,339	7,339
Church Commissioner Local Authority Fund – Accrued Interest (i)	0	0	0	0	62	61	0	0	61

	Long Term				Short Term				
	Investments		Debtors		Investments		Debtors		Total
	31 March 2019 £000	31 March 2020 £000	31 March 2019 £000	31 March 2020 £000	31 March 2019 £000	31 March 2020 £000	31 March 2019 £000	31 March 2020 £000	31 March 2020 £000
Sub-total – amortised cost	**0**	**0**	**29,901**	**135,919**	**83,726**	**95,718**	**6,237**	**50,062**	**281,699**
Fair value through other comprehensive income –designated equity instruments									
Manchester Airport Group (MAG) Shareholding (See note on "Interest in Companies" on page 48	52,700	30,200	0	0	0	0	0	0	30,200
Manchester Airport Group (MAG) Shareholding Car Park (iii)		**1,870**							**1,870**
Sub-total – Fair value through other comprehensive income	**52,700**	**32,070**	**0**	**0**	**0**	**0**	**0**	**0**	**32,070**
Total financial Instruments (included in Financial Assets)	**57,742**	**36,932**	**29,901**	**135,919**	**83,726**	**95,718**	**6,237**	**50,062**	**318,631**
Other Financial Assets:									
Investments included in Group Accounts (ii)									
Equity - Trafford Bruntwood LLP – K site	9,041	10,642	0	0	0	0	0	0	10,642
Equity - Trafford Bruntwood LLP – Stamford & Stretford Malls	0	25,527	0	0	0	0	0	0	25,527
Sub-total – amortised cost	**9,041**	**36,169**	**0**	**0**	**0**	**0**	**0**	**0**	**36,169**
Other (ii)									
Section 106 debtors (included within Short term debtors)	0	0	0	0	0	0	1,997	1,891	1,891
Total Financial Assets	**66,783**	**73,101**	**29,901**	**135,919**	**83,726**	**95,718**	**8,234**	**51,953**	**356,691**

(i) The sum Short Term Investment Principal (£50.396m), Accrued Interest (£237k) and Church Commissioner Local Authority Fund – Accrued Interest (£61k) equals Short Term Investments as per the balance sheet (£50.694m).

(ii) The Equity Investment in Trafford Bruntwood LLP is not classified as a financial instrument under IFRS9 on the basis that the investment is included in the authority' group accounts. In addition Section 106

debtors are not classified as financial instruments. However, both have been included in this note for information purposes only to allow a reconciliation back to the balance sheet line for Financial Assets.

(iii) The MAG shareholding has been designated at cost to Fair Value through Other comprehensive Income on the basis that the MAG Shareholding is regarded as a Strategic investment and is not held for trading purposes.

Financial Liabilities

	Long Term				Short Term				
	Borrowings		Creditors		Borrowings		Creditors		Total
	31 March 2019 £000	31 March 2020 £000	31 March 2019 £000	31 March 2020 £000	31 March 2019 £000	31 March 2020 £000	31 March 2019 £000	31 March 2020 £000	31 March 2020 £000
Amortised Cost									
Principal	(215,874)	(343,764)	0	0	(4,792)	(33,496)	0	0	(377,260)
Accrued Interest	0	0	0	0	(1,493)	(1,927)	0	0	(1,927)
Market loans EIR adjustments	(816)	(816)	0	0	0	0	0	0	(816)
Trade Creditors (included within short term creditors)	0	0	0	0	0	0	(4,485)	(10,060)	(10,060)
Sub-total amortised cost - (per balance sheet)	**(216,690)**	**(344,580)**	**0**	**0**	**(6,285)**	**(35,423)**	**(4,485)**	**(10,060)**	**(390,063)**
Market loans EIR adjustments					(16)	(15)			(15)
PFI and finance lease liabilities	(5,066)	(4,798)	0	0	(252)	(267)	0	0	(5,066)
Sub-total – Other (included in long term liabilities and short term creditors)	**(5,066)**	**(4,798)**	**0**	**0**	**(268)**	**(282)**	**0**	**0**	**(5,081)**
Total financial liabilities	**(221,756)**	**(349,378)**	**0**	**0**	**(6,553)**	**(35,706)**	**(4,485)**	**(10,060)**	**(395,144)**
Non-financial liabilities	0	0	0	0	0	0	0	0	0
Total	**(221,756)**	**(349,378)**	**0**	**0**	**(6,553)**	**(35,706)**	**(4,485)**	**(10,060)**	**(395,144)**

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

During 2019/20, the Council advanced £62k of soft loans in accordance with its Town Centre Regeneration scheme at an interest rate of 0% repayable over a maximum period of 3 years. In addition to this the Council had £2.20m of loans as at 31 March 2020 which are repayable over four years commencing in 2017/18 from Salix Finance at a rate of interest of 0% in respect to its Street Lighting Replacement Programme. These types of loans, which have been undertaken at rates of interest below market levels, are deemed to be soft loans and an accounting adjustment in the Comprehensive Income and Expenditure Statement for the present value of the interest should be carried out. Calculations have been undertaken to determine this position and for the loans outstanding of £2.20m, this would reduce the balance sheet value marginally by £30k to £2.17m. Due to the low value of this transaction and in accordance with the CIPFA Code of Practice regarding materiality, no adjustment to the Council's accounts has been undertaken to reflect either the Salix or Town Centre Regeneration financial instruments.

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

	2019/20		2018/19	
	Surplus or Deficit on the Provision of Services £000	Other Comprehensive Income and Expenditure £000	Surplus or Deficit on the Provision of Services £000	Other Comprehensive Income and Expenditure £000
Net gains/losses on:				
Financial assets measured at fair value through profit or loss				
- CCLA share revaluation	180	0	(77)	0
- CCLA Interest	(245)	0	(246)	0
Investments in equity instruments designated at fair value through other comprehensive income				
- MAG Share revaluation	0	22,500	0	(800)
- MAG Share dividend	(6,429)	0	(5,635)	0
Total net (gains)/losses	**(6,494)**	**22,500**	**(5,958)**	**(800)**
Interest revenue:				
Financial assets measured at amortised cost				
- Investment interest	(862)	0	(670)	0
Total interest revenue	**(862)**	**0**	**(670)**	**0**
Interest expense				
Financial assets measured at amortised cost				
- Loan interest payable	9,013	0	5,697	0
Total interest expense	**9,013**	**0**	**5,697**	**0**

Fair values

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

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

Fair Value of Financial Assets

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

Financial assets measured at fair value				
Recurring fair value measurements	**Input level in fair value hierarchy**	**Valuation technique used to measure fair value**	**As at 31/3/20 £000**	**As at 31/3/19 £000**
Church Commissioners Local Authority Property Fund	Level 1	Unadjusted quoted prices in active markets for identical shares	4,862	5,042
Manchester Airport Group	Level 2	Earning Based	30,200	52,700
Manchester Airport Group	Level 2	Initial investment at cost	1,870	-
Total			**36,932**	**57,742**

Fair value hierarchy for financial assets and financial liabilities that are not measured at fair value

31 March 2020	**Quoted prices in active markets for identical assets (Level 1) £000**	**Other significant observable inputs (Level 2) £000**	**Significant observable inputs (Level 3) £000**	**Total £000**
Financial liabilities				
Financial liabilities held at amortised cost:				
- PWLB	0	499,154	0	499,154
- Non-PWLB	0	87,198	0	87,198
- Trade creditors	0	10,060	0	10,060
PFI and finance lease liability	0	6,853	0	6,853
Total	**0**	**603,265**	**0**	**603,265**
Financial assets				
Financial assets held at amortised cost:				
- Investments	0	83,471	0	83,471
- Cash at Bank	0	12,247	0	12,247
MAG loans	0	21,056	0	21,056
Homestep loans	0	685	0	685
Capital Loans	0	139,001	0	139,001
Treasury Asset Investment	0	17,600	0	17,600
Trafford Leisure CIC		300	0	300
Trade debtors	0	7,339	0	7,339
Total	**0**	**281,699**	**0**	**281,699**

Comparator year

31 March 2019	Quoted prices in active markets for identical assets (Level 1) £000	Other significant observable inputs (Level 2) £000	Significant observable inputs (Level 3) £000	Total £000
Financial liabilities				
Financial liabilities held at amortised cost:				
- PWLB	0	248,078	0	248,078
- Non-PWLB	0	66,044	0	66,044
- Trade creditors	0	4,485	0	4,485
PFI and finance lease liability	0	7,061	0	7,061
Total	**0**	**325,668**	**0**	**325,668**
Financial assets				
Financial assets held at amortised cost:				
- Investments	0	73,009	0	73,009
- Cash at Bank	0	10,655	0	10,655
MAG loans	0	19,971	0	19,971
Homestep loans	0	814	0	814
Capital Loans	0	9,103	0	9,103
Trade debtors	0	6,237	0	6,237
Total	**0**	**119,789**	**0**	**119,789**

The fair value for financial liabilities and financial assets that are not measured at fair value included in Levels 2 in the table above have been arrived at using a discounted cash flow analysis with the most significant inputs being the discount rate detailed above

The fair value for financial liabilities and financial assets that are not measured at fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the assumptions detailed above, primarily for financial liabilities the fair value is arrived at by applying the discounted cash flow calculations based on the PWLB premium/discount calculations.

Equity shareholding

Church Commissioners Local Authority Property fund;- on 29 September 2015 the Council placed £5m into this fund for an expected minimum period of 5 years and after entry costs enabled 1,643,872 of units to be purchased worth £4.73m. Updated market unit prices are produced on a monthly basis and as at 31 March 2020 the value of the Council's shareholding was £4.86m.

Manchester Airport Group;- the shares in this company originated through a policy initiative with other Greater Manchester Local Authorities to promote economic generation and tourism. As the shares are not traded in an active market, the fair value of the shares of £30.2m has been calculated by an independent external expert. The method involves the application of a price earnings ratio to maintainable or prospective earnings or post tax profits and draws on data from comparable quoted companies. The data is then adjusted by discount factors to allow for the fact that the shares are not publically traded and that the Council holds a minority interest with no voting rights. These unobservable inputs have been developed using the best information about the assumptions that the market participants would use when pricing the asset.

The valuation has been made using annual audited accounts of Manchester Airport Group for 2017, 2018 and 2019 along with interim 6 month reports for the period ending 30 September 2019. These shares are subject to an annual valuation and in 2019/20 decreased in value by £22.5m following Corvid-19 pandemic.

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.

Manchester Airport Group Car Park Shareholding;- On 28 January 2019 the Council committed to a further equity investment of £5.61m relating to strategic car park infrastructure developments at Manchester Airport. This investment was agreed to be paid in three instalments of £1.87m of which the first tranche was in 2019/20. The first instalment has been included in long term investments at cost. These shares will be subject to an annual valuation using unobservable inputs at the time.

Trafford Bruntwood LLP;-
Ksite;- Trafford Council has a 50% equity shareholding in Trafford Bruntwood LLP with the remaining 50% being held by Bruntwood (K Site Ltd). The entity holds assets in the form of the former Kelloggs headquarters site at Talbot Road, which was purchased in April 2018 for £11.9m. The site has been redeveloped in line with the Civic Quarter Masterplan and hosts the University of Lancaster and Education 92 Limited (UA92). The shares in this company are not traded in an active market and for the financial year 2019/20 the fair value of the shares of £10.642m are compared to £9.041m in 2018/19. The fair value of these shares has been calculated based on the initial price of the land and building plus an uplift based on the expenditure incurred on the building refurbishment up to 31st March 2020.

Trafford Bruntwood (Stretford Mall) LLP
The Council owns a 50% equity shareholding in Trafford Bruntwood (Stretford Mall) LLP which was set up to purchase the Stretford Mall. This LLP holding is key in the Council's regeneration masterplan for the town of Stretford due to the Mall's importance and prime location. Plans and consultations are currently being worked on to determine the best course of action for the asset, in line with the Stretford Masterplan. The shares in this company are not traded in an active market and for the financial year 2019/20 the fair value of the shares are £8.82m. The fair value of these shares has been calculated based on the initial price of the land and buildings.

Trafford Bruntwood (Stamford Quarter) LLP
The Council owns a 50% equity shareholding in Trafford Bruntwood (Stamford Quarter) LLP which was set up to purchase the Stamford Quarter and Clarendon House in Altrincham. The Council deems these assets important for the continued regeneration of Altrincham Town Centre. The shares in this company are not traded in an active market and for the financial year 2019/20 the fair value of the shares are £16.69m. The fair value of these shares has been calculated based on the initial price of the land and buildings.

Transfers between Levels of the Fair Value Hierarchy
There were no transfers between input levels 1 and 2 during the year.

Changes in the Valuation Technique
There has been no change in the valuation technique used during the year for the financial instruments.

Fair value of Assets and Liabilities carried at Amortised Cost

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

- For loans from the PWLB and other loans payable, premature repayment rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures as these are considered the most appropriate basis. As the Debt Management Office provides a transparent approach allowing the exit cost to be calculated without undertaking a repayment or transfer it is appropriate to disclose the exit price.
- For investments the prevailing benchmark market rates have been used to provide the fair value;
- No early repayment or impairment is recognised;
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the principal outstanding or the billed amount;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount;

- Valuation for Financial Instruments - As at 31st March 2020 the Council held £96.023m financial assets and £379.2m financial liabilities for which Level 2 valuations will apply. All the financial assets are classed as Loans and Receivables and held with Term Deposits, Money Market Funds and Notice Accounts. The financial liabilities are held with PWLB and Market lenders. All of these investments and borrowings were not quoted on an active market and a Level 1 valuation is not available. To provide a fair value which provides a comparison to the carrying amount, the financial model valuation provided by Link Asset Services has been used. This valuation applies the Net Present Value approach, which provides an estimate of the value of payments in the future in todays terms as at the balance sheet date. This is a widely accepted valuation technique commonly used by the private sector. The Council's accounting policy uses early repayment rates to discount the future cash flows.

The fair values calculated are as follows:

Liabilities							
	31 March 2019		**31 March 2020**				
	Carrying Amount £000	**Fair Value £000**	**Principal £000**	**Add EIR adjustment £000**	**Add accrued Interest £000**	**Carrying Amount £000**	**Fair Value £000**
Financial Liabilities (Long and Short Term) – Measured at amortised cost							
PWLB	182,267	248,078	322,063	0	1,663	323,726	499,154
Market	40,709	66,044	55,197	816	264	56,277	87,198
Trade creditors (included within short term creditors)	4,485	4,485	10,060	0	0	10,060	10,060
Sub total	**227,461**	**318,607**	**387,320**	**816**	**1,927**	**390,063**	**596,412**
PFI & finance lease	5,319	7,061	5,066	0	0	5,066	6,853
Sub total	**5,319**	**7,061**	**5,066**	**0**	**0**	**5,066**	**6,853**
Total	**232,780**	**325,668**	**392,385**	**816**	**1,927**	**395,128**	**603,265**

Assets						
	31 March 2019		31 March 2020			
	Carrying Amount £000	Fair Value £000	Principal £000	Add accrued Interest £000	Carrying Amount £000	Fair Value £000
Loans & Receivables						
Cash & Cash equivalents						
- Cash at bank	10,655	10,655	12,247	0	12,247	12,247
- Deposits	22,294	22,294	32,751	26	32,777	32,777
Sub total	**32,949**	**32,949**	**44,998**	**26**	**45,024**	**45,024**
Financial Instruments						
Deposits over 1 year	0	0	0	0	0	0
Deposits under 1 year	50,715	50,715	50,396	237	50,633	50,633
CCLA Property Fund	5,104	5,104	4,862	61	4,923	4,923
MAG Loans (included within Long term debtors)*	19,971	64,048	19,971	1,085	21,056	61,289
Homestep Loans (included within Long term debtors)	827	827	685	0	685	685
Capital Loans(included within Long term debtors	9,103	9,103	139,001	0	139,001	139,001
Treasury Asset Investment (included within Long term debtors	0	0	17,600	0	17,600	17,600
Trafford Leisure CIC	0	0	300	0	300	300
Trade Debtors (included within Short term debtors)	6,237	6,237	7,339	0	7,339	7,339
Sub total	**91,957**	**136,034**	**240,154**	**1,383**	**241,537**	**281,770**
Other Financial Instruments						

Assets						
	31 March 2019		31 March 2020			
	Carrying Amount £000	Fair Value £000	Principal £000	Add accrued Interest £000	Carrying Amount £000	Fair Value £000
MAG Shareholding	52,700	52,700	30,200	0	30,200	30,200
MAG Shareholding Car Park	-	-	1,870	0	1,870	**1,870**
Sub total	**52,700**	**52,700**	**32,070**	**0**	**32,070**	**32,070**
Total	**177,606**	**221,683**	**317,222**	**1,409**	**318,631**	**358,864**

* The fair value for the MAG loan in 2018/19 was included at the same value as carrying amount. This has now been adjusted to reflect the fair value as described below.

The fair value is greater than the carrying amount because the Council's portfolio of liabilities and assets includes a number of fixed rate instruments where the interest rate payable and receivable are higher than the rates available for similar transactions in the market at the balance sheet date. This shows a notional future loss (based on economic conditions at 31 March 2020) arising from a commitment to pay interest to lenders above current market rates.

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

However, the authority has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets. A supplementary measure of the additional interest that the authority will pay as a result of its liabilities commitments for fixed rate loans is to compare the terms of these loans with the new borrowing rates available from the PWLB. If a value is calculated on this basis, the principal amount for PWLB loans of £322.0m and Market loans of £55.2m would be valued at £323.4m and £68.2m respectively. But, if the authority were to seek to avoid the projected loss by repaying the loans, a charge for early redemption in respect of the interest that will not now be paid will be incurred. The exit price including principal, accrued interest and the penalty charge for PWLB loans would be £499.2m and for Market loans £87.2m.

The Council's shareholding in the Churches Commission Local Authority Property fund of £4.86m are tradeable in an active market and the fair value of £4.86m has been based on the funds valuation as at 31 March 2020.

The Council's shareholding in Manchester Airport Group are not traded in an active market and fair value of £30.2m has been made on an analysis of the assets and liabilities in the Company's latest audited accounts by an independent accountancy firm BDO. The shareholdings for the Car Park was advanced in March 2020 and therefore has been recognised at cost.

19. Inventories (Balance Sheet page 23)

The Council held the following inventories at 31 March 2019 and 2020. All are related to consumable stores.

Consumable Stores		
	31.3.19 £000	**31.3.20 £000**
Balance outstanding at start of year	**83**	**74**
Purchases *	2,676	2,739
Recognised as an expense in the year *	(2,685)	(2,448)
Written off balances	-	-
Balance outstanding at year-end	**74**	**365**

* Due to the COVID-19 pandemic it was not possible to perform a full and accurate stock take for Libraries and Sale Waterside Arts Centre. Estimates based on 18/19 figures were therefore used.

