



TRAFFORD
COUNCIL

**AGENDA PAPERS MARKED 'TO FOLLOW' FOR
ACCOUNTS AND AUDIT COMMITTEE**

Date: Thursday, 25 September 2014

Time: 6.30 p.m.

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

A G E N D A	PART I	Pages
3.	BENEFIT FRAUD INVESTIGATION ANNUAL REPORT 2013/14	
	To consider a report of the Investigations Manager.	1 - 22
4.	THE AUDIT FINDINGS FOR TRAFFORD COUNCIL - YEAR ENDED 31 MARCH 2014	
	To receive a report from the Council's External Auditor.	23 - 60
5.	ANNUAL STATEMENT OF ACCOUNTS 2013/14	
	To consider a report of the Director of Finance.	61 - 194
8.	REVENUE BUDGET MONITOR	
	To consider the following supplementing reports of the Executive Member for Finance and Director of Finance:	
	(a) <u>Revenue Budget Monitoring 2014/15 – Period 4 (April to July 2014)</u>	
	(b) <u>2014/15 Revenue Budget Re-Alignment</u>	

(Members are requested to refer to their copies of the Agenda for the Executive meeting on 24 September 2014 for the above reports under Agenda Item 7)

11. URGENT BUSINESS (IF ANY)

It is anticipated that the Chairman will:

- (a) move a resolution to exclude the public because of the likelihood of disclosure of “exempt information” which falls within one or more descriptive category or categories of the Local Government Act 1972, Schedule 12A (as amended), as specified below; and
- (b) allow consideration of the following item as a matter of urgency by reason of special circumstances (to be specified):

Forensic Review of Internal Investigation Into Budget Monitoring Arrangements at Trafford Council

(This report is not for publication by virtue of Paragraph 4 of Part 1 of Schedule 12A and the public interest in maintaining the exemption outweighs the public interest in disclosing the information.)

To receive a report of the Council’s External Auditor.

THERESA GRANT
Chief Executive

Membership of the Committee

Councillors Cllr M. Whetton (Chairman), Cllr L. Evans (Vice-Chairman), Cllr J. Baugh, Cllr C. Boyes, Cllr B. Brotherton, Cllr D. Butt and Cllr T. Ross.

Further Information

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

Ian Cockill, Democratic Services Officer
Tel: 0161 912 1387
Email: ian.cockill@trafford.gov.uk

This agenda was issued on **Thursday, 18 September 2014** by the Legal and Democratic Services Section, Trafford Council, Trafford Town Hall; Talbot Road, Stretford, Manchester, M32 0TH

TRAFFORD COUNCIL

Report to: Accounts and Audit Committee
Date: 25 September 2014
Report for: Information
Report of: Investigations Manager (Fraud Investigation Service)

Report Title

Fraud Investigation Service (FIS) : 2013/14 Annual Report

Summary

The report:

- outlines the Councils' responsibilities towards tackling benefit related fraud that has been perpetrated against it; provides details of the teams' performance during the period April 2013 – March 2014;
- provides details of the outcomes of activity over this period; and
- outline the teams' plans for 2014/15.

It is intended that this report will also be forwarded to the Executive and all members of the Council.

Recommendation

The Committee is asked to note the report.

Contact person for access to background papers and further information:

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

Extension: 1323 / 2771

Background Papers:

None



TRAFFORD COUNCIL

Fraud Investigation Service (FIS)

Annual Report

2013-2014

Fraud Investigation Service Annual Report – 2013/2014

INSIDE THIS REPORT

1. Introduction
2. Responsibilities & approach to dealing with benefit fraud
3. Team Performance & statistics
 - 3.1 Planning
 - 3.2 Performance / Outcomes
 - Fraud Investigation
 - Financial Investigation
4. Planned activity for 2014/15

Appendices

Appendix A – Tackling Benefit Fraud Policy Statement

1. **Introduction**

The purpose of this report is to:

- Outline the Council's responsibilities towards tackling fraud that has been perpetrated against it
- Provide details of the team's performance during the period April 2013– March 2014
- Provide details of the outcomes of action that was taken over this period
- Outline the team's plans for 2014/15.

2. **Responsibilities and Approach to Dealing With Benefit Fraud**

2.1 Local Authorities have a statutory duty under section 151 of the Local Government Finance Act 1972 to make arrangements for the proper administration of their financial affairs. This obligation includes a duty to have effective controls and procedures in place to prevent, detect and investigate fraud and error in Housing Benefit and Council Tax Benefit.

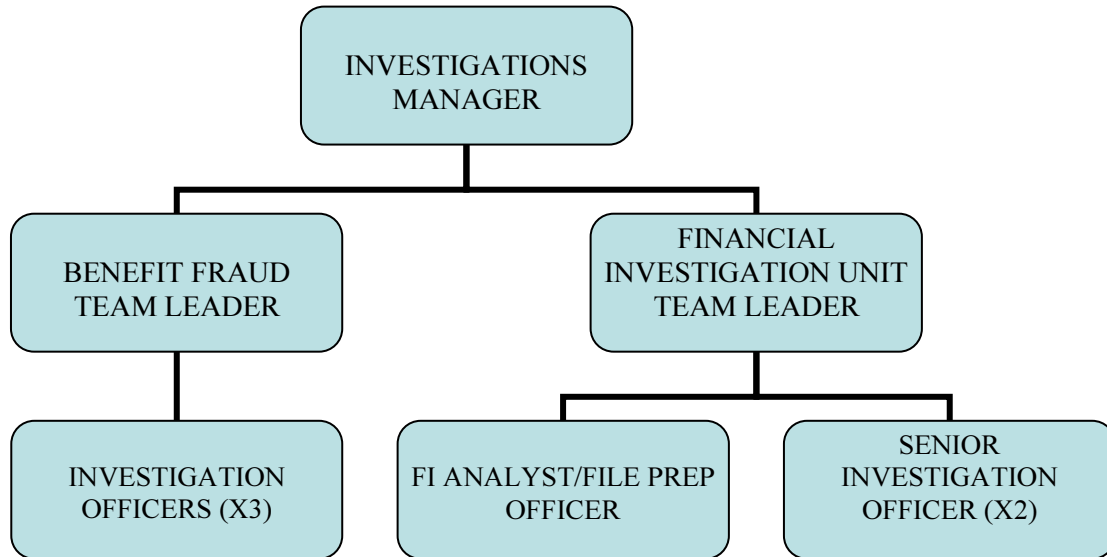
2.2 Preliminary statistics from the Department for Work and Pensions (DWP) estimate that during the period from April 2013 – March 2014, £1.1bn of total state benefits were overpaid to claimants as a result of fraud, which shows the extent of the abuse of the benefits system that is taking place. This shows a reduction from the estimated £1.2bn that was lost through fraud in 2011/12 & 2012/13. It equates to 0.7% of the total amount of benefits paid. Of this amount, nationally, approximately £340m related to Housing Benefit. This equates to 1.4% of the £23.9 bn total expenditure for this benefit.

(Source: DWP report - Fraud & Error in the Benefits System – May 2014)

2.3 The Council has a dedicated Fraud Investigation Service that seeks to address the problem by tackling benefit fraud in various ways. Further details, including methods used are outlined in the attached Appendix A. The level of staffing on the team has remained at the same level since March 2012. The nine people working within the team have also remained the same. The Fraud Investigation team has been located within Stretford Police station since April 2012 as part of the Operation Bank project which sees a number of agencies working alongside GMP to tackle organised crime. This project is discussed in further detail later in this report.

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

The team is currently structured as shown below:



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

3. Team Performance 2013/14

3.1 Planning

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

3.2 Performance / Outcomes

Fraud Investigation Team

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

Performance statistics April 2009– March 2014

3.2.2 Source of fraud referrals

Referrals come from a wide variety of sources and the seven most common types are listed in Table 1. Last year saw a slight reduction in the number of referrals received compared to 2012/13 (10 %). It did, however, see a significant increase in the number of referrals from the Benefits Service as a result of reviews undertaken that have highlighted a number of claims where the claimants had failed to report changes in their income details. There also was a noticeable increase in the number of referrals from the public – which may be as a result of the recession, with members of the public who may be struggling financially becoming increasingly disgruntled when they see people abusing the benefits system.

Table 1 – Source of Fraud Referrals

	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014
Housing benefit and council tax benefit staff (HB/CTB)	20.51%	22.83%	19.86%	33.99%	38.29%
Department for Work and Pension staff (DWP)	6.41%	8.23%	5.79%	6.31%	4.96%
Housing Benefit Matching Service (HBMS)	38.89%	22.41%	30.9%	20.31%	2.05%
Proactive work	0.71%	5.67%	5.38%	4.46%	4.79%
Anonymous calls/letters	21.65%	29.23%	25.1%	22.92%	30.59%
National Fraud Initiative	4.99%	3.69%	3.86%	0	8.03%
Police	n/a	n/a	2.76%	6.61%	6.66%
Other Sources	6.84%	7.94%	6.35%	5.4%	4.63%
Total Received	702	705	725	650	585

3.2.3 Preventing, Detecting and investigating fraud

The statistics below show the success that the fraud team has had in detecting fraud and identifying amounts of benefit that have been fraudulently claimed in the last five years. Figures for last year show a slight reduction in the number of investigations completed (7.4%) but once again there was a further significant increase in the total overpayments identified than the amount identified in 2012-13. **The level of fraud overpayments identified as a result of investigations undertaken was the highest amount since the team was set up, (£890.2k)** exceeding the previous highest figure set in 2012-13. This further proves the success in conducting more complex and in depth investigations which are consequently identifying higher levels of overpayments in many cases. This is a trend that has continued for the last few years.

The Audit Commission “Protecting the Public Purse Fraud Briefing 2013” refers to the average levels of overpayments amongst Northern authorities in 2012/13. Their statistics showed that the average fraud identified in relation to Housing & Council Tax Benefit was just over £2k. The average level of overpayment that Trafford has identified for these benefits came to £6.3k – showing further evidence of the team’s ability to cover more serious offences rather than target low value / high volume cases. The average level of overpayment per case that is successfully concluded has risen over the years and is now at its highest level compared to previous years. There were 13 cases where the level of overpayment identified exceeded £20k.

It is the Council’s policy to issue press releases in relation to all prosecutions successfully completed. These are then published on the Council’s website and in the local media. They are issued to give confidence to the public that the Council is serious in tackling benefit fraud. These releases, coupled with the overpayment recovery procedure that the Council employs, act as a deterrent to members of the public who may be engaged in such activity. It is not uncommon for claimants who have been found to have been claiming falsely to show more concern about having their names published on conviction than the sentence that any court may impose against them. The press releases also contain a hotline number for people to call if they wish to report any members of the public that they believe may be claiming benefits to which they are not entitled.

At the beginning of the year the team was set a target to identify overpayments to a total value of £600k (this includes all national benefits) which the team managed to achieve. Once identified, the Council always seeks to recover any fraud overpayments from the claimant, as well as imposing sanctions as appropriate. The Authority is able to claim a 40% subsidy on all such overpayments, which, if recovered, provides an income stream. Housing and Council Tax benefits accounted for £564k of the £890k identified as being fraudulently obtained. This means that, providing full recovery of these amounts are made, the Council would be able to claim an additional subsidy income of £225k. Details are shown in Tables 2 and 3.

Table 2 – No. Of Completed Investigations

	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014
Number of cases investigated	352	611	448	498	461

Table 3 – Value of Fraud Identified

	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014
Value of fraud identified	£410,128.45	£512,413.54	£619,052.82	£643,891.77	£890,238.19
Average overpayment per sanction/prosecution	£5126.61	£5958.30	£7836.11	£8255.02	£10,002.67

3.2.4 Applying sanctions

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

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

Action is taken in accordance with our Benefit Fraud Sanctions Policy. Table 4 sets out the number of sanctions imposed by the team over the last five years.

Table 4- Number of Sanctions Achieved

	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014
Total cautions accepted	23	23	25	18	11
Total admin penalties accepted	21	21	14	14	16
Total prosecutions achieved	36	42	40	46	62
Total No of Sanctions	80	86	79	78	89

The statistics in Table 4 show an increase in sanctions in 2013/14, which was the highest total achieved since 2008. The last 12 months has seen a continuation in the pattern from previous years of more serious benefit fraud offences being identified. There was a 34.78 % increase in the level of prosecutions completed – easily the highest that the team has ever achieved – which counted for 69.66% of the total sanctions/prosecutions achieved compared to 45% back in 2008-9.

3.2.5 Ensuring that resources are available to tackle fraud

Table 5- Number of Counter Fraud Specialists

	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014
Number of counter fraud specialists employed on the team	4.5	4.5	4.5	4.5	4.5

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

3.2.6 Types of fraud

Table 6- Analysis by Type of Fraud

	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014
Percentage of working and claiming cases	43.8%	45.4%	57%	30.8%	19.1%
Percentage of living together as husband and wife cases	11.3%	14.0 %	10.1%	20.5%	18.0%
Percentage of undeclared income cases	16.3%	17.4 %	12.7%	12.8%	30.3%
Undeclared Non-dependants	0%	1.2%	2.5%	1.3%	3.4%
Non Residency	8.8%	9.3%	6.3%	11.5%	10.1%
Tenancy Fraud	0%	3.5%	1.3%	7.7%	10.1%
Undeclared capital	11.3%	9.2%	7.6%	15.4%	7.9%
Other	8.5%	0%	2.5%	0%	1.1%

The figures in Table 6 show the most common types of fraud uncovered by the team over the last 5 years. It is noticeable that there has been a major increase in the last 12 months in the number of claimants who have been

found to have failed to declare their true income. This was largely due to a large amount of cases which identified that claimants, whilst declaring that they were working, had either failed to declare the true level of their earnings at the time they made their claim or failed to report changes in their circumstances which had resulted in their earnings increasing.

The type of fraud which led to the highest amount of overpayments related to claims where it was identified that claimants had failed to declare that they had a partner residing with them. This accounted for nearly a third of the total level of overpayments identified – with one such case alone resulting in a total overpayment (including DWP benefits) of £68,988 being identified. This related to a lady who had been claiming Housing/Council Tax benefit as well as Income Support and Job seekers allowance for a number of years. The investigation identified that she had actually married in 2006 but continued to claim on the basis that she was a single parent for a further five years. Despite the weight of evidence obtained, she denied that her partner was living with her but pleaded guilty on the day her trial was due to begin. She was given a 20 Week Custodial sentence suspended for 12 Months.

Another significant overpayment was identified in the case of a male who had been claiming Housing and Council Tax benefit since 2002 on the basis that he was the tenant of an address which he actually owned. Not only therefore was his Housing benefit claim shown to be false, it was also established that he owned a further property in Manchester which meant he was not entitled to Council Tax benefit as his capital was too high to claim that benefit either. A total overpayment of £55,058 was identified in this case. In addition to being prosecuted, which resulted in him being given a 10 month custodial sentence, a compensation order was also obtained to instruct that he had to repay the overpayment within 6 months of the subsequent Proceeds of Crime Act court hearing which took place earlier this year.

Table 7 shows the values of the overpayments identified for each of the main types of fraud uncovered in 2013/14.

Table 7 - Value of Overpayments (£k) by Type of Fraud (2013/14)

Type of Fraud	Value of Overpayment Identified
Undeclared Partner	£269,563
Tenancy Fraud	£113,417
Undeclared Capital	£124,923
Undeclared Income	£154,107
Working	£135,087
Other	£ 93,141
Total	£890,238

3.2.7 Performance Targets

The Fraud investigation team had two main performance indicators which related to the number of sanctions or prosecutions achieved and the overall level of overpayments that these cases attracted.

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

Table 8 shows performance in these two areas in relation to the targets set:

Table 8- Performance Indicators 2013/14

Performance Measure	2013/14 Target	2013/14 Actual Performance
No. of Sanctions/Prosecutions achieved	75	89
Level of benefit fraud overpayments identified	£600k	£890.2k

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

3.2.8 Financial Investigation Unit (FIU)

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

Officers working within this unit are tasked with conducting in depth financial investigations into claimants who have already been identified as committing benefit fraud with a view to uncovering the fraudster's assets and identifying the extent to which they have benefited financially from their criminal activity.

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

The Financial Investigator uses powers granted under the Criminal Justice Act 1988 or Proceeds of Crime Act 2002 and is able to obtain court orders from any financial institution (banks/building societies etc) or public body (e.g. solicitors) which is believed to hold documentary evidence that would assist the investigation. This enables the investigator to obtain material that will help

them to uncover previously hidden assets (property/capital etc) that may have been obtained from criminal activity – not just benefit fraud.

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

In terms of income generation, 2013/14 was the most productive year to date for the Unit. Progress was also made on a number of cases that have been running for some time that will hopefully see them finally concluded in 2014-15.

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

A financial investigation can be a lengthy process – as are the legal procedures that follow the completion of such an investigation. Table 9 shows details of the Unit's performance in the last five years:

Table 9- Financial Investigation Unit

Year	No of Cases Concluded	No of Confiscation orders Obtained	No of Compensation Orders Obtained	Total Value of Orders	Amount due to unit from Orders	Costs Awarded to Unit	Total Income Achieved
2009/10	25	6	9	£722,255	£42,532	£27,108	£69,640
2010/11	41	5	2	£167,566	£5427	£11,810	£17,237
2011/12	32	2	1	£105,000	£7009	£10,435	£17,444
2012/13	19	3	2	£108,748	£10,500	£26,107	£36,607
2013/14	24	4	4	£381,453	£60,433	£18,600	£79,033

The income generated from the Confiscation Orders is split between HM Treasury, the Magistrates Court (who are responsible for enforcing the order) and the prosecuting authorities involved. The income from the Compensation

Orders obtained are paid direct to the prosecuting authority with Trafford receiving a fee for obtaining the order on their behalf.

At the end of the year there were 37 cases outstanding – some of which could be potentially extremely lucrative. Two cases in particular have been identified which are anticipated will yield significant revenue for the authority, and hopefully may be concluded during 2014/15. If the cases do succeed as anticipated the income generated from these cases will most likely not be received in full until 2015/16.

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

3.2.9 Partnership Working

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

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

At the end of March 2012, the entire team was relocated to share an office with the GMP officers involved in the project within Stretford Police station. In July 2013, the team moved into a bigger office in the station which enabled DWP staff who had previously worked from a different office within the building to also co-locate. This has facilitated further closer working relationships that have resulted in positive results being achieved.

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

During the last 12 months the team completed 7 benefit fraud convictions that can be identified as arising from the partnership with defendants being prosecuted for a variety of frauds that resulted in overpayments of £135.5k. This included the case of a career criminal who was identified as living far beyond his declared means despite being in receipt of various benefits for several years (at the time of an arrest and search of his premises it was identified that his wife was driving round in a £50k Land Rover). This resulted

in an overpayment of £44k of state benefits being raised – he will be subject to a Proceeds of Crime Act hearing later this year.

It is anticipated that further cases will be completed during the course of 2014-15.

4. Planned Activity for 2014/15

It is acknowledged that this is currently a very challenging period for the Fraud Investigation Service. In addition to carrying out its roles to investigate benefit fraud, and seek to recover profits from crime that have been obtained, the service needs to take account of forthcoming changes in national fraud investigation arrangements.

As part of the Government's policies on welfare reform, a single fraud investigation service commenced operation at a number of sites in the country from July 2014 to tackle all types of welfare benefit fraud (including Tax credits which has never previously been the remit of either local authorities or the DWP).

This will lead to investigations staff currently employed by local authorities, the DWP and HMRC being tasked with the duties of investigating all range of benefits/tax credits under the banner of a single organisation rather than as 3 separate entities as they are now. Staff involved in benefit fraud investigations will transfer to the DWP under "TUPE-like" arrangements. It is not clear at this stage where they will be located or how many of the team will transfer over.

A scheduled roll out of all local authorities joining up to this service was announced earlier this year. This confirmed that Trafford will be in the last group of authorities to become enrolled and are due to join up in March 2016.

After March 2016, the Council will have no authority to prosecute Benefit fraud. However, there will still be some areas of work that councils will be responsible for investigating (eg Council Tax reduction scheme fraud, Council Tax Discount fraud, Business rates fraud). Consideration is being given as to how this will be carried out.

Until March 2016, the Fraud Investigation Service is committed to continuing to prevent, deter, detect and investigate benefit fraud in Trafford, through effective working across the Council and other agencies and the appropriate application of related legislation. Service priorities are to:-

- **Continue to measure performance against targets in relation to benefit fraud investigation.**
- **Conduct Quality Assurance on investigations being conducted.**
- **Continue pro-active working both internally and with external agencies.**

- **Continue to ensure that an anti fraud, security aware culture is developed.**
- **Continue the work of the FIU and obtain further Confiscation and Compensation Orders in respect of Investigations undertaken.**
- **Work closely with Internal Audit and the Revenues and Benefits Service to use our joint expertise to help combat other types of fraud being perpetrated against the Authority.**
- **Commence work generated commenced in respect of the National Fraud Initiative 2014/15 data matching exercise.**
- **Continue to develop the work of the Operation Bank project that is aimed at tackling serious organised crime in the borough.**



TRAFFORD
COUNCIL

**Transformation
& Resources
Directorate**

**Tackling Benefit
Fraud Policy**

August 2014

1. Introduction

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

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

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

- **What is benefit fraud?**

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

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

- **Levels of benefit fraud**

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

- **Where does it occur**

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

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

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

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

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

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

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

2. Trafford's Approach

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

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

- **Tackling Benefit Fraud**

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

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

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

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

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

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

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

- **Management Responsibilities**

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

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

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

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

3. Purpose

The purpose of this policy is:

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

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

4. Objectives

The objectives of this Council in tackling benefit fraud are:

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

develop effective **prevention** controls:

maximum **deterrence** of fraud;

professional **investigation** of detected fraud;

effective **sanctions**; and

effective methods for seeking **redress**;

5. Tackling Benefit Fraud

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

- Employ investigation officers who have gained or are willing to gain the Professionalism In Security (PINS) qualification and who have agreed to adhere to the investigators' code of conduct as well as the corporate one.
- Ensure that investigators are competent, appropriately trained and fully aware of all legislative procedures and any subsequent changes, and Council policy requirements.
- Conduct all investigations in accordance with the relevant legislation such as the *Police and Criminal Evidence Act 1984 (PACE)*, the *Criminal Procedures Investigations Act 1996 (CPIA)* as well as adhering to the file quality and investigations procedures laid down by the Council.
- To act with honesty, professionalism and integrity when dealing with all the Council's Members and officers and with all claimants (whether fraudulent or not) and other customers.
- Record all fraud referrals on a case management database.
- Conduct a risk assessment on all fraud referrals within 10 working days and make a considered decision as to whether investigation of the case is viable.
- Where appropriate, notify all referrers within 10 working days the outcome of any risk assessment and whether a decision has been made to investigate. Start all investigations within 10 days of a positive risk assessment.
- Record all actions on a case in the prescribed manner and maintain case files to the prescribed standard.
- To raise a separate fraud file on each investigation.
- Undertake all and any investigation(s) with due consideration to relevant legislation, with particular regard to the *Human Rights Act 1998*, the *Regulation of Investigatory Powers Act 2000*, the *Data Protection Act 1998*, *Freedom of Information Act 2004* and in particular race equality issues.
- Make correct use of all Authorised Officer powers granted under *s.109 of the Social Security Administration Act 1992 (as amended 1997, 2000 and 2001)* and in accordance with the restrictions of any warrants issued on behalf of the Secretary of State under *s.110A* of the act.