20. 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.

21. Debtors (Balance Sheet page 23)

Long Term Debtors & Prepayments

31.3.19 £000		**31.3.20 £000**
657	Her Majesty's Prison & Probation Service (previously Probation Service) (i)	591
19,970	Manchester Airport Plc. (ii)	21,057
596	Sale PFI – lifecycle replacement (iii)	284
827	Homestep Loans (iv)	685
9,103	Capital Loans (v)	113,877
0	Town Centre Loans (vi)	52
0	Leisure Trust Loan (vii)	300
31,153	**Total**	**136,846**

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

(ii) The Council together with the other nine Greater Manchester authorities is a shareholder in Manchester Airport plc. During 2009/10, in exchange for a greater level of coupon rate receivable, all ten councils agreed to restructure the long term loans that had previously been made to the Airport to finance capital expenditure. As a result of this, these loans which were previously classed as secure loans have become unsecured loans. The revised loan agreement is due to expire in 2055. In 2019/20 the sum of £1.8m being the first of three further advances totalling £5.6m was made by each of the Greater Manchester authorities to the Airport.

(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) 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.

(v) Capital loans – this includes the developer loans to Bruntwood Development Holdings LTD of £10.64m to assist in partly financing the redevelopment of the K site and a further £25.5m associated with the strategic investments relating to Streford Arndale and Stamford Quarter. There are a further two developer loans associated with our strategic investment programme totalling £77.62m for the CIS building and Albert Estate.

(vi) Town Centre Loans – The Council offers an interest-free loan scheme for businesses that want to occupy ground floor, vacant premises in Altrincham, Sale, Urmston or Stretford town centres to part-fund works, overheads and marketing costs that are needed to bring a vacant unit back into use. The loans are advanced in two instalments and the first instalment is made within Long Term Debtors and Prepayments. Once the second instalment is made, the debt is transferred into our debtor collection system and appears in Short Term Debtors.

(vii) Trafford Leisure Community Interest Company Loans – The Council has agreed a loan agreement with Trafford Leisure CIC to provide finance to mitigate liquidity issues experienced by the CIC due to trade deficits during the redevelopment of the leisure centre estate. To date a total of £0.3m has been advanced under this agreement.

Short Term Debtors and Payments in Advance		
31st March 2019 £000	**Amounts falling due within one year**	**31st March 2020 £000**
6,950	Council Tax	7,073
9,668	Business Rates	12,085
8,305	Other Government Departments	5,359
2,751	Payments in advance	7,406
0	Capital loans (i)	42,723
28,380	Other (ii)	30,685
56,054	**Sub Total**	**105,331**
(23,739)	Less Provision for Bad and Doubtful Debts	(25,114)
32,315	**Total**	**80,217**

(i) Capital Loans – the 2019/20 balance reflects the Developer Loan and deferred interest given for The Crescent Salford which is scheduled to be repaid in 2020/21.

(ii) Other Debtors – Includes Debtors relating to Housing Benefit Overpayment £4.9m, Adults Social Care Debtors £3.7m, General System Debtors £6.2m and Manual Accruals £11.1m, Capital Debtors and Section 106 of £3.7m. The following significant balances are

included within Manual Accruals, Trafford's share of Business Rates Growth Pilot of £2.15m, £3.2m relating to Waste Levy refund and £1.8m of accrued interest and rental income from strategic investments.

Short-term debtors are also analysed by the party to which they relate,

Short Term Debtors and Payments in Advance by Party		
31st March 2019 £000		**31st March 2020 £000**
2,844	Central Government Bodies	4,401
6,784	Other Local Authorities	5,351
5,461	National Health Service Bodies	957
17,226	Bodies External to General Government	69,508
32,315	**Total**	**80,217**

22. Cash and Cash Equivalents (Balance Sheet page Error! Bookmark not defined.)

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

31st March 2019 £000		**31st March 2020 £000**
10,656	Cash held by the Council/Bank current accounts	12,247
22,294	Short-term deposits	32,776
32,950	**Total Cash and Cash Equivalents**	**45,022**

23. Assets Held for Sale (Balance Sheet page 23)

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

	Current assets	
	2018/19 £000	**2019/20 £000**
Balance at start of year	**5,713**	**7,534**
Assets newly classified as held for sale:		
Property, Plant and Equipment	2,018	645
Intangible Assets		
Other assets/liabilities in disposal group		
Revaluation losses		
Revaluation gains	866	0
Impairment losses		
Assets held as declassified for sale:		
Property, Plant and Equipment		
Intangible Assets		
Other assets/liabilities in disposal group		
Assets sold	(1,063)	(1,061)
Transfers from Assets Held for Sale to Surplus Assets (i)	0	(4,168)
(Other movements)		
Balance at year-end	**7,534**	**2,950**

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 14) has been reviewed by the Council's valuers and reclassified where necessary to this category.

(i) Relates to property no longer included in the land sales programme

24. Creditors and Receipts in Advance (Balance Sheet page 23)

Long Term Creditors

Long-Term Liabilities – Deferred		
31 March 2019 £000		**31 March 2020 £000**
(5,067)	Sale PFI – Finance Lease liability (i)	(4,798)
(1,795)	Sale PFI liability (ii)	(1,045)
(607)	Environmental Surcharge Crematoria (iii)	(693)
(296)	Greater Manchester Debt Administration Fund – MIA (iv)	(153)
(79)	Trafford Park Development Corporation (v)	(72)
(1,313)	Commuted sums/S106 agreements (vi)	(1,313)
(9,157)	**Total**	**(8,074)**

(i) This relates to the lease liability on the Sale Waterside PFI scheme (note 45).

(ii) Sale PFI liability – amount set aside to cover the final bullet payments due at the end of the PFI contract (note 45). The reduction in year reflects a renegotiation with the PFI providers during the year

(iii) Since 2007 the Council has included an Environmental Surcharge within its Crematoria fees associated with works required to comply with statutory mercury abatement guidance issued by DEFRA at that time. The sum is either spent on essential environmental works in-year or carried forward as a liability to fund works in future years as required.

(iv) This is the deferred long term liability relating to Manchester Airport debt (see note 51(b)).

(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 £0.072m as at 31 March 2020.

(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	
31st March 2019 £000		**31st March 2020 £000**
(3,070)	HM Revenue and Customs	(6,340)
(5,650)	Other Government Departments (i)	(17,594)
(26,111)	Sundry Creditors	(29,312)
(3,787)	Employees – accumulated absences	(4,018)
(4,039)	Receipts in Advance – Council Tax	(3,014)
(10,107)	Receipts in Advance – NDR	(4,844)
(2,061)	Other Receipts in Advance	(2,905)
(54,825)	**Total**	**(68,027)**

(i) Includes £10.83m relating to 2020/21 Section 31 Business Rate Compensation Grant in 2019/20 to ease cash flow issues relating to COVID-19

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

	Short Term Creditors by Party	
31st March 2019 £000		**31st March 2020 £000**
(3,863)	Central Government Bodies	(18,662)
(7,049)	Other Local Authorities	(5,769)
(256)	National Health Service Bodies	(735)
-	Public Corporations and Trading Funds	0
(43,657)	Bodies External to General Government	(42,861)
(54,825)	**Total**	**(68,027)**

25. Provisions (Balance Sheet page 23)

The Council has the following total provisions at 31 March 2020:

Total Provision	Balance 1 April 2018 £000	Net Movement in Year £000	Balance 1 April 2019 £000	Net Movement in Year £000	Balance 31 March 2020 £000
Insurance (i)	(2,958)	(72)	(3,030)	(134)	(3,164)
Equal Pay (ii)	(225)	3	(222)	2	(220)
VAT on DFG Admin fees (iii)	(120)	(54)	(174)	(58)	(232)
Employment Rationalisation (iv)	(9)	6	(3)	3	-
MMI Clawback (v)	(92)		(92)	0	(92)
NDR Appeals (vi)	(38,959)	179	(38,780)	428	(38,352)
Land charges litigation costs (vii)	(34)		(34)	0	(34)
Ordinary Residence Cases (viii)	-	(206)	(206)	(29)	(235)
Section 117 Aftercare (ix)	-	-	-	(1,497)	(1,497)
Schools with deficit cash balances (x)	(196)	154	(42)	(51)	(93)
Planning Inquiry (xi)		(123)	(123)	20	(103)
Total	**(42,593)**	**(113)**	**(42,706)**	**(1,316)**	**(44,022)**

(i) Insurance £3.164m – 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 2019/20 was primarily Zurich Municipal. The Council is therefore obliged to make a provision each year in respect of potential claims, most of which are received in future years. The level of provision is assessed annually. In 2019/20, from a starting balance of £3.030m net contributions of £0.537m were made to the provision, £0.403m of claims were paid, leaving a balance on the provision of £3.164m which is deemed an appropriate balance to cover any outstanding liabilities. This balance includes the outstanding claims estimate under Municipal Mutual Insurance Scheme of Arrangement, as shown in note 51(a).

(ii) Liabilities arising from claims under Equal Pay legislation from employees who may have been disadvantaged under the Council's previous pay scheme operating up to 31 December 2008 have been estimated at £0.220m. The movements in year of £0.002m are in respect of 7 settled claims. The Council is actively engaged in trying to settle the final claims in the next period.

(iii) VAT on DFG Admin fees of £0.232m. These monies are held pending the outcome of a Tax Tribunal case.

(iv) Employment Rationalisation – the Council has severance agreements with a number of staff which may or may not be taken up pending the rationalisation of employment within the Council. The estimated cost of these agreements is £Nil (£0.003m in 2018/19).

(v) The MMI clawback is a note highlighting that the scheme of delegation was triggered back in 2012/13, resulting in us paying 25% of past and future claim payments. There is also a possibility this amount could increase if the insufficient assets still cannot meet liabilities. As it stands this is not the case so we have no financial obligations currently outstanding.

(vi) In 2013/14, the administration of NDR changed following the introduction of a business rates retention scheme which aims to give Councils a greater incentive to grow businesses but also increases the financial risk due to volatility, caused by for example new appeals and changes in reliefs, and non-collection of rates. Authorities are expected to finance an element of appeals made in respect of rateable values as defined by VOA as at 31 March 2020. As such, authorities are required to make a provision for these amounts. Appeals are charged and provided for in proportion of the precepting shares. The total provision charged/(credited) to the collection fund for 2019/20 has been calculated at £(0.432)m, of which Trafford's share at 99% is £(0.428)m.

(vii) Land charges litigation costs - Local Land Charges – a group of property search companies sought to claim refunds of fees paid to the Council for land charges data. This provision covers the anticipated costs set aside to settle these claims.

(viii) The Council is in discussion with a Local Authority regarding the Ordinary Residence of two clients, the council would be liable for payment of Care Packages should any ruling be in favour of the Claiming Local Authority. The provision covers the anticipated costs of reimbursement to the claimant for the period of care in question.

(ix) Section 117 Aftercare - legislation requires Councils and CCG's to fund the requirements of an individuals after-care under the Mental Health Act to build effective support and rehabilitation packages after a period of compulsory detention. Changes to Local Authority's responsibility for Section 117 clients has resulted in backdated costs being sought by other local authorities.

(x) Schools with deficit cash balances - are monies set aside to cover estimated deficits on schools in special measures transferring to academy status in 2019/20.

(xi) Planning Inquiry – in respect of the appeal referred to the Planning Inspectorate.

Movement in provisions at 31 March 2020 is summarised as follows:

	Outstanding Legal Cases £000	Injury and Damage Compensation Claims £000	Business Rates Appeals £000	Other Provisions £000	Total £000
Balance at 1 April 2019	**(519)**	**(3,362)**	**(38,780)**	**(45)**	**(42,706)**
Additional provisions made	2	(537)	428	(1,494)	(1,601)
Amounts used	(38)	376	0	(53)	285
Balance as at 31 March 2020	**(555)**	**(3,523)**	**(38,352)**	**(1,592)**	**(44,022)**

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 2019 £000	Provisions	Balance 31 March 2020 £000
(712)	Insurance	(376)
(222)	Equal Pay	(220)
(3)	Employee Rationalisation	0
(92)	MMI Clawback	(92)
(29,085)	NDR Appeals	(28,764)
(34)	Land charges litigation costs	(34)
(206)	Ordinary Residence Cases	(235)
(42)	Schools with deficit cash balances	(93)
(30,396)	**Total Short Term**	**(29,814)**
(2,318)	Insurance	(2,788)
(9,695)	NDR Appeals	(9,588)
(174)	VAT on DFG Admin fees	(232)
0	Section 117 aftercare	(1,497)
(123)	Planning Inquiry	(103)
(12,310)	**Total Long Term**	**(14,208)**
(42,706)	**Total**	**(44,022)**

26. Usable Reserves (Balance Sheet page 23)

Movement in the Council's usable reserves are detailed in the Movement in Reserves Statement and in note 9. 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 net surplus revenue balances at 31 March 2020 were £(7.956)m (£(8.217)m at 31 March 2019).

At 31 March 2020 there were 5 schools with a deficit balance on their revenue reserves, amounting to £0.631m, whilst 57 schools had surplus balances amounting to £(8.587)m.

In addition, there are unspent devolved formula capital balances of £(0.817)m, which are included within Capital Grants and Contributions on the balance sheet (note 41).

(ii) Capital Receipts Reserve

The balance is held in the Capital Receipts Reserve to meet new capital expenditure, debts or other liabilities.

2019 £000	Capital Receipts Reserve	2020 £000
(6,603)	**Balance carried forward at 1 April**	**(703)**
(5,220)	Capital receipts in the year from sale of assets(net of disposal costs)	(1,867)
(11,823)	**Sub-total**	**(2,570)**
6,120	Amount used to finance capital expenditure in year	2,015
5,000	Amount used to repay debt	252
(703)	**Balance carried forward at 31 March**	**(303)**

27. Unusable Reserves (Balance Sheet page 23)

Total unusable reserves balances and movements are shown in the Movement in Reserves Statement and in note 9. The following notes give an explanation by individual reserve.

31 March 2019 £000	Unusable Reserves	31 March 2020 £000
(67,878)	Revaluation Reserve (i)	(95,173)
(42,528)	Financial Instruments Revaluation Reserve (ii)	(19,848)
(329,357)	Capital Adjustment Account (iii)	(317,792)
16,164	Financial Instruments Adjustment Account (iv)	15,609
287,765	Pensions Reserve (v)	257,036
(1,941)	Collection Fund Adjustment Account (vi)	(124)
3,787	Accumulated Absences Account (vii)	4,018
(133,988)	**Total Unusable Reserves**	**(156,274)**

(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

2018/19 £000	Revaluation Reserve	2019/20 £000
(55,427)	**Balance as at 1 April**	**(67,878)**
6,940	Adjustment for prior years accumulated impairment *	
(48,487)	**Sub-Total**	**(67,878)**
(25,220)	Upward revaluation of assets	(35,010)
712	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	
(72,995)		**(102,888)**
-	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	-
3,224	Difference between fair value depreciation and historical cost depreciation	5,472
1,893	Accumulated gains on assets sold or scrapped	2,243
5,117	**Amount written off to the Capital Adjustment Account**	**7,715**
(67,878)	**Balance as at 31 March**	**(95,173)**

* This relates to revaluation gains which had not been offset against previous impairments between 2014 and 2017

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.

Financial Instruments Revaluation Reserve

The financial Instruments Revaluation 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 2019/20 the Council revalued its shareholding in Manchester Airport which resulted in a decrease in value from £52.7m to £30.2m and the original investment of £10.214m forms part of the Capital Adjustment Account balance.

The Council during 2015/16 invested £5m in the Church Commissioners Local Authority Property fund and this enabled 1,643,872 units to be purchased. The value of these units decreased from an opening position of £5.04m at 1 April 2019 to close at £4.86m at 31 March 2020 and it is expected that this investment will be in place for a minimum period of 5 years.

2018/19 £000	Financial Instruments Revaluation Reserve	2019/20 £000
-	**Balance as at 1 April**	**(42,528)**
(41,651)	Transferred from Financial Instruments Revaluation Reserve	0
(800)	Downward / (Upward) revaluation of investment - Airport	22,500
(77)	Downward / (Upward) revaluation of investment - CCLA	180
(42,528)	**Balance as at 31 March**	**(19,848)**

(ii) 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.

2018/19 £000	Capital Adjustment Account	2019/20 £000
(313,474)	**Balance as at 1 April**	**(329,357)**
(6,940)	**Adjustment for prior years accumulated impairment**	
(320,414)	**Sub-Total**	**(329,357)**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
15,255	- Charges for depreciation and impairment of non-current assets	17,551
2,038	- Revaluation losses on Property, Plant and Equipment	15,984
532	- Amortisation of intangible assets	428
939	- Revenue expenditure funded from capital under statute	1,767
9,387	- 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	5,320
28,151		**41,050**
(5,117)	Adjusting amounts written out of the Revaluation Reserve	(7,715)
23,034	**Net written out amount of the cost of non-current assets consumed in the year**	**33,335**
	Capital financing applied in the year:	
(6,120)	- Use of the Capital Receipts Reserve to finance new capital expenditure	(2,015)
(13,828)	- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(9,227)
(3,212)	- Statutory provision for the financing of capital investment charged against the General Fund Balance	(4,258)
(10,186)	- Capital expenditure charged against the General Fund Balance	(3,138)
(33,346)		**(18,638)**
1,369	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(3,131)
(329,357)	**Balance as at 31 March**	**(317,792)**

(iii) Financial Instruments Adjustment Account

The financial instruments adjustment account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. Trafford uses the account to manage premiums paid on the early redemption of loans. Premiums are debited to the comprehensive income and expenditure statement when they are incurred, but reversed out of the general fund balance to the account in the movement in reserves statement. Over time, the expense is posted back to the general fund balance in accordance with statutory arrangements for spreading the burden on council tax. In the authority's case, this period is the unexpired term that was outstanding on the loans when they were redeemed. As a result, the balance on the account at 31 March 2020 will be charged to the general fund over the next 23 years.

2018/19 £000	Financial Instruments Adjustment Account	2019/20 £000
4,864	**Balance as at 1 April**	**16,164**
11,672	Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	0
-	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with Statutory requirements	0
(372)	Less annual charge for premiums incurred in previous financial years and stepped loan EIR adjustment	(555)
-	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
16,164	**Balance at 31 March**	**15,609**

The above table details the transactions generated in accordance with the Code and includes outstanding premium incurred from debt restructuring exercises undertaken previously and premium incurred in 2018/19 totalling £11.7m. The replacement loans do not meet the following criteria;

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

In addition to this, the equalisation of interest on the two stepped interest rate market loans calculated over their full life was transferred into this account with the annual recharge to the Comprehensive Income & Expenditure Statement changing from that actually incurred to one calculated on an Effective Interest Rate basis. The balance on the account at 31 March 2020 will be charged to the General Fund in accordance with statutory arrangements over the next 23 years.