- Conduct all investigations, with particular regard to investigations involving taped interviews, with due consideration for the guidelines contained in the code of practice drawn up under the provisions of the *Police and Criminal Evidence Act 1984*.
- Conduct taped interviews utilising officers who have completed training in the *PEACE* (Plan, Engage, Account, Closure, and Evaluation) style of undertaking interviews.
- Conduct surveillance in an appropriate manner, duly approved by the Investigations manager, and authorized by a Magistrate utilising the prescribed forms.
- Notify the Benefits section of the outcome of any fraudulent investigation and subsequent course of action recommended by the investigation manager or investigator.
- In cases where an overpayment occurs, the Fraud Investigation Team will ensure the correct classification is made. If the overpayment is fraudulent the investigation manager will consider whether further action up to and including prosecution is required.
- Prosecute, or apply a sanction, in accordance with the Trafford Council Benefit Fraud Sanctions Policy, all persons who have or have attempted to defraud the benefits system (subject to certain criteria).
- Ensure maximum publicity is obtained on all appropriate cases. This acts as a deterrent to fraudsters and helps reinforce the message that fraud is unacceptable. This also encourages members of the public to inform the authority of persons they believe may be defrauding the benefits system.
- Continue to participate in the Department for Work and Pensions (DWP) Housing Benefit Matching Service. Under the scheme individual claims are checked with those from other authorities and agencies to identify fraudulent or duplicate/multiple claims.
- Participate in the National Fraud Initiative (NFI), which allows comparison of a range of data against other data sources.
- Continue to work closely with Council Tax and Housing Benefits to deter, prevent and detect benefit fraud.
- Maintain a repository of up to date information pertaining to legislation, procedures, intelligence and relevant documentation for the purpose of facilitating the investigation process.
- All cases where it is considered that prosecution is appropriate will also be considered for referral to the Council's Financial Investigation Unit for

action to be taken in accordance with the Criminal Justice Act 1998 or Proceeds of Crime Act 2002.

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

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

To ensure that the team keeps abreast of the latest information, the Council subscribes to publications both printed and electronic concerning fraud and benefits. In addition, the team subscribes to organisations dedicated to the fight against benefit fraud and fraud such as the National Anti-Fraud Network (NAFN).

6. Review of Policy

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

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

The Audit Findings for Trafford Council

DRAFT

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

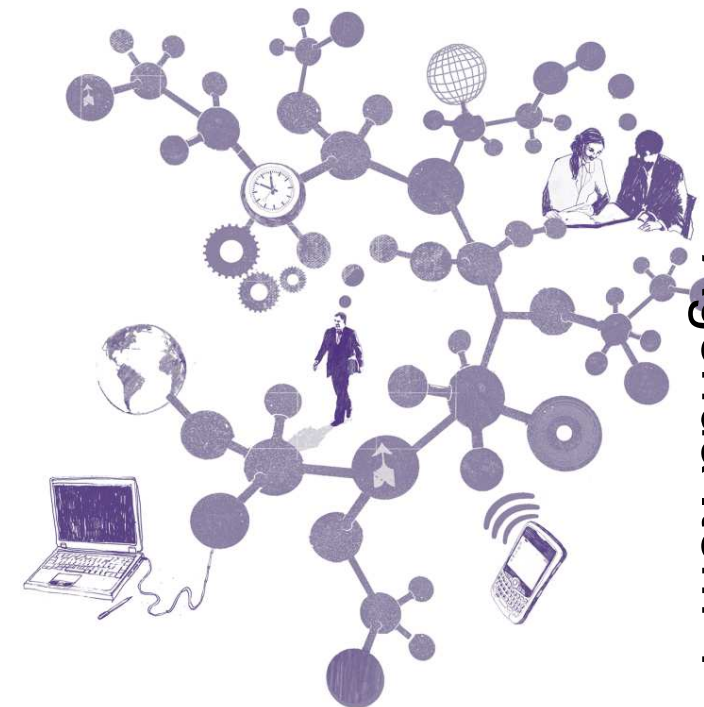
Year ended 31 March 2014

September 2014

Mick Waite
Engagement Lead
T 0161 234 6347
E mick.j.waite@uk.gt.com

Helen Stevenson
Audit Manager
T 0161 234 6354
E helen.l.stevenson@uk.gt.com

Andrew McNeil
Audit Executive
T 0161 234 6366
E andrew.mcneil@uk.gt.com



Agenda Item 4

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

We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Contents

Section	Page
1. Executive summary	4-6
2. Audit findings	7-19
3. Value for Money	20-27
4. Fees, non audit services and independence	28-29
5. Communication of audit matters	30-31

Appendices

- A Action plan
- B Audit opinion

Section 1: Executive summary

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters

Page 26

Executive summary

Purpose of this report

This report highlights the key matters arising from our audit of Trafford Council's (the Council) financial statements for the year ended 31 March 2014. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing 260 (ISA).

Under the Audit Commission's Code of Audit Practice we are required to report whether, in our opinion, the Council's financial statements present a true and fair view of the financial position, its expenditure and income for the year and whether they have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting. We are also required to reach a formal conclusion on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources (the Value for Money conclusion).

Introduction

In the conduct of our audit we have not had to alter or change our planned audit approach, which we communicated to you in our Audit Plan dated April 2014.

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

- finalising some transaction testing on journals and operating expenses
- agreeing entries within the CIES to supporting analysis
- review of the final version of the financial statements
- obtaining and reviewing the final management letter of representation
- review of final version of the Annual Governance Statement and

- updating our post balance sheet events review, to the date of signing the opinion
- Whole of Government Accounts

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

Key issues arising from our audit

Financial statements opinion

We anticipate providing an unqualified opinion on the financial statements.

The key messages arising from our audit of the Council's financial statements, are:

- the audit has not identified any adjustments affecting the Council's reported financial position
- we examined the provision for business rates appeals and discussed the detailed methodology. In our view the provision for unknown appeals of £20.5m appears very prudent, particularly in relation to estimates for unknown appeals expected in years 6 and 7 of the 2010 list. We do not consider the value however to be materially misstated.
- we identified a number of minor adjustments to improve the presentation of the financial statements
- the draft accounts were of good quality, as confirmed by our central technical team's initial review of the financial statements. Working papers were of good quality, and finance staff responded promptly to all audit queries. Further working papers were produced as required during the audit.

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

Value for Money (VfM) conclusion

Based on our review of the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources, and having regard to the Audit Commission's VfM audit framework, we propose to give an unqualified VfM conclusion.

There was a serious misreporting and understatement of the projected financial deficit on adult social care (ASC) services during the year, which led to a deficit of some £3.6m for that service. But the deficit was contained within ASC, and a combination of underspends on other services, plus additional income, meant that the Council's overall budget underspent in total by £3.7m.

The Council has identified measures to meet the potential budget gap of £6.5m caused by incorrect assumptions about demand for ASC services that were masked by the in-year misreporting. It also has in place arrangements through the on-going revision to the medium term financial strategy (MTFS) process, to identify and approve recurrent savings to secure the Council's medium term financial position.

Financial and service performance across the Council's wider services are good and the level of reserves at 31 March 2014 were above the Council's minimum approved level, but may dip below them at the end of 2014/15. The Council will need to ensure through its budget planning that general reserve balances are at or above the approved minimum level.

There are clearly some difficult decisions to take to secure long term financial resilience, but the Council's track record across its range of services, and the corporate arrangements in place suggest that arrangements in place will position it well to meet the challenge successfully.

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

Whole of Government Accounts (WGA)

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

Controls

The Council's management is responsible for the identification, assessment, management and monitoring of risk, and for developing, operating and monitoring the system of internal control. During the year there were weaknesses within its budget monitoring arrangements within ASC services, as referred to earlier. The Council carried out a thorough investigation into the events and circumstances leading to the misreporting and outturn ASC service deficit. It has now agreed an action plan to address the weaknesses identified, with clear timescales and responsibilities to address them.

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these to the Council. We have not identified any control weaknesses which we wish to highlight for your attention.

Further details are provided within section 2 of this report.

The way forward

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

We have made a number of recommendations, which are set out in the action plan in Appendix A. Recommendations have been discussed and agreed with the Director of Finance and the finance team.

Acknowledgment

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

Section 2: Audit findings

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

Page 29

Audit findings

In this section we present our findings in respect of matters and risks identified at the planning stage of the audit and additional matters that arose during the course of our work. We set out on the following pages the work we have performed and findings arising from our work in respect of the audit risks we identified in our audit plan, presented to the Audit Committee on 2 April 2014. We also set out the adjustments to the financial statements arising from our audit work and our findings in respect of internal controls.

Changes to Audit Plan

We have completed the work set out in our Audit Plan as previously communicated to you on 25 March 2014. Because of the serious issue identified in relation to misreporting of the financial position in ASC, and the outturn ASC service deficit, we needed to carry out additional audit work to assess the cause and impact of the problem. This included forensic examination of the Council's own internal investigation.

Audit opinion

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

Audit findings against significant risks

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

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

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
Page 31	1. Improper revenue recognition Under ISA 240 there is a presumed risk that revenue may be misstated due to improper recognition	As part of our audit work we have completed: <ul style="list-style-type: none"> • testing of material revenue streams • review of unusual significant transactions 	Our audit work has not identified any issues in respect of revenue recognition.
	2. Management override of controls Under ISA 240 there is a presumed risk of management over-ride of controls	As part of our audit work we have completed: <ul style="list-style-type: none"> • a review of significant accounting estimates, judgements and decisions made by management • testing of journal entries • review of unusual significant transactions • review of IT general controls 	Our audit work has not identified any evidence of management override of controls. In particular the findings of our review of journal controls and testing of journal entries has not identified any significant issues. We set out later in this section of the report our work and findings on key accounting estimates and judgements.

Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan. Recommendations, together with management responses, are attached at Appendix A.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<p>Operating expenses</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 32</p>	<p>Creditors understated or not recorded in the correct period</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • documented our understanding of processes and key controls over the transaction cycle • undertaken walkthrough of the key controls to assess the whether those controls are designed effectively • tested operating expenses including sample testing of expenditure, year end accruals and creditor balances 	<p>Our audit work has not identified any significant issues in relation to the risk identified</p>
<p>Employee remuneration</p>	<p>Employee remuneration accrual understated</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • documented our understanding of processes and key controls over the transaction cycle • undertaken walkthrough of the key controls to assess the whether those controls are designed effectively • substantive testing of sample of 60 items of salary payments to employees 	<p>Our audit work to date has not identified any significant issues in relation to the risk identified.</p>

Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan. Recommendations, together with management responses, are attached at Appendix A.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<p>Welfare expenditure</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 33</p>	<p>Welfare benefit expenditure improperly computed</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • documented our understanding of processes and key controls over the welfare expenditure system • walked through the key controls to determine if those controls are designed effectively • substantive testing of a sample of benefit payments to individual claimants • agreed welfare benefit expenditure to accounts and supporting notes • substantive testing of payment rates used in the benefits system 	<p>Our audit work to date has not identified any significant issues in relation to the risk identified</p>
<p>Property, plant & equipment</p>	<p>PPE activity not valid</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • documented our understanding of processes and key controls over the property, plant and equipment cycle • walked through the key controls to determine if those controls are designed effectively • substantively tested samples of additions and disposals • agreement to accounts and supporting notes 	<p>Our audit work to date has not identified any significant issues in relation to the risk identified</p>




Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan. Recommendations, together with management responses, are attached at Appendix A.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<p>Property, plant & equipment</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 34</p>	<p>Revaluation measurement not correct</p>	<p>We have assessed the work completed by the Council's valuer in relation to this risk and:</p> <ul style="list-style-type: none"> examined the analysis which demonstrates that the value of assets in the Council's balance sheet is not materially different from the amount that would be given by a full valuation carried out on 31 March 2014. tested the accounting entries posted to reflect valuations obtained 	<p>Revaluation</p> <p>The Council operates a five year rolling programme of asset valuation, designed to cover all asset held by the Council over this period. In our view, however, this rolling programme does not meet the Code's requirement in paragraph 4.1.2.35 to value all items within a class of assets simultaneously, This is explained further on page 14.</p> <p>We were able to obtain reasonable assurance that the values at 31/3/14 are not materially misstated .</p>

Accounting policies, estimates & judgements

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

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	<ul style="list-style-type: none"> Revenue from the provision of services is recognised when the Council can measure reliably the level of completion of the transaction and it is probable that benefits will flow to the Council Government Grants are recognised when there is reasonable assurance that the Council will comply with any conditions attached to the payments 	<ul style="list-style-type: none"> The Council's policy is entirely appropriate and consistent with the relevant accounting framework – the Local Government Code of Accounting Practice The main elements of the Council's revenue is predictable and there is minimal judgement required from the Council. The revenue recognition policy of the Council is appropriate to the accounting framework and are adequately disclosed. Our audit testing has not identified any areas of concerns in respect of revenue recognition 	 Green
Judgements and estimates	Key estimates and judgements include: <ul style="list-style-type: none"> useful life of capital equipment pension fund valuations and settlements revaluations impairments provisions/accruals 	The Council's policies on estimates and judgements are reasonable and appropriately disclosed and reliance on experts is taken where appropriate.	 Green
Other accounting policies	<ul style="list-style-type: none"> We have reviewed the Council's policies against the requirements of the CIPFA Code and accounting standards. 	Our review of accounting policies has not highlighted any issues which we wish to bring to your attention	 Green


Page 35

Assessment

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

Accounting policies, estimates & judgements

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

Accounting area	Summary of policy	Comments	Assessment
<p>Judgements and estimates PPE</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 36</p>	<p>Key estimates and judgements include the classification, valuation, impairment and useful life of property, plant and equipment.</p> <ul style="list-style-type: none"> Note 12 to the accounts sets out the authority's rolling programme of revaluations. This shows that the date of valuations vary between 31 March 2010 and 31 March 2014. In our view, however, this rolling programme does not meet the Code's requirement in paragraph 4.1.2.35 to value items within a class of property, plant and equipment simultaneously. This paragraph of the Code, which is based on IAS 16 Property, Plant and Equipment, does permit a class of assets to be revalued on a rolling basis provided that: <ul style="list-style-type: none"> - the revaluation of the class of assets is completed within a 'short period' - the revaluations are kept up to date. 	<ul style="list-style-type: none"> This approach is similar to many other authorities and we are satisfied that the carrying value of Property, Plant and Equipment (based on these valuations) does not differ materially from the fair value at 31 March 2014. The valuer has provided relevant assurances in this respect. These are supported by the examination of all assets in excess of £2m and the application of national indices relating to property value movements in recent years. The Council may wish to consider an alternative approach to valuations to achieve full compliance with the requirements of the code as currently stated. 	<p style="text-align: center;">  Green </p>

Assessment

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

Accounting policies, estimates & judgements

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

Accounting area	Summary of policy	Comments	Assessment
<p>Judgements and estimates business rates appeals</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 37</p>	<p>A key estimate included within the 2013/14 financial statements is the provision for appeals against national non-domestic (NDR) rateable value assessments.</p> <p>Note 3 to the collection fund shows the Council has included a £36.8m provision as an estimate of likely rateable value appeals against current valuation office (VO) assessments (against the 31 March 2010 listing).</p> <p>The provision is made against the following estimates:</p> <ul style="list-style-type: none"> £16.3m for those appeals received and not settled as at 31 March 2014 (known), and £20.5m for likely additional appeals (unknown) as at 31 March 2014 against the current 2010 valuation list. This runs over the 7 year period up to March 2017. 	<p>We have examined the methodology supporting the calculation of the NDR appeals provision. We have:</p> <ul style="list-style-type: none"> Agreed a sample of calculations in the financial model Reconciled the value of rateable value appeals to VO listings Examined assumptions supporting the success rates of past appeals Examined assumptions for the application of likely further appeals based on past VO lists. <p>We are satisfied that the methodology adopted and the value of the provision for known appeals is reasonable.</p> <p>We have some reservations about evidence to support assumptions for unknown appeals that could potentially be received up until March 2017 relating to assessments prior to 31 March 2014. In particular the provision included for potential appeals received in years 6 and 7 (£7.2m) looks potentially over-prudent and is not well supported by evidence.</p> <p>We are conscious that it is particularly difficult to predict appeals not yet received based on applying past data to current rateable values.</p> <p>As the area of uncertainty is £7.2m and we are satisfied that some appeals will be received for years 6 and 7, we have concluded that the provision overall is materially correct.</p> <p>We recommend however that the Council reassess the value of its provision for rateable value appeals as more information becomes available on levels of appeals being made.</p>	<p style="text-align: center;">●</p> <p style="text-align: center;">Amber</p>

Assessment

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

Misclassifications & disclosure changes

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

Adjustment type	Value £'000	Account balance	Impact on the financial statements
1 Misclassification	£5,787	Collection fund	Previous year's comparatives restated for write offs totalling £5,787k - netted off income from Non-Domestic Rate Payers in 2012/13.
2 Misclassification	£3,385	CIES	Adult Social care grant amounting to £3,385k originally included in taxation and non-specific grant income. Reclassified under cost of services as ring-fenced to Adult Social Care
3 Disclosure	n/a	Cash flow	Amendments as follows: <ul style="list-style-type: none"> • correction of errors arising from invalid treatment of NDR agency arrangements • comparatives for cash flow restated for IAS19 changes to accounting standard • additional notes provided showing analysis of adjustments for non-cash adjustments and financing & investment adjustments.
4 Disclosure	n/a	Accounting policies (note 1)	Additional notes added for Council Tax and NDR
5 Disclosure	n/a	Accounting policies (note 3)	Additional disclosure added explaining account treatment of schools.
6 Disclosure	n/a	Contingent liabilities (note 49)	Note 49(j) deleted as not required. This referred to pooled fund deficit which is not a contingent liability (i.e. as incurred already).

Page 38

Misclassifications & disclosure changes

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

Adjustment type	Value £'000	Account balance	Impact on the financial statements
7 Disclosure	n/a	Related Parties (note 40)	Note amended to add Trafford CCG as related party. Disclosure added explain that several of the parties included in note are not related parties disclosure given for information only.
8 Disclosure	n/a	Financial Instruments (Note 16)	Amendment made to include Homestep and Local Authority Mortgage Scheme loans totalling £4,287k as financial instruments. Tables of financial instrument assets and liabilities represented to improve disclosure.
9 Disclosure	n/a	Various	Other minor adjustments to notes to ensure consistency of disclosure and corrected values and terminology

Page 39

Internal controls

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

Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

These and other recommendations, together with management responses, are included in the action plan attached at Appendix A.

	Assessment	Issue and risk	Recommendations
1. Page 40	●	<p>Budget monitoring</p> <p>There were serious weaknesses in arrangements to monitor and manage the budget within adult social care services (ASC), which involved misreporting by an officer, and late identification of an ASC service deficit of £3.7m . The Council carried out a thorough review of the events and circumstances, and agreed a clear action plan to address the control weaknesses identified. The review, confirmed that The misreporting and failings in budget management were not symptomatic of wider problems across the Council's services. Our own forensic review of the Council's investigation confirmed the conclusions and recommendations reached. The Council has agreed an action plan to address the weaknesses identified.</p>	<ul style="list-style-type: none"> Carry out close monitoring and regular reporting to confirm successful implementation of recommended actions to address weaknesses in ASC budget monitoring and management.

Assessment

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

Other communication requirements

We set out below details of other matters which we are required by auditing standards to communicate to those charged with governance.

	Issue	Commentary
1.	Matters in relation to fraud	<ul style="list-style-type: none"> We have previously discussed the risk of fraud with the Accounts and Audit Committee and been made aware of an undetected budget overspend concealed by a finance officer. The Council completed investigation work to identify the extent of the weakness in the controls within budget monitoring arrangements. This is reported within the internal controls section.
2.	Matters in relation to laws and regulations	<ul style="list-style-type: none"> We are not aware of any significant incidences of non-compliance with relevant laws and regulations.
3.	Written representations	<ul style="list-style-type: none"> A letter of representation has been requested from the Council.
4.	Disclosures	<ul style="list-style-type: none"> Our review found no material omissions in the financial statements
5.	Matters in relation to related parties	<ul style="list-style-type: none"> We are not aware of any related party transactions which have not been disclosed
6.	Going concern	<ul style="list-style-type: none"> Our work has not identified any reason to challenge the Council's decision to prepare the financial statements on a going concern basis.

Section 3: Value for Money

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters

Value for Money

Value for money conclusion

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

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

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

These criteria are:

The Council has proper arrangements in place for securing financial resilience - the Council has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.

The Council has proper arrangements for challenging how it secures economy, efficiency and effectiveness - the Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

Key findings

Securing financial resilience

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

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

Along with all councils, Trafford continues to operate within an increasingly challenging financial environment. Against this backdrop the Council has demonstrated a track record over the last few years of meeting efficiency targets and managing its revenue budget well.

During 2013/14 there was poor budget management and serious misreporting of the projected financial position in Adult Social Care (AS) services. This led to an outturn deficit for the service of some £3.6m. But underspends across the Council's wider services together with additional income resulted in an overall underspend of £3.7m against the Council's 2013/14 revenue budget.

The Council carried out an internal investigation into the events and circumstances that led to the ASC service deficit, and that led to the full extent of the deficit only being identified towards the end of the financial year. The Council's review confirmed that there were significant failings in arrangements within ASC to monitor, report and manage the projected financial position in relation to demand-led services for adults, including learning disabilities. The review confirmed however, that money had not been misappropriated, and that money had been spent on proper purposes. It also confirmed that the ASC service deficit, financial misreporting and failure to adequately monitor and manage the ASC budget were contained within ASC. It identified some weaknesses in budget management arrangements, generally and scope to improve, but there was no evidence of misreporting or significant overspends more widely across the Council's services. We carried out a forensic review of the Council's investigation and confirmed that:

- The Council's investigation report properly reflects the findings of the investigation, and the conclusions and recommendations in the report are reasonable in light of the findings.
- Financial reporting and performance management within the Finance Service was ineffective in identifying and reporting projected significant overspends in Adult Social Care.

Value for Money

- The significant overspend and outturn deficit, and the financial misreporting that prevented it from being identified until late in the financial year, are contained within Adult Social Care. While there were some weaknesses in budget monitoring arrangements, and scope to improve, there was no evidence that the financial misreporting of the budget position was symptomatic of wider failings across the council services.

The Council has agreed an action plan to address the recommendations in the report, and, if implemented, the actions will address the problems identified and strengthen arrangements to monitor and manage demand led budgets

The misreporting and budget mismanagement reported above, resulted in incorrect base budget assumptions for demand-led ASC services being built into the 2014/15 budget. The extent of the potential budget gap was in the region of about £6.5m for 2014/15. Consequently the Council was left with a significant challenge to achieve a balanced budget for 2014/15.

The report to The Executive and Council on 1 September entitled, 'Children's, Families and Wellbeing (CFW) Budget 2014-15' shows the Council have set out proposals to achieve additional in-year savings to reduce the shortfall by at least £4.8m, and approved the further use of up to £1.6m from general reserves to support the 2014/15 budget. Some of the proposals are one-off or short term measures to allow time to identify recurrent savings for the medium to longer term.

The Council is now preparing a revised medium term financial strategy that will look to identify and build in recurrent savings to secure financial resilience over the period to 2018. Clearly there are big challenges ahead, and some difficult decisions to take. And it is undoubtedly the case that the Council's financial position has been made much more challenging by the failure to monitor and manage the ASC service budget effectively in 2013/14.

Challenging economy, efficiency and effectiveness

We have reviewed whether the Council has prioritised its resources to take account of the tighter constraints it is required to operate within and whether it has achieved cost reductions and improved productivity and efficiencies.