(iv) Pensions Reserve/Liability

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.

Any difference between the IAS19 values and the statutory pension fund contributions is accounted for in the Movement in Reserves Statement via a transfer to the Pensions Reserve. 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.

2018/19 £000	Pensions Reserve	2019/20 £000
(229,512)	**Balance as at 1 April**	**(287,765)**
(41,051)	Re-measurements of the net defined benefit (liability)/asset	55,751
(33,162)	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	(41,417)
15,960	Employer's pension contributions and direct payments to pensioners payable in the year	16,395
(287,765)	**Balance as at 31 March ***	**(257,036)**

* For 2018/19 the balance on Pension Reserve is £287.765m, the balance on the Pension Liability is £275.655m and includes £12.11m relating to the Advance Pension Contribution.

Prior to the advance pension payment, the Pension Reserve and Pension Liability have reflected the equal and opposite movements in the year and the year end balances have therefore been equal and opposite. However as a result of the accounting treatment of the Advanced Pension payment this has meant that the pension reserve does not equal the pension liability. This is a natural consequence of three year's payment being made and accounted for as a reduction of the Pension Liability but only one year being charged to the general fund. In 2018/19, the difference in the Pension Liability and Pension Reserve is represented by a figure of £12.11m relating to the balance of the three year advanced pension contribution yet to be utilised. In 2019/20, the last year of the advance payment, the pension liability and pension reserve have now been equalised.

(v) Collection Fund Adjustment Account

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

2018/19 £000	Collection Fund Adjustment Account	2019/20 £000
7,604	**Balance as at 1 April**	**(1,941)**
24	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	884
(9,569)	Amount by which non domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from non-domestic rates income calculated for the year in accordance with statutory requirements	933
(1,941)	**Balance as at 31 March**	**(124)**

(vi) 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.

2018/19 £000	Accumulated Absences Account	2019/20 £000
3,635	**Balance as at 1 April**	**3,787**
(3,635)	Settlement or cancellation of accrual made at the end of the preceding year	(3,787)
3,787	Amounts accrued at the end of the current year	4,018
152	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	231
3,787	**Balance as at 31 March**	**4,018**

28. Cash Flow Statement – Operating Activities (page 27)

The cash flow from Operating Activities includes the following:

28a - Adjustments to net surplus or deficit on the provision of services for non-cash movements		
2018/19 £000		**2019/20 £000**
(17,293)	Depreciation/Impairment charged to I and E	(33,536)
(532)	Amortisation of Intangible Assets	(428)
(85)	(Increase)/Decrease in Creditors	(16,684)
(6,056)	Increase/(Decrease) in Debtors	47,993
(9)	Increase/(Decrease) in Inventories	290
(17,202)	Pensions Liability	(25,022)
-	Advance Pension Payment	-
(113)	Contributions to/(from) Provisions	(1,316)
-	Revaluation Losses	-
(9,387)	Carrying value on disposal of Property, Plant and Equipment, Investment Property and Intangible Assets	(5,320)
(1,369)	Investment Properties Losses (Gains)	3,131
1,522	Other non-cash adjustments	14
(50,524)		**(30,877)**

28b - Adjustments for items included in the net surplus or deficit on the provision of services that are investing or financing activities		
2018/19 £000		**2019/20 £000**
0	Proceeds from short-term and long-term investments	174
15,276	Capital Grants credited to the surplus or deficit on the provisions of services	19,817
5,456	Proceeds from the sale of non-current assets	1,867
20,732		**21,858**

28c - The cash flows for operating activities include the following items:		
2018/19 £000		**2019/20 £000**
(2,760)	Interest received	(3,525)
6,772	Interest paid	4,842
(5,635)	Dividends received	(6,429)

28d - The cash flows relating to the Advanced Pension Contribution		
2018/19 £000		**2019/20 £000**
24,192	Pension Advance Payment covering 3 years (17/18, 18,19 and 19/20)	0
(12,111)	1/3 Drawn down	12,110
12,081		**12,110**

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

The cash flows for investing activities include the following items:

2018/19 £000		2019/20 £000
68,311	Purchase of property, plant and equipment, investment property and intangible assets	30,471
22,013	Purchase / (proceeds) of short-term and long-term investments	28,999
16,236	Other payments for investing activities	105,692
(5,456)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(1,866)
(13,555)	Other receipts from investing activities – Capital Grants Received	(23,845)
87,549	**Net cash flows from investing activities**	**139,450**

30. Cash Flow Statement – Financing Activities (page 27)

The cash flows for financing activities include the following items:

2018/19 £000		2019/20 £000
(80,400)	Cash receipts of short and long-term borrowing	(204,900)
-	Other receipts from financing activities	-
237	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	251
24,179	Repayments of short and long-term borrowing	48,293
603	Other payments for financing activities – Net Cash inflow from NDR Agency arrangements	(1,006)
(55,381)	**Net cash flows from investing activities**	**(157,362)**

31. Reconciliation of Liabilities arising from financing activities

			Non-cash Changes		
	BALANCE AT 1ST APRIL 2019	Financing Cash Flows	Acquisition	Other non-cash changes	BALANCE AT 31ST MARCH 2020
	£000s	£000s	£000s	£000s	£000s
Long Term Borrowing	216,690	127,890			344,580
Short term borrowing	6,285	29,138			35,423
Deferred Liabilities:					
Sale PFI – Finance Lease liability	(5,067)	269			(4,798)
Sale PFI liability	(1,795)	750			(1,045)
Environmental Surcharge Crematoria	(607)	(86)			(693)
Greater Manchester Debt Administration Fund – MIA	(296)	143			(153)
Trafford Park Development Corporation	(79)	7			(72)
Commuted sums/S106 agreements	(1,313)	0			(1,313)
Total liabilities from financing activities	**213,818**	**158,111**	**0**	**0**	**371,929**

32. Acquired and Discontinued Operations

None to report.

33. Trading Operations (See also note 12)

		2017/18 £000	2018/19 £000	2019/20 £000
Building Cleaning	Turnover	(2,145)	(2,106)	(2,260)
	Expenditure	2,149	2,171	2,272
	(Surplus)/Deficit	**4**	**65**	**12**
Cumulative (Surplus)/Deficit over last three financial years was £81k				
Education Catering	Turnover	(7,575)	(7,869)	(7,823)
	Expenditure	7,602	7,847	8,070
	(Surplus)/Deficit	**27**	**(22)**	**247**
Cumulative (Surplus)/Deficit over last three financial years was £252k				
Net (surplus)/deficit on trading operations		**31**	**43**	**259**

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 12):

	2018/19 £000	2019/20 £000
Net (surplus)/deficit on trading operations	**43**	**259**
Services to the public included in Expenditure of Continuing Operations	-	-
Support services recharged to Expenditure of Continuing Operations	-	-
Net (surplus)/deficit credited to Other Operating Expenditure	**43**	**259**

34. Agency Services

Council Tax and NDR

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

- Council tax – the billing authority acts as the agent of its major preceptors when collecting council tax on their behalf. In Trafford, the two major preceptors are the GMCA Mayoral Police and Crime Commissioner and the Mayoral General Precept (including Fire Services). No fee is chargeable for this service;

- Non-Domestic Rates (NDR) – the billing authority acts as agent for Central Government and Greater Manchester Fire and Rescue Authority in collecting NDR. The Government paid Trafford an allowance for the cost of this collection in 2019/20 of £0.430m (£0.444m in 2018/19).

Greater Manchester Combined Authority

The Council is acting as the lead authority on behalf of the Greater Manchester Combined Authority providing the Working Well Expansion Programme. The full costs of this are met from grants received from the Mental Health Trailblazer and the Transformation Challenge Award, and performance related funding from the Department of Work and Pensions and the European Social Fund. The Council charges a management fee of £0.011m per annum, starting in the 2016/17 financial year. This income and expenditure does not form part of the Council's Income and Expenditure Account, however any funds not spent or any accumulated deficit are carried forward and included within the Council's balance sheet under short term liabilities or short term debtors to be repaid to/from GMCA when the agency arrangements finish. Details of the Income and Expenditure are shown below:

	2018/19 £000	2019/20 £000
Expenditure Incurred on Working Well and Talking Therapies	3,054	1,065
Total Expenditure	**3,054**	**1,065**
Income Received from grants	(1,100)	(4,645)
Net (Surplus)/Deficit for the year	**1,954**	(3,579)
Balance b/fwd	**1,589**	**3,543**
Balance c/fwd	**3,543**	**(36)**

The Council has not acted in an agency capacity for any other external bodies in the 2019/2020 financial year.

35. *Road Charging Schemes*

The Council does not operate any such schemes.

36. Pooled Budgets

Learning Disability Pooled Budget

Trafford has operated a pooled fund for Learning Disability Services in conjunction with Trafford Clinical Commissioning Group (CCG) (previously Trafford Primary Care Trust (PCT)) since 1 April 2003. Trafford MBC acts as the lead accounting officer for the pooled fund, which is managed jointly by the Council and the CCG to support joint working arrangements. 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 2019/20 budget was £26.333m, which after grant income and fees of £2.304m left net planned expenditure of £24.029m to be funded jointly by the Council and the CCG. The net budget was overspent by £1.237m in year and is included in the Adults Services outturn figure.

As the Council acts as the lead role in making the key decisions regarding commissioning and service delivery, with minimal operational input from the CCG, the Council's accounts reflect the total pool expenditure with the contribution from Trafford CCG shown as income.

	2018/19 £000	2019/20 £000
Funding provided to the pooled budgets:		
the Council	(21,177)	(22,008)
Trafford CCG	(2,021)	(2,021)
Total funding	**(23,198)**	**(24,029)**
Expenditure met from the pooled budget:	22,358	25,266
Net (surplus)/deficit arising on the pooled budget during the year	**(840)**	**1,237**
Contribution (to)/from Service Outturn	840	(1,237)
Previous year's (surplus)/deficit carried forward	-	-
Contribution to Reserve	-	-
Balance to be carried forward	**-**	**-**

Better Care Pooled Fund Account

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

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

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

Financial performance in the year to 31st March 2020 was as follows:

	2018/19 £000	2019/20 £000
Total Allocation	**(22,683)**	**(25,856)**
Funding provided to the pooled budgets:		
Trafford Council	(7,743)	(10,159)
Trafford CCG	(14,940)	(15,697)
Total Funding	**(22,683)**	**(25,856)**
Expenditure met from the pooled budget:		
Trafford Council	13,495	16,203
Trafford CCG	9,188	9,653
Total Expenditure	**22,683**	**25,856**
Net (surplus)/deficit arising on the pooled budget during the year	**-**	**-**

37. Members' Allowances

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

	2018/19 £000	2019/20 £000
Basic Allowances	412	418
Special Responsibility Allowances	305	304
Expenses	2	1
Total	**719**	**723**

The Council consists of 63 elected Members (Councillors) and 11 co-opted/independent Members to whom £0.723m was paid in allowances in the year (£0.719m in 2018/19).

38. Officers' Remuneration

The number of employees whose remuneration, excluding employer's pension contributions, was £50,000 or more in bands of £5,000 in 2018/19 and 2019/20 was:

2018/19		Remuneration Band	2019/20	
Schools Staff	Other Staff		Schools Staff	Other Staff
-	-	£165,000 - £169,999	-	1
-	-	£160,000 - £164,999	-	-
-	1 (1)	£155,000 - £159,999	-	-
-	-	£150,000 - £154,999	-	-
-	-	£145,000 - £149,999	-	-
-	-	£140,000 - £144,999	-	-
-	-	£135,000 - £139,999	-	-
-	-	£130,000 - £134,999	-	-
-	-	£125,000 - £129,999	-	-
-	-	£120,000 - £124,999	-	-
-	1	£115,000 - £119,999	-	4
-	1	£110,000 - £114,999	-	1
-	1	£105,000 - £109,999	-	-
1	-	£100,000 - £104,999	-	-
-	5 (2)	£95,000 - £99,999	-	1
1	-	£90,000 - £94,999	1	2
-	2	£85,000 - £89,999	1	3
1	1	£80,000 - £84,999	3	2
4	2	£75,000 - £79,999	4	1
5	1	£70,000 - £74,999	7	6
11	8	£65,000 - £69,999	10	11 (1)
10	8 (1)	£60,000 - £64,999	11	7
12	15 (1)	£55,000 - £59,999	15 (1)	12
25	18 (1)	£50,000 - £54,999	25	17
70	**64 (6)**	**Total**	**77**	**68**

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

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

The 2018/19 figures have been adjusted to include the costs to the employeeof purchasing voluntary leave.

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

38. Officers' Remuneration (Continued)

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

(a) R&ER package cost band (including special payments)	(b) Number of compulsory redundancies		(c) Number of other departures agreed		(d) Total number of R&ER packages by cost band [(b) + (c)]		(e) Total cost of R&ER packages in each band £		(f) Number of pension strain costs agreed		(g) Total cost of pension strain in each band £	
	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20
£0 - £20,000	12	3	23	14	35	17	197,952	87,872	2	1	13,196	0
£20,001 - £40,000	0	0	4	0	4	0	133,045	0	5	0	121,293	0
£40,001 - £60,000	0	0	0	0	0	0	0	0	0	0	0	0
£60,001 - £80,000	0	0	0	0	0	0	0	0	0	0	0	0
£80,001 - £100,000	0	0	0	0	0	0	0	0	0	0	0	0
£100,001 - £120,000	0	0	0	0	0	0	0	0	0	0	0	0
£120,001 - £140,000	0	0	0	0	0	0	0	0	0	0	0	0
Total	**12**	**3**	**27**	**14**	**39**	**17**	**330,997**	**87,872**	**7**	**1**	**134,489**	**0**

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

Senior Officers Remuneration

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

(i) £150,000 per year or more; or

(ii) less than £150,000 but equal to or more than £50,000 per year and who meet at least one of the following criteria:

- statutory chief officers (per section 2(6) of the Local Government and Housing Act 1989 as amended), e.g. head of paid service, director of children's services, section 151 officer etc.
- a person who has responsibility for the management of the authority, to the extent that the person has power to plan, 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.

38. Officers' Remuneration (Continued)

Senior Officers Salary 2019/20 Postholder	Note	Salary. fees & allowances	Compen-sation for loss of office	Bonuses	Expense allowances	Benefits in kind (e.g. Car allowance)	Pension contributions	Total
		£	£	£	£	£	£	£
S Todd, Chief Executive	1	165,000	0	0	627	0	33,660	**199,287**
Corporate Director of Finance and Systems (Joint CFO and Section 151 Officer)	2	116,745	0	0	8	0	23,085	**139,838**
Corporate Director for Governance & Community Strategy (Monitoring Officer)	3	116,745	0	0	0	0	23,816	**140,561**
Interim Director of Public Health/Director of Public Health	4	93,715	0	0	0	0	18,558	**112,273**
Corporate Director of People	5	116,745	0	0	0	0	0	**116,745**
Acting Corporate Director of Children's Services	6	16,993	0	0	0	0	3,467	**20,460**
Interim Corporate Director of Children's Services	7	133,342	0	0	0	0	0	**133,342**
Corporate Director Children's Services	8	22,513	0	0	0	0	4,593	**27,106**
Acting Corporate Director Adult Services/Corporate Director Adults and Wellbeing	9	112,293	0	0	350	0	21,959	**134,602**
Corporate Director, Place	10	116,745	0	0	168	0	23,816	**140,729**
Corporate Director of Commissioning Trafford CCG and Trafford Council/Director of Integrated Health and Social Care Strategy (Jointly funded)	11	71,549	0	0	0	0	10,410	**81,959**

Notes:

(1) The Chief Executive was also paid Returning Officer fees of £5,040 for the 2 May 2019 Local election, £6,975 for the 12 December 2019 General election and £2,520 Deputy Returning Officer fees for the 23 May 2019 European election.

(2) The Joint Chief Finance Officer and Statutory S151 Officer post, titled Corporate Director of Finance and Systems includes an amount of 50% which has been recharged in relation to their element of employment on behalf of NHS Trafford CCG. They were also paid Deputy Returning Officer fees of £2,520 for the 2 May 2019 Local election, £2,520 for the 23 May 2019 European election and £1,744 for 12 December General election.

(3) The Corporate Director of Governance and Community Strategy was also paid £5,040 Returning Officer fees for the 23 May 2019 European election and Deputy Returning Officer fees of £2,520 for the 2 May 2019 Local election and £3,488 for the 12 December 2019 General election.

(4) The Interim Director of Public Health was appointed Director of Public Health on 15 November 2019. They were also paid supervision duty fees of £120 for the 2 May 2019 Local election, £240 for the 23 May 2019 European election and £200 for the 12 December 2019 General election.

(5) The Corporate Director of People was also paid Deputy Returning Officer fees of £2,520 for the 2 May 2019 Local election, £2,520 for the 23 May 2019 European election and £3,488 for the 12 December 2019 General election.

(6) The Acting Corporate Director of Children's Services returned to their substantive post as Director of Safeguarding and Professional Development on 1 June 2019. They were also paid £120 supervision duty fees for the 2 May 2019 Local election.

(7) The Interim Corporate Director of Children's Services was appointed on an Agency basis from 3 June 2019 and an amount of £133,342, excluding VAT, was paid accordingly. They left the Authority on 15 January 2020.

(8) The current Corporate Director Children's Services was appointed to the new re-designated post on 27 January 2020.

(9) The Acting Corporate Director of Adult Services was appointed to the new re-designated post of Corporate Director Adults and Wellbeing on 29 July 2019. They were also paid supervision duty fees of £240 for the 23 May 2019 European election and £200 for the 12 December 2019 General election.

(10) The Corporate Director, Place was also paid Deputy Returning Officer fees of £2,520 for the 23 May 2019 European election, £1,744 for 12 December General election and £120 supervision duty fees for the 2 May 2019 Local election.

(11) The jointly funded post of Corporate Director of Commissioning Trafford CCG and Trafford Council was disestablished on 17 June 2019 and 25% has been recharged in relation to their element of employment on behalf of Trafford Council. A new re-designated jointly funded post of Director of Integrated Health and Social Care Strategy was created and the previous Corporate Director of Commissioning Trafford CCG and Trafford Council successfully appointed on 18 June 2019 at 0.6 FTE. Under the terms of the new contract 50% of this new post has been recharged in relation to their element of employment on behalf of Trafford Council from 18 June 2019 to 31 March 2020.

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.