Our forensic review of the Council's investigation into budget monitoring in ASC included looking at:

- the link between risk and performance management, and
- the scope for effective challenge by senior management, including Chief Officers and key members

We Concluded that:

- The risk management process took assurances in relation to both demand for care and budget performance, largely derived from monitoring and management by the Business Delivery Group in Children, Families and Wellbeing Directorates Adult Social Care services (CFW ASC). But the BDG was not effective in managing the budget and financial risk in relation to demand led services, and so any assurance from this source was misplaced.
- The level of challenge exercised by key members and chief officers was appropriate to the information provided to them, but the information was deliberately misreported, and this was instrumental in preventing effective challenge

We are satisfied that the outcome of risk and performance management arrangements across the Council's wider services are effective. This has resulted in a number of favourable service outcomes across the Council's wider services, including:

- CYPS is a high performing service area that has been rated as 'Performing Excellently' by Ofsted in their annual assessment for the last two years

Value for Money

- The Care Quality Commission (CQC) has identified that Trafford's services are excellent
- The Council has the highest collection rate for Council Tax and business rates in Greater Manchester
- Trafford is one of the best performing and low cost waste collection services in Greater Manchester
- Trafford performs well on community safety, with the high levels of public confidence and satisfaction

Overall VFM conclusion

- On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2014

We set out below our detailed findings against six risk areas which have been used to assess the Council's performance against the Audit Commission's criteria. We summarise our assessment of each risk area using a red, amber or green (RAG) rating, based on the following definitions:

Green	Adequate arrangements
Amber	Adequate arrangements, with areas for development
Red	Inadequate arrangements

The table below and overleaf summarises our overall rating for each of the themes reviewed:

Theme	Summary findings	RAG rating
Key indicators of performance Page 47	<p>The Council achieved a planned underspend on revenue activity of £3.7m and has a general fund reserve balance of £10.98m at 31 March 2014. The general fund reserve balance as at 31 March 2014 was above the Council's approved risk assessed minimum level of £6m approved by the Council on 19 February 2014. However the latest budget report for 2014/15 shows the Council is planning to use £2.3m of general fund reserves to support the budget and also has other potential calls on reserves that may reduce these to below the minimum level.</p> <p>The final capital outturn for 2013/14 was £35.5m against a revised budget of £41.4m, an underspend of £7.9m, due re-profiling of some schemes for delivery during 2014/15.</p> <p>The Council manages long term loans and both long and short term investments to minimise the interest payable on external borrowing, and to generate as high an income level as possible on cash deposits relative to risk. The Council's borrowing at 31 March 2014 is £100.7m (£103.4m in 2012-13) with £3.2m of this due within 12 months. According to the Audit Commission nearest neighbour benchmark group for 2012-13, the Council showed it had a comparatively lower than average ratio of borrowing:</p> <ul style="list-style-type: none"> • long term borrowing as a percentage of tax revenues was 0.69 (69%) in 2012-13, compared to an average of 1.54 and was the second lowest in the group • long term borrowing as a percentage of long term assets was 0.22 (22%), compared to an average of 30% and fourth lowest in the group <p>The Council complied with treasury management and prudential indicators and benchmarks set for 2013-14.</p>	Green

Theme	Summary findings	RAG rating
Key indicators of performance (contd)	<p>In-year collection rates for both Council Tax and Business Rates in 2013/14 were higher than planned for, and for the fifth year running were the highest amongst Greater Manchester Authorities. A total of £93m of Council Tax was collected in respect of 2013/14, a performance of 97.7% (98.1% in 2012/13).</p> <p>In 2013/14 the average number of days lost by the Council due to sickness was 10.26 (2012/13 10.02 days). This is above the average of 8.8 days for local government in 2012/13 and also the public sector as a whole, 8.7 days, and the private sector, 7.2 days.</p>	Green
Strategic financial planning Page 48	<p>The Council set a two year Budget Plan for 2013/14 and 2014/15 supplemented with medium term planning projected through to 2018-19 using latest economic projections on funding and cost pressures.</p> <p>The Council has a process for building up its medium term plans using base budget assumptions to identify the budget gap and then develops budget proposals and efficiencies to bring this into balance.</p> <p>The Council set the two year Plan in March 2013 after public consultation on key decisions and approval by the Executive. The Plan initially set out the requirement to balance a budget gap of £38.9m with a combination of efficiencies, new income and reserves, changes to terms and conditions and other savings.</p> <p>The recent investigation into the budget overspend identified that the Council needs to take action to strengthen budget monitoring processes in the CFW Directorate (ASC) and secure improved risk and performance management arrangements. The 1 Sept report to the Executive and Council sets out options to secure savings for the 2014/15 budget, and the Council needs to identify recurrent savings in the revised MTFs to secure financial resilience in the medium term. The Council will also need to continue to monitor closely and report on the additional cost savings measures during 2014/15 to minimise the calls on reserves. Depending on performance on the learning disabilities pooled budget, general fund balances could dip below the approved minimum level at the end of 2014/15, and the Council needs to monitor this closely</p> <p>Latest medium term plans highlights that over the next few years there is a significant budget gap, comprising £14m in 2014/15, £24m in 2015/16 and £18m in 2016/17. So, the challenge ahead is considerable.</p> <p>The Council's track record in achieving required savings and efficiencies provide some assurance that it will meet the challenge successfully.</p>	Amber

Theme	Summary findings	RAG rating
Financial governance	<p>Financial governance arrangements at the Council generally are adequate. The Council has a well established approach to financial governance with appropriate involvement of members, senior officers and budget holders in the budget setting process. There is a good level of understanding amongst members, management and staff in general of the financial environment and the challenges facing the Council. Members provide a robust challenge on financial matters. There is sufficient engagement with staff and stakeholders as part of the service and financial planning process to receive their input on the proposals and priorities of the Council.</p> <p>The Council have completed an investigation into the budget overspend in Adult Social Care Services during 2013/14 to address particular governance issues there in relation to budget monitoring and management, and financial reporting. The Council has agreed an action plan of recommendations to address the weaknesses in ASC, and is taking action to address them. The Council's investigation confirmed that financial governance weaknesses did not extend more widely across Council services, and the 2013/14 outturn and recent track record supports this</p>	Amber
Financial control	<p>The Council has overall an effective business planning and budget setting process, which includes consultation with stakeholders and rigorous review and challenge by Members on the information provided. Through the business planning process, the Council has a good understanding of its costs and performance and considers different ways of achieving savings through service redesign and activity monitoring to identify areas where services can be provided more effectively and efficiently.</p> <p>The Council has an effective Treasury Management strategy in place which is reported regularly to the Accounts and Audit Committee.</p> <p>The recent financial misreporting and overspend in CFW ASC highlighted a weakness in financial control in that directorate, but there is no evidence to suggest this extends more widely, and overall financial control in 2013/14 was good, as it has been in recent years.</p> <p>Internal Audit (IA) provide detailed and regular progress monitoring and assurance reports to the Audit Committee during the year. The annual IA report prepared at each year end summarises the overall findings on the work completed which forms part of the overall evidence supporting the Council's annual governance statement IA concluded in their IA Opinion for 2013/14 that the overall control environment at the Council operates to a satisfactory standard. A number of areas were identified where improvements in controls were identified and in such instances, improvement plans were produced to address recommendations.</p>	Amber

Theme	Summary findings	RAG rating
Prioritising resources	<p>Senior management and members work well together developing the Council's priorities and the 2 year Budget Plan, which is a key part of the Council's business planning. The Council is prepared to challenge the way services are delivered and to seek service transformation to deliver its key priorities within an increasingly tight financial envelope.</p> <p>Members provide sufficient and effective challenge and scrutiny.</p>	Green
Improving efficiency & productivity	<p>The Council has a proven track record of delivering savings to contain expenditure within available resources. The Council has taken immediate action to resolve the emerging budget gap for 2014/15 in Adult Services and has outlined a range of additional in year savings and income measures which contribute to reducing the shortfall. It delivered its planned revenue underspend of £3.7m in 2013/14 despite having to take corrective action against the unplanned additional expenditure of £3.6m.</p>	Green

Section 4: Fees, non audit services and independence

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters

Pages 51

Fees, non audit services and independence

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

Fees

	Per Audit plan £	Actual fees £
Council audit	156,119	171,119
Grant certification	27,700	27,700
Total audit fees	183,819	198,819

As part of our external audit, we completed a forensic review of the Council's internal investigation into budget monitoring arrangements as a result of the unexpected overspend in Adult Services. The additional audit fee for this work was £15k.

Fees for other services

Service	Fees £
nil	n/a

Independence and ethics

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

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

Section 5: Communication of audit matters

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters

Page 53

Communication of audit matters to those charged with governance

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

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

Respective responsibilities

The Audit Findings Report has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission (www.audit-commission.gov.uk).

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

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the Council's key risks when reaching our conclusions under the Code.

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

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

Appendices

Page 55

Appendix A: Action plan

Priority

Significant deficiency – risk of significant misstatement

Deficiency - risk of inconsequential misstatement

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1	Ensure and document that the Council's current arrangements for the revaluation of property, plant and equipment meet the requirements of the CIPFA Code.	M		
2	Reassess the value of its provision for business rateable value appeals as more information becomes available on levels of appeals being made and the success rate of appeals.	M		
3	Carry out close monitoring and regular reporting to confirm successful implementation of recommended actions to address weaknesses in ASC budget monitoring and management.	H		
4	Identify and approve recurrent savings in the revised MTFS to secure financial resilience in the medium term.	H		
5	Monitor closely and report on the additional cost savings measures during 2014/15 to minimise the calls on reserves	H		

Appendix B: Audit opinion

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TRAFFORD COUNCIL

Opinion on the financial statements

We have audited the financial statements of Trafford Council for the year ended 31 March 2014 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and Collection Fund and the related notes.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

This report is made solely to the members of Trafford Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's Members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Director of Finance and auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Finance and the overall

presentation of the financial statements. In addition, we read all the financial and non-financial information in the foreword by the Director of Finance to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Trafford Council as at 31 March 2014 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and applicable law.

Opinion on other matters

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

Matters on which we report by exception

We report to you if:

in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;

Appendix B: Audit opinion

- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

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

Respective responsibilities of the Authority and the auditor

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

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

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2013, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2013, we are satisfied that, in all significant respects, Trafford Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

Certificate

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 authority's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

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



© 2014 Grant Thornton UK LLP. All rights reserved.

'Grant Thornton' means Grant Thornton UK LLP, a limited liability partnership.

Grant Thornton is a member firm of Grant Thornton International Ltd (Grant Thornton International). References to 'Grant Thornton' are to the brand under which the Grant Thornton member firms operate and refer to one or more member firms, as the context requires. Grant Thornton International and the member firms are not a worldwide partnership. Services are delivered independently by member firms, which are not responsible for the services or activities of one another. Grant Thornton International does not provide services to clients.

grant-thornton.co.uk

This page is intentionally left blank

TRAFFORD COUNCIL

Report to: Accounts & Audit Committee
Date: 25 September 2014
Report for: Decision
Report of: Director of Finance

Report Title

Approval of the Final Accounts 2013/14 (Accounts 2014)

Summary

The pre-audited 2013/14 accounts were considered by the Committee on 26 June 2014 and 6 August 2014. On 1 July 2014 the accounts were submitted to the Council's external auditors, Grant Thornton, and placed on deposit for public inspection for four weeks.

Attached are the redrafted Final Accounts for 2013/14, accommodating changes agreed with Grant Thornton following their audit, which Members are requested to review and approve. All changes are highlighted in grey. Most changes are cosmetic in nature such as formatting, enhancements to improve readability and typographical errors. There are however the following changes which affect the main statements and primary supporting notes.

- Comprehensive Income and Expenditure Statement – reclassification of Supporting People grant, £(3.385)m from Taxation and non-specific grant income and expenditure to income within Cost of Services;
- Cash Flow Statement – restatement of 2012/13 opening balances to reflect the pension adjustment already made in the CIES, £3.600m;
- Cash Flow Statement – adjustments to 2013/14 to reflect the classification of the Government's and GM Fire & Rescue Authority's share of the new NDR pool arrangements. Additional supporting disclosure information in Note 26;
- Accounting Policies – revision to Note 1(c) to include the accounting treatment of NDR and Council Tax;
- Critical Judgements in Applying Accounting Policies (Note 3) – revised to clarify accounting treatment of Schools income, expenditure and Balance Sheet items ;
- Financial Instruments (Note 16) – Amendment made to include Homestep and Local Authority Mortgage Scheme loans as Financial Instruments;
- Collection Fund – Expanded detail shown in the 2012/13 Business Rates figures to allow a more meaningful comparison with 2013/14 which has been prepared under the new business rate retention scheme format.