38. Officers' Remuneration (Continued)

Senior Officers Salary 2018/19 Postholder	Note	Salary. fees & allowances	Compen-sation for loss of office	Bonuses	Expense allowances	Benefits in kind (e.g. Car allowance)	Pension contributions	Total
		£	£	£	£	£	£	£
Chief Executive	1	126,395	30,000	0	569	0	7,085	**164,049**
Interim Chief Executive	2	75,799	0	0	0	0	0	**75,799**
Chief Executive	3	15,714	0	0	0	0	3,206	**18,920**
Chief Finance Officer/Corporate Director of Finance and Systems (Joint CFO and Section 151 Officer)	4	114,456	0	0	445	0	23,080	**137,981**
Director of Legal & Democratic Services/Corporate Director for Governance & Community Strategy (Monitoring Officer)	5	106,143	0	0	0	0	21,594	**127,737**
Interim Director of Public Health		89,230	0	0	0	0	17,352	**106,582**
Corporate Director (Transformation & Resources)	6	63,123	34,930	0	0	0	5,322	**103,375**
Corporate Director of People	7	77,307	0	0	358	0	0	**77,665**
Corporate Director (Children, Families & Wellbeing Services)	8	38,266	0	0	594	0	7,307	**46,167**
Acting Corporate Director Children's Services	9	75,223	0	0	0	0	15,345	**90,568**
Acting Corporate Director Adult Services	10	76,038	0	0	30	0	14,771	**90,839**
Acting Corporate Director (Economic Growth, Environment & Infrastructure)/Corporate Director, Place	11	116,420	0	0	300	0	23,349	**140,069**
Corporate Director of Commissioning Trafford CCG and Trafford Council (Jointly funded)	12	91,808	0	0	0	0	13,202	**105,010**

Notes:

(1) The Chief Executive left the authority on 30/6/18. They were also paid £5,040 Returning Officer fees for the 5 May 2018 local election.
(2) The Interim Chief Executive was appointed on a secondment basis from Salford City Council for 2.5 days per week from 25/7/18 and an amount of £75,799 was recharged accordingly. They left the Authority on 22/2/19.
(3) The current Chief Executive was appointed on 25/2/19.
(4) The Chief Finance Officer was appointed to the new Joint Chief Finance Officer and Statutory S151 Officer post, titled Director of Finance and Systems on 25/7/18. The remuneration figure for the Corporate Director of Finance and Systems includes an amount of 50% which has been recharged in relation to their element of employment on behalf of NHS Trafford CCG. They were also paid supervision duty fees of £280 for the 5 May 2018 local election.
(5) The Director of Legal & Democratic Services was appointed to the new Corporate Director for Governance and Community Strategy post on 25/7/18. They were also paid Deputy Returning Officer fees of £2,520 for the 5 May 2018 local elections.
(6) The Corporate Director (Transformation & Resources) left the authority on 30 June 2018. They were also paid Deputy Returning Officer fees of £2,520 for the 5 May 2018 local elections. The post was disestablished on 25/7/18.
(7) The Director of HR was appointed to the new re-designated post of Corporate Director of People on 25/7/18.
(8) The Corporate Director of Children, Families and Wellbeing left the authority on 22 July 2018. The post was disestablished on 25/7/18.
(9) The Director of Safeguarding and Professional Development was appointed to the new Acting Corporate Director of Children's Services position on 25/7/18.
(10) The Director of Integrated Services was appointed to the new Acting Corporate Director of Adult Services position on 25/7/18. They were also paid £120 supervision duty fees for the 5 May 2018 local election.
(11) The Acting Corporate Director (Economic Growth, Environment & Infrastructure) was appointed to the new re-designated post of Corporate Director, Place on 25/7/18.
(12) The remuneration for the jointly funded Corporate Director of Commissioning Trafford CCG and Trafford Council was £105,010 and 25% has been recharged in relation to their element of employment on behalf of Trafford Council.

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.

39. External Audit Costs

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

	2018/19 £000	2019/20 £000
Fees payable to Mazars with regard to external audit services carried out by the appointed auditor	95	97 *
Total	**95**	**97**

* This includes additional fee work relating to the 2018/19 audit, charged after the 2018/19 Audited Accounts were published, and relate to PPE valuation work, £5,487 and pension liability work, £600.

** The amounts previously included in the 2018/19 Accounts relating to work undertaken by Grant Thornton and KPMG have been removed as they do not form part of this note.

40. Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education (DfE), the Dedicated Schools Grant (DSG). An element of DSG is recouped by the DfE to fund academy schools in the Council's area. DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2018. 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.

Details of the deployment of DSG receivable for 2019/20 are as follows:

	Central Expenditure £000	ISB £000	Total £000
Final DSG 2019/20 before Academy recoupment			(208,603)
Academy figure recouped for 2019/20			74,618
Total DSG 2019/20 after Academy recoupment			(133,985)
Brought forward from 2018/19	(2,305)		(2,305)
Carry forward to 2019/20 agreed in advance			-
Agreed initial budgeted distribution in 2019/20	**(26,836)**	**(109,454)**	**(136,290)**
In year adjustments	1,511	(1,511)	-
Final budgeted distribution for 2019/20	(25,325)	(110,965)	(136,290)
Less actual central expenditure	22,430	-	22,430
Less actual ISB deployed to schools	-	110,965	110,965
Local authority contribution for 2019/20	-	-	-
Carry forward to 2020/21	**(2,895)**	**-**	**(2,895)**

41. Grant and Other Income (Comprehensive Income & Expenditure Statement page 21, Balance sheet page 23)

(i) Grant and Other 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:

2018/19 £000	Grants	2019/20 £000
	Credited to Taxation and Non Specific Grant Income	
	Council Tax	
(95,039)	**Council Tax Income**	**(100,007)**

	Non Domestic Rates	
(152,522)	Non Domestic Rates Income	(154,000)
86,751	NDR Tariff Payment	94,590
9,203	GM Pool No Detriment Payment	9,077
(4,602)	No detriment Rebate from GM Pool	(4,539)
(550)	NDR National Levy Rebate	(122)
(8,163)	Section 31 Compensation Grants	(10,011)
(3,308)	Growth Pilot Income	(2,154)
(81)	Renewable Energy Disregard	(81)
(9,579)	NDR Collection Fund (Surplus)/Deficit	933
5,256	Local Share Contribution to Accumulated Deficit	1,530
0	Local Share of Collection Fund Surplus	(1,181)
(57)	Growth Pilot Section 31 Grants	0
(77,652)	**Non-Domestic Rates Sub-total**	**(65,958)**

	Revenue Grants:	
(1,635)	New Homes Bonus	(1,724)
(573)	Housing Benefit Admin Grant	(525)
-	Education Services Grant	-
(133)	Local Reform & Community Voices Grant	(136)
(444)	NDR Cost of Collection Grant	(430)
(59)	DWP Housing Welfare Reform Grant	(62)
-	Transitional Protection Grant	-
-	Covid Support Grant	(6,119)
(99)	Other Grants	(142)
(2,943)	**Revenue Grants Sub-total**	**(9,139)**

2018/19 £000	Grants	2019/20 £000
	Capital Grants :	
(3,980)	Schools Primary Capital Programme	(14,122)
(346)	Schools Devolved Formula Capital Grant	(465)
(1,751)	Schools Condition and Modernisation	(1,757)
0	Schools Early Years Grant	0
(478)	Schools – Send and Healthy Pupils Grants	(919)
0	Social Care Grants	0
(3,659)	Highway Structural Maintenance	(2,398)
(1,367)	Integrated Transport Grant – TfGM	(358)
(3,131)	Other Grants and Contributions	756
(14,712)	**Capital Grants Sub-total**	**(19,263)**
(190,346)	**Total Credited to Taxation & Non Specific Grant Income**	**(194,366)**

Contributions and Donations

Large items of Income included in Other Contributions and Donations

2018/19 £000	Grants	2019/20 £000
(5,753)	Contribution from CCG – Better Care Fund	(6,044)
(2,022)	Contribution from CCG – Learning Disability Pooled Fund	(2,022)

2018/19 £000	Grants	2019/20 £000
	Grants Credited to Services	
	Revenue Grants Credited to services:-	
(128,624)	Dedicated School Grant (DSG) incl. EY allocation	(134,401)
(49,319)	Rent Allowances, Rent	(45,227)
(5,965)	Other Education Grants	(5,789)
(191)	Send Pathfinder Grant	0
(1,722)	Learning Skills Council Grant	(1,365)
(658)	Sale PFI Grant	(658)
(386)	Tackling Troubled Families Grant	(386)
(223)	Section 106 Other Capital Maintenance Grants	(168)
(591)	Adult Social Care Grant	(1,616)
(44)	Individual Electoral Registration Grant	(42)
(1,061)	PE & Sport Grant	(1,039)
(214)	Local Council Tax support Admin Grant	(209)
(2,912)	Universal Infants Free School Grant	(2,805)
-	New Burdens Property Searches Grant	(43)
(373)	Independent Living Fund Grant	(361)
(5,725)	Improved better care fund	(7,037)
(506)	Techers Pay Grant	(1,158)
(420)	Asylum Seekers Grant	(402)

(2,338)	Other Grants	(2,728)
(201,273)	**Revenue Grants Credited to Services Sub-total**	**(205,434)**
	Capital Grants Credited to services (REFCUS):-	
(72)	Schools Primary Capital Programme	(246)
(2,474)	Disabled Facilities	(2,243)
(55)	Devolved Formula Capital	(35)
(67)	TfGM – City Cycle Ambition Grant	(37)
(5,000)	Metrolink Extension contributions	(8,000)
(37)	Schools Maintenance, SEND & Healthy Pupils Grants (DfE)	(152)
-	Schools – Early Years Grant (DfE)	0
(275)	Other	(1,133)
(7,980)	**Capital Grants Credited to services (REFCUS) Sub-total**	**(11,846)**
(209,253)	**Total Grants Credited to Services**	**(217,280)**

(i) Grant Income included in the Balance Sheet

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

2018/19 £000	Grants	2019/20 £000
	Short Term Liabilities:-	
	Capital Grants & Contributions Receipts in Advance:-	
(953)	Devolved Formula Capital	(817)
(113)	Personal Social Care Grant	(113)
(63)	Highways – Altrincham & Stretford Town Centres	(71)
(107)	S106 & S278 Contributions	(112)
-	Mayors Challenge Fund	(49)
-	Carrington Relief Road	(218)
(12)	Other Grants and Contributions	(15)
(1,248)	**Total**	**(1,395)**

2018/19 £000	Grants	2019/20 £000
	Revenue Grants & Contributions Receipts in Advance (REFCUS):-	
(423)	Schools Primary Capital Programme	(178)
(64)	Other Grants and Contributions	(62)
(487)	**Total REFCUS**	**(240)**
(1,735)	**Total Capital Grants Receipts in Advance**	**(1,635)**

2018/19 £000	Grants	2019/20 £000
	Other Revenue Grants Receipts in Advance:-	
-	No Wrong Door Innovation Grant	(170)
-	Serious Violence Funding Grant	(155)
(195)	Flexible Homelessness Support Grant	(136)
-	Future High Street Fund Grant	(109)
-	Custom Build Grant	(90)
(25)	Homeless Prevention Grant	(90)
(129)	National Assessment & Accreditation System Grant	(84)
-	Early Outcome GM speech language project grant	(75)
-	Development Grant	(72)
-	Early Years Pupil premium Grant	(58)
(36)	Homelessness Reduction Act Grant	(36)
-	Disability Access Grant	(20)
-	Reducing Parental Conflict Grant	(19)
-	Assessed & Supported Year in Employment Grant	(15)
-	Social investment fund	(15)
(9)	Other	(25)
(141)	Dedicated Schools Grant	-
(75)	Self & Custom House Build Grant	-
(43)	Land Charges New Burdens Grant	-
(41)	Parks Improvement Grant	-
(41)	Pocket Parks Plus Grant	-
(39)	Adoption Support Fund Grant	-
(18)	Heat Network Delivery Grant	-
(13)	Community Clean Up Fund Grant	-
(805)	**Total Short Term Grants Receipts in Advance (Revenue)**	**(1,169)**

2018/19 £000	Grants	2019/20 £000
	Long Term Liabilities	
	Capital Grants & Contributions Receipts in Advance:-	
(7,352)	Section 106 and S278 Contributions	(11,787)
(7,352)	**Total Capital Grants**	**(11,787)**
	Revenue Grants & Contributions Receipts in Advance (REFCUS):-	
(113)	S106 & S111 Contributions	(113)
(113)	**Total REFCUS**	**(113)**
-	**Other Revenue Grants & Contributions Receipts in Advance (Long Term) : -**	-
-	**Total Other**	**-**
(7,465)	**Total Long Term Grants Receipts in Advance**	**(11,900)**

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 £9.78m 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 2019 £000	Receivable in year £000	Contributions applied £000	Balance at 31 March 2020 £000
Open Space schemes	1,791	328	(93)	2,026
Education Schemes	5	-	-	5
Affordable Housing schemes	1,861	303	(1,133)	1,031
Highways/Transport schemes	1,706	9,741	(4,726)	6,721
Total	**5,363**	**10,372**	**(5,952)**	**9,783**

42. 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 41, with outstanding government debtors and creditors included in notes 21 and 24.

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

During the year a number of transactions were made to other public sector bodies. Payments to the Teachers' Pensions Agency and Tameside MBC in respect of pension contributions are disclosed in the notes to the accounts (notes 49 & 50) and precept payments are shown in the collection fund accounts.

The Council also has pooled budget arrangements with Trafford CCG in relation to Learning Disability Services and the Better Care Fund (BCF). Transactions are detailed in Note 36.

A transport levy of £15.897m (£23.656m in 2018/19) and a waste levy of £17.227m (£8.737m in 2018/19) were paid to the Greater Manchester Combined Authority (GMCA).

In 2017/18 additional resources were required by the Greater Manchester Waste Disposal Authority (GMWDA) in order to facilitate savings in the waste contract. In order to assist districts in meeting those costs the Transport levy was reduced by £87.98m on a one off basis, £7.4m for Trafford, resulting in a substantial call on GMCA transport reserves. This switch in resources has been managed at a GM level.

In 2018/19 the funding switch was reversed with a one-off adjustment to reinstate the GMCA transport reserves, resulting in a net movement from the Waste Disposal levy to the Transport levy for Trafford of £14.8m.

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

The Council no longer provides services directly through its leisure centres. These leisure centres were leased to Trafford Community Leisure Trust (TCLT) who provided relevant leisure services direct to the public until September 2015. The Council made service payments to the Trust to help ensure the provision of some services at a discounted rate to particular population demographics of the community. From October 2015 the services provided by TCLT were transferred into a Community Interest Company (CIC), Trafford Leisure CIC Ltd, wholly owned by the Council. For the year 2019/20, the Council made no service payments to the CIC. During 2019/20 the Council has agreed a loan agreement with Trafford Leisure CIC to provide finance to mitigate liquidity issues experienced by the CIC due to trade deficits during the redevelopment of the leisure centre estate. To date a total of £0.3m has been advanced under this agreement.

Trafford Council also has interests in three Joint Venture Companies, Trafford Bruntwood LLP is a Joint Venture Company with K Site Ltd (a wholly owned Subsidiary of Bruntwood Development Holdings Ltd) and Trafford Bruntwood (Stretford Mall) and Trafford Bruntwood (Stamford Quarter) are joint venture companies with Bruntwood Development Holdings Ltd with each investor owning a 50% share in each of the companies. In 2019/20 Trafford Council received a share of profits in the form of dividends totalling £67.5k and £502.5k from Trafford Bruntwood (Stretford Mall) and Trafford Bruntwood (Stamford Quarter) respectively.

Another CIC, called Trust Youth Trafford was also established on 11th March 2016 for the provision of Youth Services. The Council is the single shareholder and in 2019/20 the financial administration of the Trust was transferred back to the Council with the annual budget of £280,000 still in place. In February 2020 an unallocated amount of £237,000 was also transferred from the Trust's bank account to the Council to be added to the budget to fund existing and future Youth provision across the borough.

There are now only two Trust Youth Trafford Board members, both Trafford Council Corporate Directors.

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

Whilst Trust Youth Trafford is still considered as immaterial in terms of transaction value Trafford Leisure CIC Ltd and the three Trafford Bruntwood Joint Ventures have been included in group accounts in 2019/20.

The Council has paid grants to voluntary organisations for 2019/20 as follows:

2018/19 £	Organisation	2019/20 £
2,098	Carrington Parish Council	2,098
5,845	Dunham Massey Parish Council	5,845
26,569	Partington Town Council	26,569
2,098	Warburton Parish Council	2,098
36,610	**Total Grants**	**36,610**

In addition to the above grants, as detailed in Note 11, the Council also collected and paid over a Parish precept for Partington TC of £67,023 (£65,875 in 2018/19). The Council also agreed to provide grant of £10,000 to Partington Town Council to support the 2019/20 precept, the same as in 2018/19, in addition to the Parish Council grant of £26,569 above. There are no debtors or creditors relating to these transactions at year end or income received from these bodies by the Council.

In 2019/20 Trafford Council administered the second year of its main Voluntary Sector Grant scheme, the Inclusive Neighbourhood Grant scheme, which made £100,000 available to support community projects and events. The £100,000 funding supported 53 projects and 16 events.

In addition to this a separate grant fund of £80,000 was allocated to target Community Cohesion. The Standing Together Grant distributed £54,218 of the £80,000 to 13 community projects that brought different faiths and communities together, targeted engagement around issues of hate crime, knife crime, social isolation and loneliness, built pride and strengthened communities by residents working together, and youth engagement that promotes community cohesion.

The Council also made payments totalling £0.189m to Trafford Centre for Independent Living, under a Service Level Agreement within Adult Social Services, for an advocacy service.

Shareholdings

Manchester Airport Group plc.

31.03.19 £m	*Manchester Airport Consolidated Profit and Loss Account and Balance Sheet (Extract)*	31.03.20 £m
185.6*	Profit/(Loss) before Tax	88.9
143.4	Profit/(Loss) after Tax	27.0
1,492.7	Net Assets	1,345.7

*Restated

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

Dividends of £6.429m were received in the year 2019/20 (£5.635m in 2018/19). Further information on these accounts can be obtained from the Head of Financial Accounting, Manchester Airport Group plc., 6th Floor Olympic House, Manchester Airport, Manchester M90 1QX (telephone no. 0161 489 2766).