Recommendation

Members are requested to approve the Final Accounts for 2013/14.

Contact person for access to background papers and further information:

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

Background Information

- None

-

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



TRAFFORD
COUNCIL

ACCOUNTS

2014

Core Financial Statements	Page
Foreword by the Director of Finance.....	1
Statement of Responsibilities for the Statement of Accounts.....	9
Audit Opinion.....	10
Comprehensive Income and Expenditure Statement.....	11
Balance Sheet.....	13
Movement in Reserves Statement.....	15
Cash Flow Statement.....	17

Explanatory notes to the Core Financial Statements:

1. Accounting Policies.....	18
2. Accounting Standards that have been Issued but have not yet been adopted.....	32
3. Critical Judgements in Applying Accounting Policies.....	32
4. Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty.....	33
5. Material Items of Income and Expense (Comprehensive Income & Expenditure Statement page 11).....	35
6. Events After the reporting Period.....	36
7. Adjustments between Accounting Basis and Funding Basis under Regulations.....	367
8. Transfers to/from Earmarked Reserves (Balance Sheet page 13).....	46
9. Other Operating Expenditure (Comprehensive Income & Expenditure Statement page 11).....	50
10. Financing and Investment Income and Expenditure (Comprehensive Income & Expenditure Statement page 11).....	51
11. Taxation and Non-Specific Grant Income (Comprehensive Income & Expenditure Statement page 11).....	51
12. Property, Plant and Equipment (Balance Sheet page 13).....	52
13. Heritage Assets (Balance Sheet page 13).....	57
14. Investment Properties (Balance Sheet page 13).....	57
15. Intangible Assets (Balance Sheet page 13).....	58
16. Financial Instruments.....	60
17. Inventories (Balance Sheet page 13).....	63
18. Work in Progress (Construction Contracts).....	63
19. Debtors (Balance Sheet page 13).....	64
20. Cash and Cash Equivalents (Balance Sheet page 13).....	65
21. Assets Held for Sale (Balance Sheet page 13).....	66

Explanatory notes to the Core Financial Statements (continued):

22. Creditors and Receipts in Advance (Balance Sheet page 13)	66
23. Provisions (Balance Sheet page 13)	68
24. Usable Reserves (Balance Sheet page 13).....	70
25. Unusable Reserves (Balance Sheet page 13).....	71
26. Cash Flow Statement – Operating Activities (page 17).....	766
27. Cash Flow Statement – Investing Activities (page 17)	77
28. Cash Flow Statement – Financing Activities (page 17).....	77
29. Amounts Reported for Resource Allocation Decisions.....	78
30. Acquired and Discontinued Operations	82
31. Trading Operations (See also note 10).....	82
32. Agency Services	83
33. Road Charging Schemes.....	83
34. Pooled Budgets.....	83
35. Members' Allowances	84
36. Officers' Remuneration	85
37. External Audit Costs	90
38. Dedicated Schools Grant.....	90
39. Grant Income (Comprehensive Income & Expenditure Statement page 11, Balance sheet page 13).....	91
40. Related Parties	94
41. Capital Expenditure and Capital Financing.....	96
42. Leases.....	98
43. PFI and Similar Contracts.....	99
44. Impairment Losses.....	100
45. Capitalisation of Borrowing Costs.....	100
46. Termination Benefits	100
47. Pension Schemes Accounted for as Defined Contribution Schemes.....	100
48. Defined Benefit Pension Schemes	101
49. Contingent Liabilities.....	106
50. Contingent Assets.....	109
51. Nature and Extent of Risks Arising from Financial Instruments	109
52. Trust Funds.....	116
53. Effect of Prior Period Adjustments.....	117

Supplementary Statements:

Collection Fund	120
Notes to the Collection Fund	121

Glossary	124
-----------------------	-----

foreword by the director of finance

Introduction

The Accounts 2014 contains a summary of the Council's financial performance for the financial year 1 April 2013 to 31 March 2014.

The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011. The regulations require the accounts to be prepared in accordance with proper accounting practices and these primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom in 2013/14 (the Code) and the Service Reporting Code of Practice (SeRCOP) 2013/14, supported by International Financial Reporting Standards (IFRS).

Major Changes Reflected in the Accounts

Changes affecting the Primary Statements and collection fund:

- On 1 April 2013 the responsibility for the provision of Public Health services, in the sum of £10.2m transferred from Trafford Clinical Commissioning Group (TCCG) to the Council. This new service spend now has its own line on the face of the CIES.
- Accounting changes upon the adoption of IAS19 Employee Benefits which affects the valuation of pension assets required a re-categorisation of £3.6m in the 2012/13 comparative figures between lines 'financing and investment income and expenditure' and 'actuarial gains and losses on pension assets and liabilities'.
- Major changes have been required in the CIES, Balance Sheet and Collection Fund, and associated notes, to accommodate the change in the ownership of business rates between the precepting bodies of the Government, Greater Manchester Fire & Rescue Authority (GMFRA) and the Council. There are a number of additional notes throughout the main document, however, the key messages are; the Council now has a 49% share of all business rates collected up to a pre-determined target level or 'baseline', however it must pay to a Government pool a pre-

determined 'tariff' payment of £42.5m, any business rates above the baseline are divided between the precepting bodies in the ratio 50%/1%/49% respectively, but the Council must also pay half of its share above baseline to a central Government pool in order to fund a safety net that provides 100% cover for any Local Authority that suffers an actual collection that is more than a 7.5% loss of its baseline less any tariff, which in the case of the Council is a reduction of more than £5.0m, and up to this amount the share of responsibility between the precepting bodies is the same as gains at 50%/1%/49%.

Changes affecting disclosures/notes:

- The changes relating to IAS19 required increased asset disclosure and layout of results Schedule (see Notes 47 & 48)
- Pension notes now include the Council's responsibilities for NHS Pension Scheme, reflecting the transfer of staff from TCCG when the responsibility for Public Health services transferred.

Business changes:

In addition to the changes caused by the Public Health transfer and the changes in the share of business rates:

- The Council introduced its own Council Tax Support Scheme (CTSS) to replace the Council Tax Benefits system that was in place up to 31 March 2013. Under the benefits scheme the Government contributed through subsidy to the reductions in Council Tax liability allowed under the scheme. Under CTSS, the Government has increased the general funding to the Council at roughly 90% of the previous subsidy, and the Council reduced the Council Tax liability payable by residents in accordance with the scheme.
- In addition, further Welfare Reform took place in that the emergency social fund operated by the Department for Work & Pensions (DWP) transferred to the Council on 1 April 2013.
- During the year two schools transferred to Academy status.

Brief Guide to Accounts Contents:

Please note that a glossary of terms can be found on page 124.

A description of the responsibilities of the Council regarding the Accounts 2014 is provided at page 9, and the Audit certificate can be found on page 10.

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

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

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

The Comprehensive Income and Expenditure Statement (page 11-12) shows the Council's financial performance for the year, measured in terms of the resources consumed and generated, as defined in the Code, over the period 1 April 2013 to 31 March 2014. 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 2014 are adjusted for within the Movement in Reserves Statement on pages 15 to 16, with more detail in note 7 on pages 37 to 45. A summary reconciliation between the CIES net gain and the management accounts net declared underspend position is provided later on in this foreword.

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

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

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

Explanatory notes to the primary statements are provided on pages 18 to 119. These notes expand on the figures, providing greater detail and information as prescribed or as necessary. Included within these notes is a statement on 2013/14 capital expenditure and how this was funded on pages 96 to 97.

The Council has the responsibility for collecting all Council Tax due in the Borough on behalf of itself, the Police and Crime Commissioner for Greater Manchester, the GM Fire and Rescue Authority and Partington Town Council. It also has the responsibility for collecting all of the National Non-Domestic Rates (Business Rates) on behalf of itself, the GMFRA and the Government. The financial activity relating to local taxation is contained in the Collection Fund statement, pages 120 to 123.

Key Features in the Accounts

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

Comprehensive Income & Expenditure Statement (CIES):

- the deficit on the provision of services on the CIES is £20.7m (2012/13 restated for pension adjustments at £25.5m). However, the management accounts declare an outturn underspend of £(3.7)m (2012/13 £(1.0)m). The differences between these two statements of financial performance relate to the differences in accounting practices applied, which are adjusted for in the MiRS, and a summary reconciliation between the two outturns is provided later in the foreword;
- the total balance on the CIES has reduced from a £45.1m deficit to a £(16.8)m surplus. The movement in the CIES of £(62.0)m primarily relates to:
 - changes in the valuation of net pension liability of £(62.4)m.
 - reduction in capital charges to the cost of services of £(10.5)m.
 - revaluation of (PPE) assets £(6.4)m.
 - a reduced one-off benefit of Manchester Airport Shares of £11.7m (£19.1m in 2012/13 compared to £7.4m in 2013/14).
 - £5.1m reduction in capital grant income.

- the share of the deficit on the Collection Fund up to the safety net of £2.4m being charged to the CIES as part of the accounting changes caused by the introduction of Business Rates Retention.
- plus the change in 'management account' outturns of £(2.7) and other net movements of £0.8m.

Balance Sheet:

There has been a net £16.8m or 9.6% increase in the value of the balance sheet, with the key movements being:

- Reduction in pension liability £16.0m.
- Increase valuation in the Manchester Airport Group shareholding of £7.4m (note that actual percentage shareholding dropped from 5% to 3.22%, but the value of those shares increased upon the successful acquisition of Stansted Airport)
- the transfer from the General Fund reserve of £(2.4)m as the Council's contribution to the in-year deficit on the (business rates element of the) Collection Fund on top of the base budget support agreed by Council of £(1.0)m.
- £(3.2)m net other movements.

Collection Fund – Council Tax:

- Under the new Council Tax Support Scheme (CTSS), the level of Council Tax liability is calculated differently, and therefore collection rates are no longer comparable with previous years. Council Tax collection rates were higher than anticipated, and for the fifth year running the Council has the highest collection rate in Greater Manchester.
- The Tax Base grew in 2013/14 by 865 properties. Some of this increase was already assumed in the budget, however the growth was above expectations by £(0.5)m.
- There has been a reduction in the rate of collection of previous years' debt outstanding, and as a consequence there has been a prudent increase in the bad debt provision by £0.6m.

- The introduction of CTSS has gone well, with the actual level of support to residents lower than was provided for by £(0.9)m. The benefits of reduced CTSS and growth in the tax base, has been diminished by on-going successful valuation appeals, £0.3m, and the increase in bad debt provision, so that the end of year surplus was £(0.5)m. Of which £0.3m is committed to support the 2014/15 budgets of all precepting authorities.

Collection Fund - Business Rates

- Business rate yield was reduced by £3.5m due to back-dated valuations appeals settled in-year, and a further £3.2m primarily due to businesses taking advantage of the Government's empty property relief that was not allowed for in the assessment of the Council's funding base line.
- Adjustments to the extent of the need to set aside money for bad and doubtful debts, due to high collection rates, has a reduced impact of £(0.3)m on the collection fund.
- The main adjustment related to the requirement to set aside a provision for future rating valuation appeals of £25.1m on top of the £11.7m that was assumed from the Government's baseline assessment.
- The overall effect was for a deficit on this part of the collection fund in the sum of £31.6m, of which the Council's share is £15.5m. This triggered the safety net, however, £2.4m was still required to be contributed from the General Reserve.