MaST LIFTCo Ltd

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

43. Capital Expenditure and Capital Financing

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

	2018/19 £000	2019/20 £000
Opening Capital Financing Requirement Capital Investment	**195,084**	**251,555**
Capital Investment:		
Property, Plant and Equipment	29,246	26,058
Assets Held for Sale	0	0
Investment Properties	39,533	24
Intangible Assets	273	704
Capital Debtors	16,152	128,773
Equity Shareholding	9,040	27,104
Revenue Expenditure Funded from Capital under Statute	8,920	13,612
Sources of finance:		
Capital receipts	(6,120)	(2,015)
Government Grants and other Contributions	(21,809)	(21,073)
Sums set aside from revenue:		
Direct revenue contributions	(10,186)	(3,138)
MRP/loans fund principal	(2,975)	(4,006)
Other Adjustments (including Probation)	(5,603)	(317)
Closing Capital Financing Requirement	**251,555**	**417,281**
Explanations of movements in the year:		
Increase in underlying need for borrowing (supported by government financial assistance)	0	0
Increase in underlying need for borrowing (unsupported by government financial assistance)	56,471	165,726
Assets acquired under finance leases	0	0
Assets acquired under PFI/PPP contracts	0	0
Increase/(decrease) in Capital Financing Requirement	**56,471**	**165,726**

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

Year ended 31 March	2018/19 £000	2019/20 £000
Children's' Services	6,648	5,752
Adult Care Services	2,697	3,597
Place	34,568	28,105
Governance & Community Strategy	832	10
Finance & Systems	338	1,018
Asset Investment Fund	58,081	157,793
Total	**103,164**	**196,275**
The main items of capital expenditure during the year included:		
Asset Investment Fund	58,081	157,793
Strategic Investment - Manchester Airport	11,278	1,870
Highways Structural Maintenance (incl. bridges & S.278 schemes)	9,744	6,305
Contribution to Metrolink Extension	5,000	8,000
Schools - Places Expansion Programme (* in part)	4,036	1,717
Housing Grants (Disabled Facility, Owner Occupier & Housing Standards Grants) (*)	2,549	4,745
Town Centre Regeneration Initiatives	2,318	592
Traffic & Transport Schemes (inc. Integrated Transport & Parking)	2,082	979
Schools - Capital Maintenance Programme (* in part)	1,759	2,672
Public Buildings - DDA Compliance, Repairs & Refurbishments	1,669	1,189
Leisure Strategy - "Increasing Physical Activity"	1,033	7,502
Flixton House, Flixton : Refurbishment	757	0
Altrincham Interchange - contribution to TfGM	650	0
Schools - SEND and Healthy Pupil Fund (* in part)	433	472
Schools - Devolved Formula Capital (* in part)	401	501
Additional Burial Land	367	0
ICT Initiatives	338	1,084
Parks, Playgrounds & Greenspace improvements	268	565
Other General Infrastructure Investment	401	289
Total	**103,164**	**196,275**
(*) REFCUS		

The type of capital expenditure in the year and how it was financed was as follows:			
	£000		£000
Fixed and Intangible Assets	26,786	Borrowing	170,049
Revenue Expenditure Funded from Capital under Statute (i)	13,612	Grants and Contributions	21,073
Debtors	128,773	Revenue Contributions & Reserves	3,138
Equity Shareholding	27,104	Capital Receipts	2,015
Total Capital Expenditure on an accruals basis	**196,275**		**196,275**

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

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

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

The deficit on the Comprehensive Income and Expenditure Statement includes revenue costs of £13.612m under this category, offset by £11.846m of Government grants applied. This amounts to a net cost of £1.767m, 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.

44. 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 2019/20 was £15,650 (£26,211 in 2018/19).

Land and Buildings - the Council leases numerous buildings which have been accounted for as operating leases. The rentals payable in 2019/20 were £32,192 (£63,092 in 2018/19).

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

	31 March 2019 £000	31 March 2020 £000
Not later than one year	82	44
Later than one year and not later than five years	136	102
Later than five years	445	436
	663 *	**582**

* The Council's grounds maintenance, highways and street cleaning services were transferred to Amey on 4th July 2015 as part of the One Trafford Partnership. As an interim measure, the Council continued to lease vehicles to

maintain service provision until such point Amey had completed the implementation of their own fleet solution. Costs were recoverable from Amey and the final remaining vehicle leased by the Council associated with the One Trafford Partnership was terminated on 27 March 2019. Only a small number of vehicles are now leased for use directly by the Council.

Council as Lessor – Finance Leases

The Council does not have any finance lease arrangements.

Operating Leases

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

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

The Council also has six lease agreements for commercial development schemes under which a "participation" rent is payable to the Council, determined annually by reference to the profitability of the investment asset. These rents are classed as contingent rents and are not included in the minimum lease payments receivable. In 2019/20 these rents were £0.367m (£0.499m in 2018/19).

Total rents receivable in 2019/20 were £2.287m (£2.421m in 2018/19).

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

	Restated 31 March 2019 £000	31 March 2020 £000
Not later than one year	1,921	1,920
Later than one year and not later than five years	7,438	7,369
Later than five years	130,917	129,931
	140,276	**139,220**

The 2018/19 figures has been restated to include Land at Manchester Airport, previously included as a Contingent Rent.

45. PFI and Similar Contracts

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

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

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

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

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

	Payment for services £000	Reimbursement of Capital Expenditure £000	Interest £000	Total £000
Payable in 2020/21	866	306	327	**1,499**
Payable within two to five years	3,677	1,450	1,082	**6,209**
Payable within six to ten years	3,535	3,003	641	**7,179**
Total	**8,078**	**4,759**	**2,050**	**14,887**

Note – the amounts above are based on the PFI contractor's financial model and updated during 2019/20 following an amendment to the PFI contract affecting the end of contract bullet payment. The actual amount paid can vary as a result of availability and performance deductions.

The estimated value of the remaining PFI payments is £14.885m. 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 £1.00;
- negotiate with ENGIE for an extension to the contract.

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

	2018/19 £000	2019/20 £000
Balance outstanding as at start of year	5,556	5,319
Payments during the year	(237)	(252)
Adjustment for in year variation to contract		(308)
Balance outstanding at year-end	**5,319**	**4,759**
Split on Balance Sheet (see also note 24):		
Short term liability (creditor)	252	306
Long term liability – deferred	5,067	4,453

The fair value of the PFI liability is shown in note 18.

46. Impairment Losses

These are disclosed in note 14.

47. Capitalisation of Borrowing Costs

The Council capitalised £87k of borrowing costs in 2019/20 relating to 3 re-generation and housing schemes currently being undertaken within the borough.

48. Termination Benefits

The Council has terminated the contracts of a number of employees in 2019/20. 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.

49. Pension Schemes Accounted for as Defined Contribution Schemes

Pension costs included in the Income & Expenditure Account

Teachers' Pensions Scheme

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

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

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

In 2019/20 the Council paid £9.977m (£7.598m in 2018/19) in respect of teachers' retirement benefits. This was based on 16.48% (up to 31 August 2019) and 23.68% (1 September 2019 onwards) of the teachers' pensionable pay (16.48% in 2018/19).

In addition, the Council is responsible for added years and premature enhancement benefits which it has awarded to teachers at its discretion, together with the related annual increases. In 2019/20, these amounted to £1.337m, representing 2.86% of pensionable pay (£1.344m or 2.92% in 2018/19). These benefits are fully accrued in the pension liability described below.

50. Defined Benefit Pension Schemes

Other Employees

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

The actual contribution rates to maintain the solvency of the fund vary by employing authority, reflecting the differing profiles of members, and in Trafford's case are phased in over the three years the actuarial valuation relates to. The Council's employer's contribution rate was 19.2% in 2019/20, reflecting the advance payment to cover three years of pension contributions and will be 19.3% in 2020/21. In 2019/20, the Council paid an employer's contribution of £14.091m (£13.656m in 2018/19) into the Greater Manchester Pension Fund, representing 19.2% of pensionable pay (19.2% in 2018/19). The Council is also responsible for pension payments relating to the historic award of added years, together with related increases. In 2019/20 these amounted to £0.967m, which is 1.3% of pensionable pay (£0.960m or 1.3% in 2018/19).

Further information regarding the Pension Fund and its accounts can be obtained from the Pensions Office, Guardsman Tony Downes House, 5 Manchester Road, Droylsden , M43 6SF (Helpline: 0161 301 7000). www.gmpf.org.uk

Transactions Relating to Retirement benefits

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

2018/19 £000		2019/20 £000
	COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT	
	Cost of Services:	
	Service Cost comprising:	
26,505	• current service cost	32,945
236	• past service costs	1,498
-	• (gain)/loss from settlements	-
	Financing and Investment Income and Expenditure:	
5,867	• net interest cost	6,974
32,608	***Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services***	**41,417**
-	*Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement*	-
	Re-measurement of the net defined benefit liability comprising:	
(32,646)	• Return on plan assets (excluding the amount included in the net interest cost)	22,652
-	• Actuarial gains and losses arising on changes in demographic assumptions	(30,769)
72,934	• Actuarial gains and losses arising on changes in financial assumptions	(78,321)
765	• Other	30,687
73,661	**Total Post Employment Benefit Charged to the Comprehensive Income & Expenditure Statement**	**(14,334)**
	Movement in Reserve Statement	
(17,202)	• reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(25,022)
	Actual amount charged against the General Fund Balance for pensions in the year:	
13,656	• employers' contributions payable to scheme	14,091
2,304	• retirement benefits payable to pensioners	2,304

Pensions Assets and Liabilities Recognised in the Balance Sheet

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

2018/19 £000		2019/20 £000
(1,007,918)	Present value of the defined benefit obligation	(963,216)
732,263	Fair value of plan assets	706,179
(275,655)	**Net Liability arising from defined benefit obligation**	**(257,037)**

Reconciliation of the Movements in the Fair Value of Scheme Assets

2018/19 £000		2019/20 £000
699,228	Opening fair value of scheme assets	732,263
-	Effect of Settlements	-
18,608	Interest income	17,362
	Re-measurement gain/(loss):	
32,646 -	• The return on plan assets, excluding the amount included in the net interest expense • Other	(22,652)
3,325	Contributions from employer	4,284
4,416	Contributions from employees into the scheme	4,674
(25,960)	Benefits paid	(29,752)
732,263	**Closing fair value of scheme assets**	**706,179**

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

2018/19 £000		2019/20 £000
904,547	Opening present value of scheme liabilities	1,007,918
26,505	Current service costs	32,945
-	Effect of Settlements	-
24,475	Interest costs	24,336
4,416	Contributions from scheme participants	4,674
	Re-measurement (gains) and losses:	
-	• Actuarial gains/losses arising from changes in demographic assumptions	(30,769)
72,934	• Actuarial gains/losses arising from changes in financial assumptions	(78,321)
765	• Other	30,687
236	Past service cost	1,498
(25,960)	Benefits paid	(29,752)
1,007,918	**Closing present value of scheme liabilities**	**963,216**

Pension Scheme Assets comprised:

	Period ended 31 March 2020				Period ended 31 March 2019			
Asset category	Quoted prices in active markets £000	Scheme Asset Values not from quoted active markets £000	Total £000	Per-centage of total asset %	Quoted prices in active markets £000	Scheme Asset Values not from quoted active markets £000	Total £000	Per-centage of total asset %
Equity Securities:								
Consumer	53,480	-	53,480	8%	40,446	-	40,446	6%
Manufacturing	44,073	-	44,073	6%	42,317	-	42,317	6%
Energy & Utilities	35,018	-	35,018	5%	41,150	-	41,150	6%
Financial Institutions	63,443	-	63,443	9%	57,952	-	57,952	8%
Health & Care Information	32,807	-	32,807	5%	21,623	-	21,623	3%
Technology	29,056	-	29,056	4%	13,073	-	13,073	2%
Other	14,504	-	14,504	2%	8,023	-	8,023	1%
Debt Securities:								
Corporate Bonds (investment grade)	33,934		33,934	5%	27,390	-	27,390	4%
Corporate Bonds (non-investment grade)	-		-	0%	-	-	-	0%
UK Government	-		-	0%	4,822	-	4,822	1%
Other	28,874		28,874	4%	18,573	-	18,573	3%
Private Equity:								
All	-	44,948	44,948	6%	-	34,294	34,294	5%
Real Estate:								
UK Property	-	32,448	32,448	5%	-	34,780	34,780	5%
Overseas Property	-	-	-	0%	-	-	-	0%
Investment Funds and Unit Trusts:								
Equities	66,076	-	66,076	9%	165,535	-	165,535	23%
Bonds	88,751	-	88,751	13%	91,087	-	91,087	12%
Hedge Funds	-	-	-	0%	-	-	-	0%
Commodities	-	-	-	0%	-	-	-	0%
Infrastructure	-	42,247	42,247	6%	-	35,106	35,106	5%
Other	16,872	71,679	88,551	13%	14,269	63,162	77,431	11%
Derivatives:								
Inflation	-	-	-	0%	-	-	-	0%
Interest Rate	-	-	-	0%	-	-	-	0%
Foreign Exchange	-	-	-	0%	-	-	-	0%
Other	-	-	-	0%	371	-	371	0%
Cash & Cash Equivalents:								
All	7,969	-	7969	1%	18,290	-	18,290	2%
Totals	**514,857**	**191,322**	**706,179**	**100%**	**564,921**	**167,342**	**732,263**	**100%**

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc.

Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been estimated by Hymans Robertson LLP, an independent firm of actuaries, estimates being based on the latest full valuation of the scheme as at 31 March 2020.

The significant assumptions used by the actuary have been:

2018/19	Mortality assumptions:	2019/20
	Longevity at 65 for current pensioners:	
21.5 years	• men	20.5 years
24.1 years	• women	23.1 years
	Longevity at 65 for future pensioners:	
23.7 years	• men	22.0 years
26.2 years	• women	25.0 years
2.5%	Rate of inflation	2.8%
2.6%	Rate of increase in salaries	2.7%
2.5%	Rate of increase in pensions	1.9%
2.4%	Rate for discounting scheme liabilities	2.3%

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

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

Change in assumptions at 31 March 2020:	Approximate % increase to Employer Liability	Approximate monetary amount £000
0.5% decrease in real discount rate	9%	90,607
0.5% increase in the salary increase rate	1%	8,321
0.5% increase in the pension increase rate	8%	81,542

Pensions - Summary

The overall Pension deficit at 31 March 2020 in the Balance Sheet is £257.0m (18/19 £287.8m). Prior to 2017/18 the Pension Reserve and Pension Liability items in the Balance Sheet have been equal and opposite. However as a result of the accounting treatment of the Advanced Pension payment, in 2017/18, this has meant in the financial years 2017/18 and 2018/19 the pension reserve and pension liability were not equal. This is a natural consequence of three year's payment being made and accounted for as a reduction of the Pension Liability but only one year being charged to the general fund. In 2018/19 the difference in the balance on Pension Liability and Pension Reserve is represented by a figure of £12.1m relating to the balance of the three year advanced pension contribution yet to be utilised. As 2019/20 was the last of the advance, the pension liability and reserve have now been equalised.

Impact on the Authority's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. Funding levels are monitored on an annual basis. The next triennial valuation will take effect from 1 April 2020.

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

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The total liability of £257.03m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

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

The Council has made a further three-year advance payment of employer contributions on 14 April 2020 amounting to £42.96m. The Council anticipated paying £14.32m contributions to the scheme in 2020/21, however as a result of applying 1/3 of the advanced cash payment, no further payments will be made in 2020/21 other than any adjustment based on the difference between the actuals and estimated 1/3 draw down of the advance.

51. Contingent Liabilities

(a) Municipal Mutual Insurance

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

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

(b) Manchester Airport

The Council has made loans to Manchester Airport plc of £8.7m 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. During 2018/19 the 10 Greater Manchester authorities advanced further unsecured funds for which a rate of interest is received and the Council's value of this advance was £11.3m. In 2019/20 the first instalment of a new loan was made for £1.8m by each of the 10 Greater Manchester authorities with the balance of £3.8m per authority being completed in 2020/21. No provision has been made in the balance sheet to cover the total potential losses to the Council from these agreements.

(c) Trafford Housing Trust

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

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

i) Warranties of Truth; the Council has made a number of statements and assertions within the transfer agreement, such as land ownership, value of assets, and the right to exercise certain legal powers. The Council has indemnified THT against any liability should any of those statements prove to be untrue. This risk will also diminish, but over a much longer time frame.

ii) 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.

iii) There are a number of Environmental warranties that the Council in aggregate has indemnified THT up to £90m and an unlimited indemnification to THT's funders, the Prudential Trustee Company Ltd. The risk of these warranties is partially off-set by VAT receipts from works done by THT on the Council's behalf. The liabilities and risks of the warranties will be kept under constant review.

iv) 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.

v) Pollution and Contaminated Land; The Council has extended a 30 year indemnification for any pollution clear up on land transferred where the pollution occurred before the transfer date.

(d) Timperley Sports Club

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

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

(e) Athletics Track

There are 3 athletics stadiums in the borough, all of which Trafford pays a management fee to the clubs to run the stadium. Under the terms of the management agreements the Council has an obligation to replace the tracks at the end of life. The costs of the tracks are approximately £250,000. The clubs may be able to pay a contribution towards the cost of a new track through fundraising and applying for grants, however any shortfall in meeting the Council's obligations will be prioritised within the Council's Capital Programme at the appropriate time.

(f) 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, these total £3.07m.

(g) Local Land Charges

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

(h) AMEY Contract – Warranties, Indemnities – TUPE and Pension

A number of warranties, guarantees and indemnities are provided for within the Partnership Agreement covering the One Trafford partnership with AMEY Plc. Complete details are available from the Director of Legal and Democratic Services, however the most significant one relates to TUPE, whereby the Council has agreed to indemnify AMEY Plc against any liability which arises, partly as a result of any omission by the Council before or after the Service Commencement, in relation to any Transferring Employee who transfers in accordance with TUPE.

(i) Litigation Claims

The Council has three potential high value litigation claims which due to their confidentiality nature cannot be disclosed in detail at this stage. Although any settlements are likely to be an insurance matter, however any excess or uninsured costs will be need to be met by the Council and will be drawn down from the specific reserve for this purpose should the need arise.

52. Contingent Assets

(a) Section 106 Agreements

A number of agreements in accordance with Section 106 of the Town and Country Planning Act 1990 exist between the Council and developers associated with the planning conditions attached to new developments. In respect of contributions received to date, should the conditions in the agreement not be met by the Council then amounts would become repayable to developers and these are included under contingent liabilities. Should developments proceed and conditions within agreements be met then the estimated value of contributions the Council will receive is £7.25m.

53. Nature and Extent of Risks Arising from Financial Instruments

Key Risks

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

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

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

Overall Procedures for Managing Risk

The Council's overall risk management procedures focus on the unpredictability of financial markets, and seeks to minimise potential adverse effects on the resources available to fund services. 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 management of interest rate exposure;
  - 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 after each year together with a mid-year update 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 2019/20 was approved by Council on 20 February 2019 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	
Any new long term borrowing undertaken will be to (a) assist finance the Council's capital Investment programme and (b) start to replace funds previously used to finance capital spend (under borrowed position). Loans will be taken at favourable interest rates and within the available budget provision. Borrowing for the Council's day to day cash flow requirements will also be carried out when required.	£144.4m of new long term debt was taken in accordance with the approved policy to fund new capital spend and commence to address the Council's under borrowed position. All new debt was taken in accordance with information obtained from the Council's advisors. During the course of the year £45.5m was also taken in short term loans for cash flow purposes as a result of timing issues.
Debt restructuring exercises to be undertaken which produce revenue savings.	There were no opportunities to restructure any of the Council's existing debt thereby enabling annual revenue savings to be generated.
Investment	
All investments were placed in accordance with the approved practice of Security, Liquidity & Yield.	This was fully complied with.
In compliance with MHCLG Investment Guidance the maximum amount of investments which could be placed in Non-specified investments was set at £90m.	This limit was not exceeded and at 31 March 2020 Non Specific Investments totalled £52.7m, £4.9m Church Commissioners Local Authority Property Fund, £30.2m for Manchester International Airport shares and £17.6m for Albert Estate.

Prudential Indicators for 2019/20

Indicator	Indicator set by Council	Actual 31.03.20
Authorised Borrowing Limit	**£m**	**£m**
Maximum level of external debt & other long term liabilities (PFI & leases) undertaken by the authority including any temporary borrowing – this is statutory limit under section 3(1) of the Local Government Act 2003.	585.5	377.3
Operational Boundary	**£m**	**£m**
Calculated on a similar basis as the Authorised limit & represents the expected level of external debt & other long term liabilities (PFI & leases) excluding any temporary borrowing - this is not a limit.	570.5	377.3
Upper limits on fixed interest rates	**£m**	**£m**
Maximum limit of fixed interest rate exposure – debt less investment	12.8	8.0
Upper limits on variable interest rates	**£m**	**£m**
Maximum limit of variable interest rate exposure – debt less investment	2.4	0.6
Gross debt and Capital Financing Requirement		
This reflects that over the medium term, debt will only be taken for capital purposes	During 2019/20 the Corporate Director of Finance and Systems can confirm that this indicator was complied with.	
Maturity structure of fixed rate borrowing	**%**	**%**
These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing – these are required for upper as shown and lower limits which were set at 0%.		
Under 1 year (this includes the next call date for Market loans)	40	2
1 year to 2 years	40	1
2 years to 5 years	40	7
5 years to 10 years	40	11
10 years to 20 years	40	2
20 years to 30 years	40	5
30 years to 40 years	70	35
40 years and above	90	26
Maximum principal funds invested exceeding 364 days	**£m**	**£m**
These limits are set to reduce the need for early sale of an investment and includes Manchester Airport shares £30.2m, Church Commissioners Local Authorities Property Investment Fund investment of £4.9m and £17.6m Albert Estates Manchester	90.0	52.7

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 Link Asset Services 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 for 2019/20 was approved by Council at its meeting on 20 February 2019 and updated at Council on 23rd July 2019 and are available on the Council's website. Stated within this strategy are the maximum amounts and time limits funds can be placed with a financial institution located within each category as detailed below;

Financial Asset Category	Minimum credit rating (Fitch or equivalent)	Maximum investment	Maximum period
Banks & Building Societies	Short Term: F1	£75m	3 Years
	Long Term: AA		
Banks & Building Societies	Short Term: F1	£25m	1 Year
	Long Term: A+		
Banks & Building Societies	Short Term: F1	£10m	1 Year
	Long Term: A-		
Pooled Investment Vehicles	AAA	£100m	3 Years
UK Government including Local Authorities & Debt Management Office	N/A	£100m	3 Years
UK Banks – part nationalised	N/A	£20m	1 Year
The Council's own bank if the bank falls below the above criteria for transactional purposes only	N/A	n/a	1 Day
Church Commissioners Local Authority Property Investment Fund	N/A	£10m	10 Years
Support the Asset Investment Strategy		£25m	5 Years

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

Deposits with banks and financial institutions	Amount at 31 March 2020 £000	Historical experience of default* %	Estimated maximum exposure to default £000	Expected Credit Losses £000
AAA rated counterparties	32,100	0.04	33	0
AA rated counterparties	34,000	0.02	7	0
A rated counterparties	16,770	0.05	8	0
Non rated counterparties	22,462	n/a	0	0
Trade debtors **	7,339	Local experience	500	0
Total	**112,671**		**548**	**0**

* The historical default rate has been calculated by using the average 1 year default rates from all three main rating agencies at December 2019.

** The estimated maximum exposure to default for trade debtors of £0.5m 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 2020.

The Council's maximum exposure to credit risk in relation to its investments in financial institutions of £48k 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 2020 that this was likely to crystallise.

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

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

Country	31 March 2019 £000	%	31 March 2020 £000	%
Australia	12,000	15	2,000	2
Middle East	0	0	2,000	2
Singapore	3,000	4	0	0
UK	62,892	81	101,981	96
Total	**77,892**	**100**	**105,981**	**100**

The Council does not generally allow credit for its trade debtors, such that £7.3m of the £112.7m balance is past its due date for payment. The past due amount can be analysed by age as follows:

	31 March 2019 £000s	31 March 2020 £000s
Less than one year	5,886	6,773
More than one year	351	566
Total	**6,237**	**7,339**

Liquidity Risk

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when it is needed.

The Council has ready access to borrowings from the Money Markets to cover any day to day cash flow need, and for longer term funds these can be accessed from both the PWLB and Money Markets. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

Refinancing & Maturity Risk

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

The approved prudential indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk.

The Council's approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of financial assets based on original principal lent is as follows, and excludes the Manchester airport loan, Section 106 debtors and sums due from customers;

Period	31 March 2019 £000	31 March 2020 £000
Instant access	22,280	32,750
Up to 3 Months	16,570	22,770
3 to 6 Months	12,000	15,500
6 to 9 Months	11,500	7,500
9 to 12 Months	10,500	5,000
Over 1 Year	5,042	22,462
Total	**77,892**	**105,982**

The analysis of financial liabilities is based on both the carrying amount and original maturity date – all trade and other payables due to be paid in less than one year are not shown in the table below:

Period	31 March 2019 £000	31 March 2020 £000
Under 1 Year	6,551	35,701
1 year to 2 years	16,778	3,515
2 years to 5 years	12,761	26,756
5 years to 10 years	10,628	45,707
10 years to 20 years	23,018	23,090
20 years to 30 years	18,958	19,020
30 years to 40 years	34,802	131,961
40 years and above	104,811	99,314
Total	**228,307**	**385,064**

Risks associated with these different types of instruments are impacted by their maturity dates and in the case of LOBOs, the frequency of option dates.

The Council's treasury management strategy considers the whole of its borrowing and investment portfolios, not just individual transactions. At the time of entering into each subsequent new borrowing, the strategy has been for funds to be taken which offered, at the time of take up, the best financial option to the Council.

In the event of a lender exercising its option to propose an increase in the interest rate at each set date then the Council can either accept the new rate or repay the loan at no additional cost. Whilst it is unlikely lenders will exercise this option in the current low interest rate environment, there remains a possibility that this could occur. Should this situation occur and in accordance with the Council's policy the Council will exercise its borrower's option and repay the loan and make a further decision at that time as to whether it is prudent to take a replacement loan.

The following tables set out the relevant terms of the various instruments the Council holds including the carrying amounts held in the balance sheet, interest rates, maturity dates and LOBO option frequency dates:

	31 March 2020				
Type of loan	**Principal plus accrued interest**	**Current contractual interest rate (range)**	**Original maturity**	**Remaining maturity**	**Frequency of LOBO option dates**
	£000	%			
PWLB – fixed rate	298,449	0.01-3.00	3yrs – 50yrs	1yr-49yrs	N/A
	10,889	3.01-6.00	20yrs – 49yrs	14yrs-36 yrs	N/A
	14,394	6.01-9.13	20yrs – 40yrs	0.25yrs-7yrs	N/A
Fixed interest rate LOBOs*	37,056	4.20 - 4.99	32yrs – 60yrs	16yrs – 47yrs	6mths
Other Government	19,210	0.00-2.50	0.1yrs-5yrs	0.1yrs – 2.0yrs	N/A

	31 March 2019				
Type of loan	**Principal plus accrued interest**	**Current contractual interest rate (range)**	**Original maturity**	**Remaining maturity**	**Frequency of LOBO option dates**
	£000	%			
PWLB – fixed rate	153,550	0.01 – 3.00	3yrs – 50yrs	2yrs – 50yrs	N/A
	11,027	3.01 - 6.00	20yrs – 49yrs	15yrs – 37yrs	N/A
	17,690	6.01 - 9.13	20yrs – 40yrs	0.25yrs – 8yrs	N/A
Fixed interest rate LOBOs*	37,068	4.20 - 4.99	32yrs – 60yrs	17yrs – 48yrs	6mths
Other Government	3,637	0.00	5yrs	1.5yrs – 2.5yrs	N/A

* Includes EIR adjustment of £0.8m

The table below shows both the Carrying and Fair values (calculation as described in Note 18) of the Council's loans split between the various instruments:

	31 March 2019		31 March 2020	
Type of loan	**Carrying value**	**Fair value**	**Carrying value**	**Fair value**
	£000	£000	£000	£000
PWLB	182,267	248,078	323,734	499,154
Fixed interest rate LOBOs*	37,068	62,442	37,068	67,870
Inverse LOBOs	0	0	0	0
Other Government	3,640	3,602	19,195	19,328

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 (no impact on revenue balances);
- 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 (no impact on revenue balances).

Maturity risk - Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the surplus or deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the surplus or deficit on the Provision of Services or Other Comprehensive Income and Expenditure and affect the General Fund Balance, subject to influences from Government grants. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in the Other Comprehensive Income and Expenditure Statement.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. The Council's treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns, similarly the drawing of longer-term fixed rates borrowing would be postponed.

If all interest rates had been 1% higher as at 31 March 2020 with all other variables held constant, the financial effect would be calculated as follows:

	£000
Increase in interest receivable on variable rate investments	(403)
Decrease in fair value of fixed rate borrowings liabilities (no impact on Comprehensive Income & Expenditure Statement)	116,912

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 £30.2m in Manchester Airport Group and £4.9m in Church Commissioners Property Fund. Whilst these holdings are generally illiquid, the Council is exposed to losses arising from movements in the price of shares.

All movements in the share values will impact on gains and losses and a general shift of 5% in the price of shares (positive or negative) would have resulted in a £1.76m gain or loss however any movements in price. This will not impact on the General Fund balance as regulations are in force to amend the impact of fair value movements.

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.

54. Trust Funds

The Council administers a number of Trust Funds. The values of these funds, which are not included in the Balance Sheet, were £0.407m at 31 March 2020 and are listed below.

Value of Fund 31st March 2019 £000	Trust Fund	Value of Fund 31st March 2020 £000
2	J Birkhead Trust Fund	2
373	Del Panno Trust	385
30	Clifford Wilcox	20
405	**Total monies held in Trusts**	**407**

55. Effect of Prior Period Adjustments

There are no prior period adjustments

Supplementary Statements

Collection fund

About this account

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers of Council Tax and Non-Domestic Rates (NDR) and its distribution to local authorities and the Government.

2018/19					2019/20		
Business Rates £000	**Council Tax £000**	**Total £000**	**Year ended 31 March**	**Notes**	**Business Rates £000**	**Council Tax £000**	**Total £000**
			INCOME				
	(114,143)	(114,143)	Income from Council Tax Payers	2		(122,532)	(122,532)
(158,951)		(158,951)	Income from Non-Domestic Rate Payers	3	(159,175)		(159,175)
			Transitional Protection Payments Receivable				
(10,726)		(10,726)	Contributions towards previous years' estimated Collection Fund Deficit	3	(1,545)		(1,545)
(169,677)	**(114,143)**	**(283,820)**	**TOTAL INCOME**		**(160,720)**	**(122,532)**	**(283,252)**
			EXPENDITURE				
			Council Tax Precept Demands :				
	94,562	**94,562**	- Trafford Council			99,567	**99,567**
	13,255	**13,255**	- Police and Crime Commissioner for GM/ GMCA Mayoral Police and Crime Commissioner			15,269	**15,269**
	5,167	**5,167**	- GMCA Mayoral General Precept (including Fire Services)			5,925	**5,925**
			Non-domestic Rates :				
1,541		**1,541**	- GMCA Mayoral General Precept (including Fire Services)		1,556		**1,556**
152,522		**152,522**	- Trafford Council		154,000		**154,000**

Collection fund (continued)

2018/19				2019/20			
Business Rates £000	Council Tax £000	Total £000	Year ended 31 March	Notes	Business Rates £000	Council Tax £000	Total £000
Charges to Collection Fund:							
1,402	420	1,822	- Write offs of uncollectable amounts		4	1,134	1,138
237	141	378	- Increase/(Decrease) in Bad Debt Provision		1,981	115	2,096
(181)		(181)	- Increase/(Decrease) in Provision for Appeals		(432)		(432)
444		444	- Costs of Collection		430		430
81		81	- Disregarded Amounts		81		81
3,956		3,956	Transitional Protection Payments Payable		2,849		2,849
Contributions :							
	594	594	- Distribution of previous years' estimated Collection Fund Surplus	3	1,193	1,586	2,779
160,002	**114,139**	**274,141**	**TOTAL EXPENDITURE**		**161,662**	**123,596**	**285,258**
(9,675)	**(4)**	**(9,679)**	**(Surplus) / Deficit for year**		**942**	**1,064**	**2,006**
9,533	**(2,180)**	**7,353**	**Balance brought forward as 1 April**		**(142)**	**(2,184)**	**(2,326)**
(9,675)	(4)	(9,679)	Deficit/(Surplus) for the Year (as above)		942	1,064	2,006
(142)	**(2,184)**	**(2,326)**	**(Surplus) / Deficit as at 31 March**	4	**800**	**(1,120)**	**(320)**
Allocated to:							
(141)	(1,801)	(1,942)	- Trafford		792	(916)	(124)
-	(276)	(276)	- Police and Crime Commissioner for GM/ GMCA Mayoral Police and Crime Commissioner			(142)	(142)
(1)	(107)	(108)	- GMCA Mayoral General Precept (including Fire Services)		8	(62)	(54)
(142)	**(2,184)**	**(2,326)**			**800**	**(1,120)**	**(320)**

Notes to the collection fund

1. General

The Council has a statutory requirement to operate a Collection Fund as a separate account to the General Fund. The purpose of the Collection Fund therefore, is to isolate the income and expenditure relating to Council Tax and Non-Domestic Business Rates. The administrative costs associated with the collection process are charged to the General Fund.

Collection Fund surpluses declared by the billing authority in relation to Council Tax are apportioned to the relevant precepting bodies in the subsequent financial year. Deficits likewise are proportionately charged to the relevant precepting bodies in the following year. For Trafford, the Council Tax precepting bodies in 2019/20 were the GMCA Mayoral Police and Crime Commissioner and the Mayoral General Precept (including Fire Services).

In 2013/14, the local government finance regime was revised with the introduction of the retained business rates scheme. The main aim of the scheme is to give Councils a greater incentive to grow businesses in the Borough. It does, however, also increase the financial risk due to non-collection and the volatility of the NDR tax base.

The scheme allows the Council to retain a proportion of the total NDR received. Up until 2016/17 Trafford's share was 49% with the remainder paid to precepting bodies. For Trafford the NDR precepting bodies were Central Government (50% share) and GMFRA (1% share).

In 2015/16, the MHCLG awarded Greater Manchester Growth Pilot Status allowing it to retain 100% of business rates above an agreed threshold with the application of any growth including Trafford's share being decided by the combined authority.

2017/18 saw the introduction of the Greater Manchester 100% Business Rates Retention pilot, which resulted in the Government's share of business rates growth above a baseline of 50% being retained within Greater Manchester. The respective shares of the business rates income and expenditure and balance sheet items, previously allocated on a percentage split of 50/49/1 between Central Government, Trafford Council and GMFRA was updated to 99/1 between Trafford Council and GMFRA. The 100% Business Rates Retention pilot has continued to operate in each financial year since 2017/18.

NDR surpluses declared by the billing authority in relation to the Collection Fund are apportioned to the relevant precepting bodies in the subsequent financial year in their respective proportions. Deficits likewise are proportionately charged to the relevant precepting bodies in the following year.

The national code of practice followed by Local Authorities in England stipulates that a Collection Fund Income and Expenditure account is included in the Council's accounts. The Collection Fund balance sheet meanwhile is incorporated into the Council's consolidated balance sheet.

Altrincham Town Centre Business Improvement District (BID)
Altrincham Town Centre's BID commenced on 1 April 2016. The BID is a business led partnership by businesses within Altrincham Town Centre with the aim to deliver improvements including:

- Experience Altrincham – Giving more reasons to visit, more often; creating a strong and stylish consumer identity for Altrincham; promoting the breadth of retail.
- Business Altrincham - Improving working life for businesses in Altrincham; creating a responsible business community that is able to affect long term change in the town through proactive leadership; connecting and collaborating with local people and groups.
- Rediscover Altrincham - Putting the heart back into Altrincham to ensure that shoppers and local residents feel welcome in the town and to provide them with reasons to keep coming back.

To do this a BID levy is added to each of the participating businesses annual Business Rates bill. The income raised by the BID levy is managed by a separate and unrelated organisation to the Council, Altrincham BID Ltd. BID legislation requires the Council to collect and recover the BID Levy as part of the annual Business Rates billing process. As such the Council is acting as an agent and simply passing the income collected through the BID levy to Altrincham BID Ltd. The collected income is not accounted for in the Council's Statement of Accounts.
The BID legislation does allow for the Council to recover administrative costs of collecting the BID Levy on behalf of Altrincham BID Ltd.

2. Council Tax

This tax was introduced on 1 April 1993 with all domestic properties placed in one of eight valuation bands. The Government has determined that the Council Tax payable in each band will be a specified fraction of the middle valuation band, known as band D.
Each year, the Council must estimate the equivalent number of band D properties, after allowing for discounts, exemptions, losses on collection etc. For 2019/20, the calculation was as follows:

	Total No. Dwellings (i)	Specified Fraction	Band 'D' Equivalent
Band A (disb)	22	X5/9	12
Band A	15,981	x6/9	10,654
Band B	19,376	x7/9	15,071
Band C	24,482	x8/9	21,763
Band D	13,775	x9/9	13,775
Band E	7,316	x11/9	8,941
Band F	4,309	x13/9	6,223
Band G	3,931	x15/9	6,552
Band H	993	x18/9	1,985
	90,185		**84,976**
Less allowance for losses on collection			(807)
Adjustment for Annexes estimate			(67)
Less cost of Council Tax Support Scheme			(7,192)
Add Empty Home Premium			89
Council Tax Base			**76,999**

The actual number of properties was 99,922, after adjusting for single person discounts, empty properties etc., the notional number of dwellings is 90,185.

The Band D Council Tax levied for the year was £1,567.47 (£1,484.89 in 2018/19).