General Fund

The budget was set by the Council on 20 February 2013 in the sum of £158.947m, and later adjusted to £159.003m at the Executive meeting on 4 March 2013. There was no increase in Council Tax for any service, which remained a Band D Council Tax of £1,105.23 for services which are the responsibility of the Council to deliver, or £1,312.20 when precepts for the Police and Crime Commissioner for Greater Manchester and Greater Manchester Fire and Rescue Authority are included, making Trafford the 21st lowest in the country. This is £141.65 (10.8%) below the average tax level of

Metropolitan Authorities. The budget was financed as follows:

	£m
Government RSG	47.8
Redistributed Business Rates	31.8
Council Tax	78.5
Reserves	0.9
	159.0

Outturn of Financial Performance

Reference is made to the Council Revenue Outturn, available on the Council's web site, which contains more detail on financial performance against budget which was an overall underspend of £(3.7)m, and also to the reconciliation between the revenue outturn, or management accounts, and the statutory accounts in the next section:

- The budget was based on the successful delivery of £(18.5)m of budget savings, of which £(18.2) were delivered in year, and much of the shortfall was mitigated by in-year cash savings.
- The Council experienced a higher level of demand across all social care budgets than was expected of £5.3m, and in particular in Older People, £1.7m, and Learning Disability, £1.6m.
- Investment interest rates continued to remain low. This was mitigated to a small extent by increased cash balances, but more significantly by bringing into account accrued interest on the Urmston Town Centre redevelopment of £(0.9)m and additional dividend from Manchester Airport of £(1.3)m.
- Vacancy management and cost control as part of general austerity measures generated £(1.5)m.
- New and increased income was £(1.4)m above budget and additional Government grants received was another £(1.0)m.
- Underspending on Public Health related expenditure across all budgets was £(1.1)m, however, all relevant expenditure is rationalised on the appropriate line in the CIES which shows £0.1m net spend overall.

- End of year adjustments, such as monies set aside for bad debt, movements in other provisions and the assessment of overpaid benefits has provided a further underspend of £(1.6)m.

The budget of £159.003m was monitored against actual activity on a monthly basis from June 2013. The actual spending in the year was £155.326m, representing an underspend on overall planned activity of £(3.677)m:

	Budget £m	Actual £m
Trafford provided services:		
- Children, Families & Wellbeing	82.6	84.1
- Environment, Transport & Operations	14.5	15.1
- Economic Growth & Prosperity	3.3	3.0
- Transformation & Resources	20.3	19.4
- Council-Wide budgets	5.8	1.8
Levies to other organisations:		
- Integrated Transport	16.8	16.8
- Waste Disposal	14.7	14.1
- Other levies	1.0	1.0
Total	159.0	155.3

Reconciliation between Statutory Accounts and Management Accounts

The Council's management accounts outturn position is an underspend of £(3.7)m (analysed above), whereas the Surplus/Deficit on the Provision of Services in the CIES on pages 11 to 12 shows an overspend of £20.7m.

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

The increase in General Fund Balance is £(0.3)m, as detailed below, and also contained in the Revenue Budget Outturn report available on the Council's website.

CIES account reconciled to outturn	£m
CIES Account Deficit on Service Provision	20.7
Accounting adjustments in MiRS:	
- Capital charges	(19.5)
- Capital Grants	16.0
- Pensions	(12.1)
- Collection Fund	(15.1)
- Net transfers to earmarked reserves	7.7
- Net transfer to schools reserves	2.0
Total adjustments	(21.0)
Increase in GF Balance	(0.3)
Add back:	
Budgeted support for GF	(0.9)
Additional spend from GF	(2.7)
Transfer from service reserves*	0.2
Outturn Variance	(3.7)

* The transfer to service reserves is the total of net service under/overspends in 2013/14 (Table 1 of the Revenue Budget Outturn report). These will be carried forward into 2014/15.

General Reserve

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

The balance at the start of the year was £(10.644)m and following a number of authorised transfers to support projects and initiatives (see Table 4 of the Revenue Budget Outturn Report – the Management Accounts), and including the 2013/14 net underspend, the balance at the end of the year is £(10.980)m.

On 19 February 2014 the Council agreed to maintain a minimum reserve of £6m for the year 2014/15, and of the brought forward balance £2.007m is planned to support the 2014/15 base budget, and a further £0.279m committed to support one-off projects, leaving an uncommitted balance at 31 March 2014 of £(8.694)m.

Trading Organisations

The Council maintains a number of trading operations (see note 31 page 82), which made a surplus in the year on normal activity of £(0.185)m.

Capital Investment

Capital expenditure for the year amounted to £33.5m, details of which can be found on pages 96 to 97:

Expenditure	£m
Schools investment	18.6
Supporting infrastructure	1.6
Regeneration Projects	4.0
Highways improvements	6.5
Social Services	1.9
ICT Investment	0.5
Recreation & Culture	0.4
	33.5

Major projects included the completion of four major school basic need schemes to address capacity and condition issues, investment in highways, regeneration projects and an extension to the local authority mortgage scheme.

The expenditure was financed by:

	£m
Borrowing	2.6
Grants and Contributions	26.5
Capital Receipts	4.2
Earmarked Reserves	0.2
	33.5

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

During the year a number of surplus assets were disposed of which were written out of the Council's asset register, with the net proceeds of £5.2m being used to support capital expenditure, voluntary repayment of debt and also to cover equal pay costs.

Treasury Management

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

Throughout 2013/14 the Council complied with its legislative and regulatory requirements, including compliance with all treasury management prudential indicators.

Debt Summary

At 1 April 2013 the Council's total level of debt was £100.5m and as a result of planned debt repayments of £3.1m to the Public Works Loans Board (PWLB) this decreased to £97.4m as at 31 March 2014. The Council continues to remain in a position of being under borrowed in order to counteract the continuing uncertain economic climate and as a result of this action debt interest was saved.

The average external rate of interest payable during the year was 5.22%, which compares with 5.25% in 2012/13. The following table provides further details, including the average interest loan rate at 31 March 2013 and 2014.

	as at 01.04.13	as at 31.03.14
Average weighted maturity of long term loans (in years)	26.1	26.0
Number of loans	37	34
Value of loans	£100.5m	£97.4m
Average loan rate	5.25%	5.95%

Further details can be found in note 51 on page 109.

Investments Summary

The Council operates its own trading function for the investment of surplus cash deposits. The Council's investments, excluding cash at bank, totalled £50.9m as at 31 March 2014 and this compares to £52.2m as at 31 March 2013. In 2013/14 an average investment rate of 0.74%, 0.38% above the market benchmark (London Inter-bank BID 7day rate), was achieved. This compares with an average return of 0.88%, in 2012/13 which was 0.49% above the LIBID 7day rate. Further details can be found in note 16 page 60.

Collection of Council Tax and Business Rates

The Council collects Council Tax on behalf of itself, the Police and Crime Commissioner for GM, the GM Fire and Rescue Authority, and Partington Town Council. It has been previously mentioned that the Council collects business rates and shares this revenue in a prescribed manner with the Government and GMFRA, see page 1.

A total of £93m of Council Tax was collected in respect of 2013/14, a performance of 97.7% (98.1% in 2012/13). Details of the Collection Fund can be found on page 120, which shows an overall surplus of £(0.457)m. This surplus is apportioned to the Council, the Police and Crime Commissioner for GM and the GM Fire and Rescue Authority on a proportionate basis. Trafford's share of the surplus is £(0.384)m which is shown in note 25 (vi) (page 75).

Due to CTSS changes and changes to Government reliefs for Business Rates, drawing conclusions from a direct comparison of collection rates between 2012/13 and 2013/14 would not be appropriate. However, in-year collection rates for both Council Tax and Business Rates were higher than planned for, and for the sixth year running were the highest amongst Greater Manchester Authorities.

£158m of NNDR was collected, at an in-year collection performance of 97.6% (97.7% in 2012/13).

Net Pensions Asset / Liability

The Council participates in three pension schemes: the Local Government Pension Scheme, administered by Tameside Metropolitan Borough Council, the Teachers' Pension Scheme, administered by the Department for Education (DfE) and the NHS Pension Scheme (since 1 April 2013), administered by NHS Pensions. At 31 March 2014 the Council had a net liability for pensions of £206.4m, which compares with £222.4m at 31 March 2013. This decrease in net liability of £16.0m is mainly due to less favourable financial assumptions, particularly relating to a lower real discount rate and the effect of the latest triennial valuation calculations as at 31 March 2013.

Further details on the Council's overall net pensions asset/liability are included in notes 47 and 48 on pages 100 to 105.

Provisions and write-offs

Total income due to the Council which was written off as uncollectable during 2013/14 included, £0.4m of Council Tax and £0.2m of other debts. These were within expectations and the Council continues to review and provide for bad and doubtful debts as appropriate.

The Provision to settle Equal Pay and related legislation claims which had an opening balance of £(3.8)m, was increased during the year by £(1.6)m, and a significant number of claims were settled at a total of £2.6m, leaving a balance at year end of £(2.8)m. Further claims have been received, and the increase in the provision during the year reflects this increased demand (see note 23 on page 68).

The MMI provision of £(0.4)m was called in and paid during the year. The risk of further claw-back is recognised as a contingent liability going forward.

The provision for the repayment of charges under s117 of the Mental Health Act 1983 has been fully reversed based on the assessment of future liability.

The Public Liability Insurance provision has been unexpectedly increased by £(0.5)m, funded from the insurance reserve, as a consequence of two potentially large claims received during the year. It is the Council's view that these claims will be settled at a significantly lower value and potentially at nil. A reduced provision is expected upon determination of these claims.

Contingent Liabilities

There are a number of changes in the Council's contingency liabilities which are discussed on page 106:

- It is recognised that there remains a potential for further claw-back on the settlement of insurance claims relating to the period that the Council was covered by Municipal Mutual Insurance.
- The responsibility to repay clients incorrectly charged under s117 of the Mental Health Act 1983 is now recognised as a liability contingent upon claims being made.

Events after the Balance Sheet Date

There are no post balance sheet events to report.

Future Budgets

Information on the planned future expenditure and the financial environment of the Council can be found in the Council's 2014/15 Revenue Budget and 2014/17 Capital Programme Report, which can be found on the Council's website. The Council has also launched a web site dedicated to the Reshaping project agenda which endeavours to creatively review the Council's business operations to identify future savings in an ever more challenging environment.

Future Developments

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

- The Greater Manchester County area is a Government pilot for Community Budgets. As a consequence there could be further major changes to how public services in the area are funded through both the 2013 Comprehensive Spending Review and the possibility of a 'Place Based Settlement'. Certainly many 'people-facing' services are undertaking service changes as part of the Greater Manchester Public Service Reform that supports the Community Budget Pilot.
- The Government continues to encourage schools to become academies, after which such schools become independent of the Council. Furthermore, Schools funding is also more restricted than it has been in the past causing schools to identify cost saving measures. A mix of Academies and a harder trading market with schools could have a consequential impact on service delivery and the recovery of overheads with non-schools trading services, as well as changes to funding distribution.
- In response to these many changes to services, funding, and overarching environment, and the requirements of the Localism Act 2011, the Council is also reviewing how it will organise

itself and how it will work with partners and all relevant agencies to commission and deliver public services into the future.

Ian Duncan CPFA
Director of Finance
25 September 2014

statement of responsibilities for the statement of accounts

The Council's Responsibilities

The Council is required to:

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

Responsibilities of the Director of Finance

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

In preparing this Statement of Accounts, the Director of Finance has:

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

The Director of Finance has also:

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

Certification

By the Director of Finance

I certify that the Statement of Accounts set out on the following pages gives a true and fair view of the financial position of Trafford Borough Council at 31 March 2014, and its income and expenditure for the year ended 31 March 2014.