3. Non-Domestic Rates

The business rates shares payable for 2019/20 were estimated before the start of the financial year as zero to Central Government, £1.556m to GMFRA and £154.000m to Trafford Council which were in line with the revised percentage shares under the 100% Rates Retention Scheme. These sums have been paid in 2019/20 and charged to the collection fund in year.

When the scheme was introduced, Central Government set a baseline level for each authority identifying the expected level of retained business rates and a top up or tariff amount to ensure that all authorities receive their baseline amount. Tariffs due from authorities payable to Central Government are used to finance the top ups to those authorities who do not achieve their targeted baseline funding. In this respect Trafford paid a tariff from the General Fund in 2019/20 to the value of £94.590m (see note 41).

The total income from business rate payers after discounts, reliefs and allowance for provisions for bad debt and appeals in 2019/20 was £154.262m (£153.012m in 2018/19). This sum includes £2.849m (£3.956m in 2018/19) of transitional protection payments from ratepayers, which under Government regulation should have a neutral impact on the business rate retention scheme. This sum has to be repaid to Central Government.

Authorities are expected to finance appeals made in respect of rateable values as defined by VOA as at 31 March 2020. As such, authorities are required to make a provision for these amounts. Appeals are charged and provided for in proportion of the precepting shares. The total provision charged/(credited) to the collection fund for 2019/20 has been calculated at £(0.432)m, (0.181)m in 2018/19.

The movement and balance c/fwd on the provision is as follows:-

Value of Provision £ 31.03.19		**Value of Provision £ 31.03.20**
39,354	Balance at 1 April	39,173
(8,599)	Amount of appeals paid during the year	(8,800)
8,418	In year contributions to the provision	8,368
(181)	**Net Increase/(Decrease)**	**(432)**
39,173	**Balance at 31 March**	**38,741**

During 2019/20 the provision for appeals has been reassessed to take into account settled appeals in addition to potential cases for major infrastructure projects. The net impact has been a reduction in the provision for appeals of £0.432m.

The overall outturn position on the Non Domestic Rates element of the Collection Fund is an in year deficit of £1.294m against a deficit of £1.051m in 2018/19. This deficit will be collected proportionately from the two precepting bodies, Trafford and Greater Manchester Fire and Rescue. Trafford's share of the in-year deficit is £1.281m.

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

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

As a consequence, of the 100% Business Rates Retention Pilot introduced in 2017/18, the amount of levy Trafford would have paid to the GM Pool has been replaced with a payment designed to ensure that the Council was no better or worse off when compared with the previous sharing arrangements. Trafford has made a payment of £9.08m to Greater Manchester Combined Authority (GMCA) in 2019/2020 (£9.2m in 2018/2019), representing the overall benefit from being in the 100% Pilot and continues to receive a rebate originally negotiated in 2017/18 at 50% of this figure.

In addition to the above, GMCA agreed to redistribute to pilot authorities uncommitted Growth Pilot monies from 2018/19, Trafford's share of this was £2.154m and has been accrued to the 2019/20 General Fund, with a figure of £1.281m being used to meet Trafford's share of the in year deficit and a

balance of £1.2m transferred to an earmarked reserve to cushion future volatility in the business rates budget.

The total non-domestic rateable value at 31 March 2020 is £370.9m (£372.8m 31 March 2019), and the national multipliers applicable for 2019/20 were 49.1p for qualifying Small Businesses, and the standard multiplier being 50.4p for all other businesses (48.0p and 49.3p respectively in 2018/19).

Estimated Surplus and Deficits

Regulations require the Council to make estimates in January each year of the surplus or deficit likely to arise at the year end, and to transfer these amounts into or out of the collection fund in the following financial year.

Council Tax Estimated Surplus/Deficit

In January 2019 it was estimated that the council tax element of the collection fund would have an accumulated surplus of £1.586m (£0.594m surplus in January 2018). This was distributed to the relevant precepting bodies as shown below, with Trafford's element utilised to support General Fund expenditure during the year.

2018/19 £000	Distribution of Council Tax (Surplus) on Collection Fund	2019/20 £000
(500)	Trafford	(1,324)
(69)	GMCA Mayoral Police and Crime Commissioner	(187)
(25)	Mayoral General Precept (including Fire Services)	(74)
(594)	**Estimated Collection Fund (Surplus)/Deficit**	**(1,586)**

NDR Estimated Surplus/Deficit

In January 2019 it was estimated that the NDR element of the collection fund would have a deficit of £0.352m (£10.726m deficit in January 2018). This was collected from the relevant precepting bodies as shown below.

2018/19 £000	Collection of NDR Deficit/Distribution of (Surplus) on Collection Fund	2019/20 £000
5,256	Trafford	348
5,363	Central Government	-
107	Greater Manchester Fire & Rescue Authority	4
10,726	**Estimated Collection Fund (Surplus)/Deficit**	**352**

4. Year End Surplus/Deficit 2019/20

Council Tax

The opening balance for the Collection Fund for 2019/20 regarding Council Tax was £2.184m surplus. The £1.120m surplus which had accrued at the year-end in respect of Council Tax transactions will be distributed in subsequent years to the Council's General Fund, the GMCA – Mayoral Police and Crime Commissioner and the GMCA - Mayoral General Precept (including Fire Services).

2018/19 £000	Allocation of year-end (Surplus)/Deficit on Collection Fund	2019/20 £000
(1,801)	Trafford	(916)
(276)	GMCA Mayoral Police and Crime Commissioner	(142)
(107)	GMCA Mayoral General Precept (including Fire Services).	(62)
(2,184)	**Estimated Collection Fund (Surplus)/Deficit**	**(1,120)**

In the Balance Sheet at 31 March 2020, the Council has included the £1.120m surplus on a disaggregated basis as a Creditor to the GMCA – Mayoral Police and Crime Commissioner and the GMCA – Mayoral General Precept (including Fire Services) to the value of £0.204m, and a £0.916m attributable surplus on the Council Tax Collection Fund balance alongside the General Fund.

Non Domestic Rates

The opening balance for the Collection Fund for 2019/20 regarding NDR was a surplus of £0.141m. The deficit of £0.800m which had accrued at the year-end in respect of the Business Rates transactions will be repaid in subsequent years by the Council's General Fund, the GM Fire and Rescue Authority and Central Government.

2018/19 £000	Allocation of year-end (Surplus)/Deficit on Collection Fund	2019/20 £000
(140)	Trafford	792
(1)	Mayoral General Precept (including Fire Services)	8
(141)	**Estimated Collection Fund (Surplus)/Deficit**	**800**

In the Balance Sheet at 31 March 2020, the Council has included the £0.800m deficit on a disaggregated basis as a Debtor due from the GM Fire & Rescue Authority to the value of £8k, and a £0.792m attributable deficit to the NDR Collection Fund balance alongside the General Fund.

Group Accounts

Introduction

The CIPFA Code of Practice requires that where an Authority has material financial interests and a significant level of control over one or more entities, it should prepare group accounts. The aim of these statements is to give an overall picture of the Council's financial activities and the resources employed in carrying out those activities.

Before group accounts can be produced, the following actions need to be carried out:

• Determine whether the Council has any form of interest in an entity

• Assess the nature of the relationship between the Council and the entity

Classification of Group Entities

The Council has relationships with a number of entities over which it has varying degrees of control or influence. The Code of Practice requires these to be classified into the categories of subsidiaries, associates and joint ventures. The meanings of these are outlined below.

Subsidiary

An entity is a subsidiary of the reporting Council, if the Council is able to exercise control over the operating and financial policies of the entity and the Council is able to gain benefits from the entity or is exposed to the risk of potential losses arising from this control

Associates

An entity is an associate of the reporting Council, if the Council has significant influence over the entity.

Joint Venture

An entity in which the reporting Council has an interest on a long term basis and which is jointly controlled by the reporting Council and one or more other entities under a contractual or other binding arrangement.

Inclusion within the Group Accounts

The following entities are classified as subsidiaries of the Council:

Trafford Leisure CIC

The Council has a business relationship with one entity over which it has significant control or influence. From October 2015 the services provided by Trafford Community Leisure Trust were transferred into a Community Interest Company (CIC), Trafford Leisure CIC Ltd., wholly owned by the Council.

One other entity called Trafford Youth Trust, which was established on 11th March 2016 for the provision of Youth Services, has been excluded from Group Accounts on the grounds of materiality.

The following entity has been deemed to be classified as a Joint Venture of the Council, as it is jointly controlled with one or more entities under a contractual or other binding agreement.

Trafford Bruntwood LLP

As part of its investment Strategy, on 20 March 2018 the Council set up a Limited Liability Partnership, joint venture with K Site Ltd called Trafford Bruntwood LLP. The entity will be responsible for the redevelopment of the former Kelloggs headquarters site at Talbot Road, Stretford in line with the Civic Quarter Masterplan for the wider area. K Site Ltd is a wholly owned subsidiary of Bruntwood Development Holdings Ltd.

On 9th April 2018, the LLP purchased the former Kelloggs site and shortly after refurbishment work commenced to transform the site into a suitable building to host the University of Lancaster and Education 92 Limited (UA92) university, focussing on sports, media and management.

Trafford Bruntwood (Stretford Mall) and Trafford Bruntwood (Stamford Quarter)

On 4th July 2019 the Council set up two more joint venture companies with Bruntwood Development Holdings Ltd called Trafford Bruntwood (Stretford Mall) and Trafford Bruntwood (Stamford Quarter) as part of its master plans for town centre regeneration.

All three Joint Ventures operate on the same framework with both Trafford Council and K Site Ltd/Bruntwood Development Holding Ltd being issued with 1 share each in each JV. Each party has a total of three directors on the management board, with resolutions requiring to be passed by a majority vote.

Group Comprehensive Income and Expenditure Statement

This statement sets out the income and expenditure relating to the Council and its subsidiary, as a whole, together with any appropriations to reserves.

2018/19			Year ended 31 March	2019/20			
Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Service	Note	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
198,816	(158,402)	40,414	Children's Services		233,265	(166,798)	66,467
97,923	(37,848)	60,075	Adults Services		109,088	(41,531)	67,557
54,540	(25,829)	28,711	Place		61,534	(31,572)	29,962
11,604	(2,920)	8,684	Governance and Community Strategy		12,733	(2,960)	9,773
13,431	(3,883)	9,548	Finance and Systems		14,927	(4,007)	10,920
8,221	(4,964)	3,257	People and Traded Services		9,243	(4,920)	4,323
57,330	(52,196)	5,134	Council-wide		54,348	(48,775)	5,573
441,865	**(286,042)**	**155,823**	**Cost of Services**		**495,138**	**(300,563)**	**194,575**
41,478	(5,566)	35,912	Other Operating Expenditure		35,906	(2,046)	33,860
51,000	(34,423)	16,577	Financing and Investment Income and Expenditure		39,950	(46,467)	(6,517)
	(190,346)	(190,346)	Taxation and Non-Specific Grant Income and Expenditure			(194,366)	(194,366)
		17,966	**(Surplus) or Deficit on Provision of Services**				**27,551**
		117	Share of operating results of Joint Ventures	G4			(636)
		(12)	Tax expense/(Deferred Tax) of subsidiary				**124**
		0	Tax expenses of Joint Ventures	G4			0
		18,071	**Group (Surplus) or Deficit**				**27,039**
		(24,508)	(Surplus) or Deficit on Revaluation of Property, Plant and Equipment Assets				(35,010)
		(800)	(Surplus) or Deficit on Revaluation of Financial Instruments				22,500
		41,248	Re-measurement of Net Defined Benefit / Liability				(56,326)

2018/19			Year ended 31 March	2019/20			
Gross Expenditure £000	**Gross Income £000**	**Net Expenditure £000**	**Service**	**Note**	**Gross Expenditure £000**	**Gross Income £000**	**Net Expenditure £000**
			Share of Other comprehensive Income and Expenditure of Associates and Joint Ventures				169
		15,940	**Other Comprehensive (Income) and Expenditure**				**(68,667)**
		34,011	**Total Comprehensive (Income) and Expenditure**				**(41,628)**

Group Balance Sheet

The Group Balance Sheet summarises the financial position of the Council and its subsidiary as a whole. It shows the value of group assets and liabilities at the end of the financial year.

Restated 31 March 2019 £000		Note	31 March 2020 £000
484,316	Property, Plant & Equipment		511,021
996	Heritage Assets		991
110,364	Investment Property		113,521
4,693	Intangible Assets		5,133
57,741	Long Term Investments		36,932
8,925	Long-term investments in Joint Ventures	G5	35,991
31,153	Long Term Debtors		136,546
698,188	**Long Term Assets**		**840,135**
50,777	Short Term Investments		50,694
7,534	Assets Held for Sale		2,950
93	Inventories		379
32,596	Short Term Debtors		80,528
33,723	Cash and Cash Equivalents		45,244
124,723	**Current Assets**		**179,795**
(6,285)	Short Term Borrowing		(35,423)
(55,919)	Short Term Creditors		(68,882)
(30,396)	Short Term Provisions		(29,814)
(1,292)	Grants Receipts in Advance (Revenue)		(1,409)
(1,248)	Grants Receipts in Advance (Capital)		(1,395)

Restated 31 March 2019 £000		Note	31 March 2020 £000
(95,140)	**Current Liabilities**		**(136,923)**
(36)	Long Term Creditors		(36)
(12,310)	Provisions		(14,208)
(216,690)	Long Term Borrowing		(344,580)
(113)	Revenue Grants & Contributions – Long-Term Receipts in Advance (REFCUS)		(113)
(7,352)	Grant Receipts in Advance (Capital)		(11,787)
(276,580)	Other Long Term Liabilities – Pensions		(257,556)
(9,194)	Other long-term liabilities – Deferred		(8,131)
(522,276)	**Long Term Liabilities**		**(636,411)**
205,496	**Net assets**		**246,596**
(7,000)	General Fund Balance		(7,000)
(53,814)	Earmarked General Fund Reserves (*)		(63,186)
(703)	Capital Receipts Reserve		(303)
(3)	Revenue Grants Unapplied (REFCUS)		(3)
(10,827)	Capital Grants Unapplied		(20,863)
(86)	* Council's Share of Reserves of Subsidiary and Joint Ventures (Usable)	**G6**	348
(72,433)	**Usable Reserves**		**(91,007)**
(67,879)	Revaluation Reserve		(95,175)
(42,528)	Financial Instruments Revaluation Reserve		(19,848)
(329,357)	Capital Adjustment Account		(317,792)
16,164	Financial Instruments Adjustment Account		15,609
288,691	Pensions Reserve	**G6**	257,556
(1,941)	Collection Fund Adjustment Account		(124)
3,787	Accumulated Absences Account		4,018
0	* Council's Share of Reserves of Subsidiary and Joint Ventures (Usable)		167
(133,063)	**Unusable Reserves**		**(155,589)**

Restated 31 March 2019 £000		Note	31 March 2020 £000
(205,496)	Total Reserves		(246,596)

Group Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Group, analysed into usable reserves (i.e. those that can be applied to fund expenditure) and other reserves. The 'Surplus or Deficit on the Provision of Services' line shows the true economic cost of providing the Group'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 for Council Tax setting and dwellings rent setting purposes.

	General Fund Balance £000	Earmarked General Fund Reserves £000	Total General Fund Balance £000	Capital Receipts Reserve £000	Revenue Grants Unapplied £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Council's Share of Subsidiaries and Joint Ventures £000	Total Council Reserves £000
Balance as at 31 March 2019	**(7,000)**	**(53,814)**	**(60,814)**	**(703)**	**(3)**	**(10,827)**	**(72,347)**	**(133,988)**	**840**	**(205,495)**
MOVEMENT IN RESERVES DURING 2019/20										
(Surplus) or deficit on the provision of services	26,969	0	26,969	0	0	0	29,727	0	71	27,040
Other Comprehensive Income and Expenditure								(68,261)	(448)	(68,836)
Total Comprehensive Income and Expenditure	**26,969**	**0**	**26,969**	**0**	**0**	**0**	**29,727**	**(68,261)**	**(376)**	**(34,965)**
Adjustments between accounting basis & funding basis under regulations	(36,340)	0	(36,340)	400	0	(10,035)	(48,734)	(45,976)	0	0
Net (Increase)/Decrease before transfers to Earmarked Reserves	**(9,372)**	**0**	**(9,372)**	**400**	**0**	**(10,035)**	**(19,007)**	**(22,285)**	**(376)**	**(41,669)**
Transfers (to)/from Earmarked Reserves	9,372	(9,372)	0	0	0	0	0	0	571	571
(Increase)/Decrease in 2019/20	**0**	**(9,372)**	**(9,372)**	**400**	**0**	**(10,035)**	**(19,007)**	**(22,285)**	**194**	**(41,098)**

Balance as at 31 March 2020	**(7,000)**	**(63,186)**	**(70,186)**	**(303)**	**(3)**	**(20,863)**	**(91,355)**	**(156,273)**	**1,034**	**(246,594)**

	General Fund Balance £000	Earmarked General Fund Reserves £000	Total General Fund Balance £000	Capital Receipts Reserve £000	Revenue Grants Unapplied £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Council's Share of Subsidiaries and Joint Ventures £000	Total Council Reserves £000
Balance as at 31 March 2018	**(6,000)**	**(52,459)**	**(58,459)**	**(6,603)**	**(219)**	**(9,727)**	**(75,009)**	**(164,937)**	**441**	**(239,505)**
MOVEMENT IN RESERVES DURING 2018/19										
(Surplus) or deficit on the provision of services	17,866	0	17,866	0	0	0	17,866	0	204	18,070
Other Comprehensive Income and Expenditure								15,745	195	15,940
Total Comprehensive Income and Expenditure	**17,866**	**0**	**17,866**	**0**	**0**	**0**	**17,866**	**15,745**	**399**	**34,010**
Adjustments between accounting basis & funding basis under regulations	(20,221)	0	(20,221)	5,901	216	(1,100)	(15,204)	15,204	0	0
Net (Increase)/Decrease before transfers to Earmarked Reserves	**(2,355)**	**0**	**(2,355)**	**5,901**	**216**	**(1,100)**	**2,662**	**30,949**	**399**	**34,010**
Transfers (to)/from Earmarked Reserves	1,355	(1,355)	0	0	0	0	0	0	0	0
(Increase)/Decrease in 2018/19	**(1,000)**	**(1,355)**	**(2,355)**	**5,901**	**216**	**(1,100)**	**2,662**	**30,949**	**399**	**34,010**
Balance as at 31 March 2019	**(7,000)**	**(53,814)**	**(60,814)**	**(703)**	**(3)**	**(10,827)**	**(72,347)**	**(133,988)**	**840**	**(205,495)**

Group Cash Flow Statement

The Group Cash Flow Statement summarises the cash flows of the Council and its subsidiary during the year.

2018/19 £000	Year Ended 31 March	2019/20 £000
17,954	Net (surplus) or deficit on the provision of services	27,676
(50,465)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(30,891)
20,732	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	21,858
(11,779)	**Net cash flows from Operating Activities**	**18,643**
87,741	Investing Activities	139,308
(55,381)	Financing Activities	(157,362)
(12,081)	Net Cash flows from Advanced Pension Contribution	(12,111)
8,500	**Net (increase) or decrease in cash and cash equivalents**	**(11,521)**
(42,223)	Cash and cash equivalents at the beginning of the reporting period	(33,723)
(33,723)	**Cash & cash equivalents at the end of reporting period**	**(45,244)**

Explanatory Notes to the Group Accounts

Where figures in the group accounts differ materially from the Council's accounts, the relevant explanatory notes have been prepared on a consolidated basis. The notes below give information on the areas that have materially changed on consolidation of the group entities into the Council's accounts.

G1. Group Accounting Policies

The Accounting Policies of the Council's subsidiary and Joint Venture companies have been aligned with the Council's Accounting Policies contained in Note 3. Any statutory adjustments between accounting basis and funding basis included in the Council's Accounting Policies do not apply to the subsidiary company or Joint Venture. Notes within the group accounts have not been provided except where there are material differences to those provided in Note 3.

As a subsidiary, Trafford Leisure CIC Limited has been consolidated on a line by line basis with all intra-group transactions and balances removed.

Further information and full financial statements for Trafford Leisure CIC Ltd. can be found through the Companies House website, company registration number 9764023.

As Joint Ventures, Trafford Bruntwood LLP, Trafford Bruntwood (Stretford Mall) and Trafford Bruntwood (Stamford Quarter) have been consolidated using the equity method. The investments are shown under a separate line in the group balance sheet and adjusted by the Council's share (50%) in the joint venture's net asset movement since acquisition. The Council's share of the joint ventures' operating results for the year are included within the group income and expenditure account.

Further information and full financial statements for Trafford Bruntwood LLP can be found through the Companies House website, company registration number OC421552. Trafford Bruntwood (Stretford Mall) company registration OC427924 and Trafford Bruntwood (Stamford Quarter) company registration OC427930 have not been trading for a full year and therefore have not yet submitted any statutory accounts

All three JV's operate on a financial year ending on 30th September which coincides with the reporting period of Bruntwood (K Site Ltd) and Bruntwood Development Holdings Limited who have taken the lead role in the preparation of the statutory accounts. Accounting practice dictates that where the accounting period is more than three months before or three months after 31 March, then it will be mandatory for interim statements to be prepared as a basis for the group accounts.

For Trafford Bruntwood LLP, the statutory accounts for the year to 30th September 2019 have been combined with the interim management accounts for the period 1st October 2019 to 31st March 2020 to give an average 12 month trading period, with the interim management accounts balance sheet being used for the period ending 31st March 2020.

For both Bruntwood (Stretford Mall) and Bruntwood (Stamford Quarter), management accounts for the period to 31st March 2020 have been used to prepare the Group Accounts.

The assets of Trafford Bruntwood have been valued using a fair value based on the initial purchase price of the land and building plus an uplift based on the expenditure incurred on the building refurbishment up to 31st March 2020.

G2. Bodies Not Consolidated

The following have not been consolidated into Group Accounts.

Entity	Reason
Trust Youth Trafford	Subsidiary although not material

Further details can be found in Note 42. Related Parties.

G3. Group Defined Benefit Pension Schemes

Transactions Relating to Post-employment Benefits

The following transactions have been made in the Group Comprehensive Income and Expenditure Statement and the General Fund Balance through the Group Movement in Reserves Statement during the year: Further details relating to the Council's pension schemes can be found in Notes 49 and 50.

2018/19 £000		2019/20 £000
COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT		
	Cost of Services:	
	Service Cost comprising:	
26,763	• current service cost	33,216
236	• past service costs	1,498
0	• (gain)/loss from settlements	0
	Financing and Investment Income and Expenditure:	
5,884	• net interest cost	6,999
32,883	***Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services***	**41,713**
0	*Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement*	0
	Re-measurement of the net defined benefit liability comprising:	
(32,843)	• Return on plan assets (excluding the amount included in the net interest cost)	23,265
0	• Actuarial gains and losses arising on changes in demographic assumptions	0
73,326	• Actuarial gains and losses arising on changes in financial assumptions	(78,785)
765	• Other	30,085
74,131	**Total Post Employment Benefit Charged to the Comprehensive Income & Expenditure Statement**	**16,278**
	Movement in Reserve Statement	
(17,202)	• reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(25,022)

	Actual amount charged against the General Fund Balance for pensions in the year:	
13,656	• employers' contributions payable to scheme	14,091
2,304	• retirement benefits payable to pensioners	2,304

Pensions Assets and Liabilities Recognised in the Balance Sheet

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

2018/19 £000		2019/20 £000
(1,013,399)	Present value of the defined benefit obligation	(967,927)
736,819	Fair value of plan assets	710,371
(276,580)	**Net Liability arising from defined benefit obligation**	**(257,556)**

Reconciliation of the Movements in the Fair Value of Scheme Assets

2018/19 £000		2019/20 £000
703,242	Opening fair value of scheme assets	736,819
0	Effect of Settlements	0
18,721	Interest income	17,478
	Re-measurement gain/(loss):	
32,843	• The return on plan assets, excluding the amount included in the net interest expense • Other	(23,265)
3,459	Contributions from employer	4,411
4,462	Contributions from employees into the scheme	4,717
(26,008)	Benefits paid	(29,789)
736,719	**Closing fair value of scheme assets**	**710,371**

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

2018/19 £000		2019/20 £000
909,250	Opening present value of scheme liabilities	1,013,399
26,763	Current service costs	33,216
0	Effect of Settlements	0
24,605	Interest costs	24,477
4,462	Contributions from scheme participants	4,717
	Re-measurement (gains) and losses:	
0	• Actuarial gains/losses arising from changes in demographic assumptions	(30,891)
73,326	• Actuarial gains/losses arising from changes in financial assumptions	(78,785)
765	• Other	30,085
236	Past service cost	1,498
(26,008)	Benefits paid	(29,789)
1,013,399	**Closing present value of scheme liabilities**	**967,927**

Pension Scheme Assets

	31 March 2019 £000	31 March 2020 £000
Equities	69%	69%
Bonds	15%	15%
Property	8%	7%
Cash	8%	9%
Total	**100%**	**100%**

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. Both the Council and Trafford Leisure CIC Ltd. have engaged Hymans Robertson LLP, an independent firm of actuaries to assess their respective pension schemes, estimates being based on the latest full valuation of the scheme as at 31 March 2020 for both Trafford Leisure CIC Ltd. and Trafford Council.

The significant assumptions (for Trafford Leisure CIC Ltd.) used by the actuary have been:

2018/19	Trafford Leisure CIC Ltd. - Mortality assumptions:	2019/20
	Longevity at 65 for current pensioners:	
21.5 years	• men	20.5 years
24.1 years	• women	23.1 years
	Longevity at 65 for future pensioners:	
23.7 years	• men	22.0 years
26.2 years	• women	25.0 years
2.4%	Rate of inflation	1.8%
3.2%	Rate of increase in salaries	2.6%
2.4%	Rate of increase in pensions	1.8%
2.5%	Rate for discounting scheme liabilities	2.3%

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

The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit cost method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in 2018/19.

Trafford Leisure CIC Ltd. - Change in assumptions at 31 March 2020:	Approximate % increase to Employer Liability	Approximate monetary amount £000
0.5% decrease in real discount rate	12%	585
0.5% increase in the salary increase rate	2%	116
0.5% increase in the pension increase rate	10%	460

The significant assumptions used to assess the Council's Pension scheme assets and liabilities can be found in Note 50, along with an associated sensitivity analysis.

G4 Surplus Attributable to Joint Ventures

This figure represents the total surplus/ deficit attributable to Trafford Bruntwood LLP in 2018/19 and the combined surplus/deficit for the three JV's Bruntwood LLP, Stretford Mall and Stamford Quarter in 2019/20:

2018/19 £000	2018/19 Trafford Council Share at 50% £000		2019/20 £000	2019/20 Trafford Council Share at 50% £000
10		Turnover	2,725	
(198)		Cost of Sales	(920)	
(188)		**Gross Profit/(Loss)**	1,805	
(45)		Administrative Expenses	(532)	
0		Other Operating Income	0	
(233)	**(117)**	**Profit/ (Loss) before Taxation**	**1,272**	**636**
0	0	Taxation	0	
(233)	**(117)**	**Profit/ (Loss) for the Period before Taxation**	**1,272**	**636**
		Other Comprehensive Income		
0	0	Surplus or Deficit on revaluation of non-current assets	(339)	(169)
(233)	**(117)**	**Total Comprehensive income for the period**	**933**	**467**

G5. Investments in Joint Ventures

2018/19 £000		2019/20 £000
	Investment in Joint Ventures	
9,041	Trafford Bruntwood LLP	10,642
0	Trafford Bruntwood (Stretford Mall)	8,621
0	Trafford Bruntwood (Stamford Quarter)	16,907
9,041	Total Investment	**36,170**
(117)	Share of Accumulated profit/(loss)	(179)
8,924		**35,991**

Summary balance sheet of Joint Ventures

2018/19 £000		2019/20 £000
16,894	Fixed Assets	71,634
2,444	Current Assets	4,241
(1,490)	Creditors : Amounts falling due within one year	(3,895)
17,848	**Net Assets/ (Liabilities)**	**71,980**
	Reserves :-	
9,040.5	Members Capital – Bruntwood Holdings/ K Site	36,168
9,040.5	Members Capital – Trafford	36,168
	Other Reserves (Dividend Distribution)	(1,141)
	Other Reserves	(334)
(233)	Profit /(Loss) Reserve	1,119
17,848	**Total Reserves**	**71,980**

G6. Group Reserves

2018/19 £000		2019/20 £000
	Usable Reserves	
(72,347)	Trafford Council (i)	(91,354)
	Unusable Reserves	
(133,988)	Trafford Council (i)	(156,274)
(206,335)	**Sub-Total Trafford Reserves**	**(247,628)**
	Group Usable Reserves	
(202)	Trafford Leisure CIC – Usable	336
116	Trafford Bruntwood – Usable	12
(86)	**Sub-Total Group Usable Reserves**	**348**
	Group Unusable Reserves	
925	Trafford Leisure CIC – Unusable (ii)	517
0	Trafford Bruntwood – Unusable	167
925	**Sub-Total Group Unusable Reserves**	684
839	**Group Income and Expenditure Reserves**	1,032
(205,496)	**Total Reserves**	**(246,596)**

(i) Further detail can be found in the Council's accounts Notes 26 and 27

(ii) Unusable reserves of £0.517m for Trafford Leisure CIC relates to their Pension Reserve. The consolidated balance sheet figure of £257.6m consists of Trafford Councils Pension Reserve and Trafford Leisure CIC (£257.0m + £0.517m)

Glossary

Actuarial Gains and Losses

Over a reporting period, these consist of:
(A) Experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred, including reflection of any funding valuation which has taken place since the last report); and
(B) the effects of changes in actuarial assumptions (split between financial and demographic).

Better Care Fund

The BCF was announced by the Government in the June 2013 spending round to ensure a transformation in health and social care. The BCF creates a pooled budget between the Council and the Clinical Commissioning Group (CCG).

Capital Financing Charges

The annual charge to the revenue accounts in respect of interest and principal repayments of borrowed money together with leasing rentals.

Capital Financing Requirement

This reflects the Council's underlying need to borrow for a capital purpose. It forms a basis for calculating the minimum revenue provision (MRP), which is the amount required to be set aside as provision to repay debt.

Capital Grants

Grants received towards capital outlay on a particular service or project.

Capital Receipts

Money received from the sale of surplus assets such as land or buildings that is used for new capital expenditure or to repay debt.

Carrying Amount

This equates to the level of principal outstanding on loans and investments together with any accrued interest.

CIPFA/LASAAC

The Chartered Institute of Public Finance and Accountancy/Local Authority (Scotland) Accounts Advisory Committee is the body responsible for preparing, maintaining, developing and issuing the Code of Practice on Local Authority Accounting for the United Kingdom.

Collection Fund

The Collection Fund records transactions in respect of the council tax, community charge and non-domestic rates receipts and illustrates the way in which these have been distributed.

Community Assets

Non-current assets that an authority intends to hold in perpetuity and have no determinable useful life.

Coupon Rate

The interest rate stated, expressed as a percentage of the principal (face value).

Creditors

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

Current Service Cost (Pensions)

The increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Curtailment

For a defined benefit scheme, an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service.

Curtailments include:

Termination of employees' service earlier than expected, for example as a result of closing a factory or discontinuing a segment of a business, and termination of, or amendment to the terms of, a defined benefit scheme so that some or all future service by current employees will no longer qualify for benefits or will qualify only for reduced benefits.

DfE (Department for Education)

This is the Government department responsible primarily for schools. It administers the majority of funding for schools including Dedicated Schools Grant, the major form of financial support.

Debtors

Sums of money due to the Council but which are unpaid at the date of the balance sheet

Deferred Debtors/Deferred Capital Receipts

Corresponding entries relating to sums due at some time in the future, for example from the sale of council houses purchased with the help of mortgages granted by the Council.

Defined Benefit Scheme

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

Defined Contribution Scheme

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

Depreciation/Amortisation

An amount charged to revenue accounts to represent the wearing out of non-current assets.

Direct Service Organisation (DSO)

The in-house team which has won a contract to carry out work, or provide a service following a competitive tendering process.

Discretionary Benefits

Retirement benefits which the employer has no legal, contractual or constructive obligation to award and which are awarded under the authority's discretionary powers.

Effective Interest Rate

The rate at which debt charges are applied to the comprehensive income and expenditure statement.

Financial Instruments

The term covers both financial assets and liabilities. The borrowing, service concession arrangements (PFI & finance leases) and investment transactions are classified as financial instruments.

General Fund

The main revenue account of the Council into which the Council's precept from the Collection Fund and specific Government grants are paid and from which is met the cost of providing services.

Greater Manchester Combined Authority (GMCA)

Created by the Local Government, Economic Development and Construction Act, the Greater Manchester Combined Authority (GMCA) assumed its powers and duties on 1 April 2011. It took over the functions previously the responsibility of the Greater Manchester Integrated Transport Authority (GMITA), which it replaced. It also took over responsibility for transport planning, traffic control and wide loads, assumed responsibility for the transportation resources allocated to the Greater Manchester region and regional economic development functions.

Greater Manchester Waste Disposal Authority (GMWDA)

This is a levying Authority that provides waste disposal strategy, policy and services to nine of the AGMA Councils.

Heritage Assets

Heritage assets are assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical value.

Impairment

A reduction in the recoverable amount of a non-current asset. An impairment charge can be caused by a clear consumption of economic benefits or by a general fall in prices.

Income

Amounts which an authority receives, or expects to receive, from any source. Income includes fees, charges, sales and Government grants. The term "income" implies that the figures concerned relate to amounts due in a financial year irrespective of whether or not money was actually received during that year (i.e. on an accruals basis).

Indemnified

To protect against damage, loss or injury; insure.

Infrastructure Assets

Those non-current assets from which benefit can be obtained only by continued use of the asset created e.g. highways, footpaths and bridges.

Interest Costs (Pensions)

For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

Investments (Pension Fund)

The investments of the Pension Fund will be accounted for in the statements of that fund. However authorities (other than town parish and community councils and district councils in Northern Ireland) are also required to disclose, as part of the transitional disclosures relating to benefits, the attributable share of pension scheme assets associated with their underlying obligations.

MHCLG (Ministry of Housing, Communities & Local Government)

This is the Government department which has the main responsibility for Local Government.

NDR

The form of local taxation charged on non-residential premises at a level set by the Government. As part of the grant distribution system (the Business Rates Retention Scheme) business rates are collected and a share retained by the local authority and the balance paid to the local preceptor.

Business Rate Pool

Trafford continues to be part of the Greater Manchester & Cheshire business rates pool, consisting of the ten Greater Manchester councils plus Cheshire East, Cheshire West and Chester.

Past Service Cost

The change in present value of the defined benefit obligation for employee service in prior periods resulting from a plan amendment (the defined benefit plan) or a curtailment (a significant reduction by the entity in the number of employees covered by the plan).

Precept

The amount levied by one authority which is collected on its behalf by another.

Present value of defined benefit obligation

The present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

Private Finance Initiative

An agreement with the private sector to design, build and operate facilities specified by an authority in return for an annual payment.

Projected Unit Method

An accrued benefits valuation method in which the scheme liabilities make allowances for projected earnings. An accrued benefits valuation method is a valuation method in which the scheme liabilities at the valuation date relate to:

the benefits for pensioners and deferred pensioners (i.e. individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependants, allowing where appropriate for future increases, and the accrued benefits for members in service on the valuation date.

Provisions

Sums set aside for losses or liabilities which are certain to arise but cannot be quantified with certainty.

Reserves

Amounts set aside to meet future costs.

Retirement Benefits

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment. Retirement benefits do not include termination benefits payable as a result of either (i) an employer's decision to terminate an employee's employment before the normal retirement date, or (ii) an employee's decision to accept voluntary redundancy in exchange for those benefits, because these are not given in exchange for services rendered by employees.

Revenue Expenditure Funded from Capital under Statute (REFCUS)

Capital expenditure which does not produce a tangible asset (e.g. improvement grants or other expenditure on assets the authority does not own). These are charged directly to revenue in the year expenditure is incurred but are treated as capital for control purposes.

Revenue Contributions

Refers to the financing of capital expenditure directly from revenue in one year rather than from loan or other sources.

Revenue Expenditure

Recurring expenditure on day to day expenses such as employees, running expenses of buildings, equipment and capital financing costs.

Scheme Liabilities

The liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflects the benefits that the employer is committed to provide for service up to the valuation date.

Settlement

Occurs when an entity enters into a transaction that eliminates all further legal or constructive obligation for part or all of the benefits provided under a defined benefit plan, for example, when a lump- sum cash payment is made to, or on behalf of, plan participants in exchange for their rights to receive specified post-employment benefits.

Soft Loan

This is where loan is either given to or received from an external organisation or individual at conditions which are more favourable than market rates.

Stepped Interest Rate Loans

A loan agreement where one rate of interest applies for the primary period of the loan and another rate for the remainder, or secondary period.

Trust Funds

Funds administered by the Council on behalf of others, for purposes such as prizes, charities, specific projects, and on behalf of minors.

Unsupported Borrowing

Borrowing undertaken to finance capital expenditure where the related debt costs are paid for by the authority or from other income.

Vested Rights

In relation to a defined benefit scheme, these are:

- for active members, benefits to which they would unconditionally be entitled on leaving the scheme:
- for deferred pensioners, their preserved benefits:
- for pensioners, pensions to which they are entitled