**Ian Duncan CPFA
Director of Finance
25 September 2014**

By Chairman of the Accounts & Audit Committee

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

**Councillor Michael Whetton
Chairman of the Accounts & Audit Committee
25 September 2014**

audit opinion

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

comprehensive income and expenditure statement

About this Statement

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

Restated 2012/13			Year ended 31 March		2013/14		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Service	Note	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
18,171	(15,624)	2,547	Central services to the public		4,400	(1,532)	2,868
13,632	(1,493)	12,139	Cultural & Related Services		13,459	(1,050)	12,409
18,733	(6,696)	12,037	Environmental & Regulatory Services		15,899	(4,296)	11,603
16,183	(1,929)	14,254	Planning Services		7,330	(1,711)	5,619
200,843	(151,056)	49,787	Children's and Education Services		181,763	(143,116)	38,647
14,057	(2,746)	11,311	Highways and Transport Services		13,455	(2,605)	10,850
74,324	(65,506)	8,818	Housing Services		72,812	(67,672)	5,140
70,281	(13,155)	57,126	Adult social care		72,802	(14,648)	58,154
-	-	-	Public Health		10,360	(10,247)	113
4,335	(1,318)	3,017	Corporate and Democratic Core		6,889	(3,195)	3,694
4,765	0	4,765	Non Distributed Costs	47/48	8,606	0	8,606
435,324	(259,523)	175,801	Cost of Services		407,775	(250,072)	157,703
37,967	(3,215)	34,752	Other operating expenditure	9	34,933	0	34,933
37,510	(26,988)	10,522	Financing and investment income and expenditure	10/53	40,120	(30,462)	9,658
0	0	0	Surplus or deficit of discontinued operations		0	0	0
0	(195,578)	(195,578)	Taxation and non-specific grant income and expenditure	11/39	0	(181,631)	(181,631)
		25,497	(Surplus) or Deficit on Provision of Services	53			20,663

comprehensive income and expenditure statement (continued)

Restated 2012/13			Year ended 31 March		2013/14		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Service	Note	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
		25,497	(Surplus) or Deficit on Provision of Services				20,663
		4,410	(Surplus) or deficit on revaluation of Property, Plant and Equipment assets	12			(2,035)
		(19,086)	(Surplus) or deficit on revaluation of available for sale financial assets	25(ii)			(7,400)
		34,300	Remeasurement of net defined benefit / liability	25(v)/53			(28,077)
		<u>19,624</u>	Other Comprehensive (Income) and Expenditure	53			<u>(37,512)</u>
		<u>45,121</u>	Total Comprehensive (Income) and Expenditure				<u>(16,849)</u>

balance sheet

About this Statement

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

31 March 2013 £000	Notes	31 March 2014 £000
410,638	Property, Plant & Equipment 12	409,337
1,011	Heritage Assets 13	1,025
28,707	Investment Property 14	28,341
2,398	Intangible Assets 15	2,067
0	Assets Held for Sale 21	0
29,300	Long Term Investments 16	41,700
13,903	Long Term Debtors 19	14,706
485,957	Long Term Assets	497,176
32,513	Short Term Investments 16	21,918
990	Assets Held for Sale 21	3,242
370	Inventories 17	398
24,318	Short Term Debtors 19	34,277
28,351	Cash and Cash Equivalents 20	34,017
86,542	Current Assets	93,852
(4,110)	Short Term Borrowing 16	(3,260)
(37,222)	Short Term Creditors 22	(41,677)
(5,425)	Short Term Provisions 23	(17,861)
(1,921)	Grants Receipts in Advance (Revenue) 39	(1,705)
(3,186)	Grants Receipts in Advance (Capital) 39	(2,069)
(51,864)	Current Liabilities	(66,572)

balance sheet (continued)

31 March 2013 £000		Notes	31 March 2014 £000
(36)	Long Term Creditors	22	(36)
(2,544)	Provisions	23	(7,316)
(99,330)	Long Term Borrowing	16	(97,439)
(2,754)	Revenue Grants & Contributions – Long-Term Receipts in Advance (REFCUS)	39	(3,580)
(7,095)	Grants Receipts in Advance (Capital)	39	(6,268)
(222,381)	Other Long Term Liabilities – Pensions	25/48	(206,405)
(10,214)	Other long-term liabilities – Deferred	22	(10,280)
(344,354)	Long Term Liabilities		(331,324)
176,281	Net assets		193,132
(10,644)	General Fund Balance	7/8	(10,980)
(32,580)	Earmarked General Fund Reserves	7/8/24	(45,782)
(10,011)	Capital Receipts Reserve	7/24	(7,526)
(271)	Revenue Grants Unapplied (REFCUS)	7	(9)
(24,916)	Capital Grants Unapplied	7	(16,999)
(78,422)	Usable Reserves	24	(81,296)
(18,119)	Revaluation Reserve	25	(18,170)
(19,086)	Available For Sale Financial Instruments Reserve	25	(26,486)
(292,597)	Capital Adjustment Account	25	(298,079)
6,180	Financial Instruments Adjustment Account	25	5,934
222,381	Pensions Reserve	25/48	206,405
(5)	Collection Fund Adjustment Account	25	15,003
0	Equal Pay Adjustment Account	25	0
3,387	Accumulated Absences Account	25	3,557
(97,859)	Unusable Reserves		(111,836)
(176,281)	Total Reserves		(193,132)

Ian Duncan CPFA
Director of Finance
25 September 2014

movement in reserves statement

About this Statement

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

Movement in Reserves during 2013/14

	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Revenue Grants Unapplied £000	Capital Grants unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
Balance as at 31 March 2013	(10,643)	(32,579)	(10,012)	(271)	(24,917)	(78,422)	(97,859)	(176,281)
Movement in reserves during 2013/14								
Surplus or (deficit) on the provision of services	20,662	0	0	0	0	20,662	0	20,662
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	(37,512)	(37,512)
Total Comprehensive Income and Expenditure	20,662	0	0	0	0	20,662	(37,512)	(16,850)
Adjustments between accounting basis & funding basis under regulations (note 7) *	(30,702)	(3,499)	2,485	263	7,917	(23,536)	23,536	0
Net Increase/(Decrease) before transfers to/(from) Earmarked Reserves	(10,040)	(3,499)	2,485	263	7,917	(2,874)	(13,976)	(16,850)
Transfers to/(from) Earmarked Reserves (note 8) **	9,703	(9,703)	0	0	0	0	0	0
Increase/(Decrease) in 2013/14	(337)	(13,202)	2,485	263	7,917	(2,874)	(13,976)	(16,850)
Balance as at 31 March 2014	(10,980)	(45,781)	(7,527)	(8)	(17,000)	(81,296)	(111,835)	(193,131)

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

** Includes movement in Capital Receipts Reserve of £3.499m and is different to Note 8 which shows a net movement of £(13.201)m.

movement in reserves statement (continued)

Movement in Reserves during 2012/13 - Comparative Statement (Restated)

	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Revenue Grants Unapplied £000	Capital Grants unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
Balance as at 31 March 2012	(9,802)	(37,322)	(23,273)	(479)	(15,586)	(86,462)	(134,940)	(221,402)
Restated Movement in reserves during 2012/13								
Surplus or (deficit) on the provision of services	25,497	0	0	0	0	25,497	0	25,497
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	19,624	19,624
Total Comprehensive Income and Expenditure	25,497	0	0	0	0	25,497	19,624	45,121
Adjustments between accounting basis & funding basis under regulations (note 7) *	(20,928)	(667)	13,261	208	(9,331)	(17,457)	17,457	0
Net Increase/(Decrease) before transfers to Earmarked Reserves	4,569	(667)	13,261	208	(9,331)	8,040	37,081	45,121
Transfers to/(from) Earmarked Reserves (note 8)	(5,410)	5,410	0	0	0	0	0	0
Increase/(Decrease) in 2012/13	(841)	4,743	13,261	208	(9,331)	8,040	37,081	45,121
Balance as at 31 March 2013	(10,643)	(32,579)	(10,012)	(271)	(24,917)	(78,422)	(97,859)	(176,281)

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

cash flow statement

About this Statement

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

Restated 2012/13 £000	Year Ended 31 March	2013/14 £000
25,497	Net (surplus) or deficit on the provision of services	20,663
(24,391)	Adjustments to net surplus or deficit on the provision of services for non-cash movements (note 26a)	(41,472)
24,069	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (note 26b)	21,035
25,175	Net cash flows from Operating Activities (note 26c)	226
(12,524)	Investing Activities (note 27)	(157)
1,112	Financing Activities (note 28)	(5,735)
13,763	Net increase or decrease in cash and cash equivalents	(5,666)
(42,114)	Cash and cash equivalents at the beginning of the reporting period	(28,351)
(28,351)	Cash & cash equivalents at the end of reporting period (note 20)	(34,017)

notes to the accounts

1. Accounting Policies

(a) General Principles

The Statement of Accounts summarises the Council's transactions for the 2013/14 financial year and its position at the year-end of 31 March 2014. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011, and those regulations require them to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom in 2013/14 (the Code) and the Service Reporting Code of Practice (SeRCOP) for Local Authorities 2013/14, supported by International Financial Reporting Standards (IFRS).

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

(b) Accruals of Income and Expenditure

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

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

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

Non Domestic Rates (NDR)

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

Council Tax

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

(d) Acquisitions and Discontinued Operations

There are no acquisitions or discontinued operations to report.

(e) Cash and Cash Equivalents

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

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

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

(f) Exceptional Items

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

(g) Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting

opening balances and comparative amounts for the prior period as if the new policy had always been applied.

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

(h) Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:

- depreciation attributable to the assets used by the relevant service;
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off;
- amortisation of intangible non-current assets attributable to the service.

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

(i) Employee Benefits

Benefits Payable During Employment

Short term employee benefits are those due to be settled within 12 months of the year-end. They include benefits such as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave e.g. time off in lieu) earned by employees but not taken before the year end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to the Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. Termination Benefits are charged on an accrual's basis to the appropriate service line within Cost of Services in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end.

Post Employment Benefits

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

- the Teachers' Pension Scheme, administered nationally by Capita Teachers' Pensions;

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

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 4.3% (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.

Re-measurements comprising:

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

Contributions paid to the Greater Manchester Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

Discretionary Benefits

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

(j) Events After the reporting Period

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of event can be identified:

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

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

(k) Financial Instruments

Financial Liabilities (Debt and Interest Charges)

Financial Liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. For many of the borrowings that the Council has this means that the annual charges to the Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability multiplied by the Effective Interest Rate.

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

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

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

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

Financial Assets

Financial Assets are classified into three types:

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

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

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

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

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

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

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

(l) Foreign Currency Translation

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

(m) Government Grants and Contributions

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

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

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

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

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

(n) Heritage Assets

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

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

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

Trafford Town Hall Collection

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

Historic Buildings

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

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

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

Heritage Assets not reported on the balance sheet

Trafford owns 25 listed assets that have heritage status per the National Planning Framework, e.g. Trafford Town Hall, Stretford Public Hall and numerous war memorials. Listed buildings like the Town Hall are used in the delivery of services and as such are included in the balance sheet as Property Plant and Equipment. In respect of other listed assets e.g. war memorials no valuation is available and cannot be obtained at a cost which is commensurate with the benefits to users of the financial statements; those assets have not been included on the balance sheet.

(o) Intangible Assets

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

(p) Interests in Companies and Other Entities

The Council owns minority interests in a small number of companies, mainly arising from the dissolution of the former Greater Manchester County Council. In the Council's accounts, the interest in companies and other entities are recorded as financial assets at cost, less any provisions for losses.

(q) Inventories and Long-Term Contracts

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

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

(r) Investment Property

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

They are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties in an arm's length transaction. These properties are not depreciated but assessed annually for changes in fair value with any change being recognised in the Financing and Investment section of the Comprehensive Income and Expenditure Statement. Statutory arrangements do not allow any gains or losses to have an impact on the General Fund Balance and are therefore reversed out through the Movement in Reserves Statement to the Capital Adjustment Account.

(s) Jointly Controlled Operations and Jointly Controlled Assets

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

(t) Leases

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

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

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

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

The Council as Lessee

Operating Leases

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

The Council as Lessor

Operating Leases

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

(u) Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2013/14 (SeRCOP). The main basis of apportionment is by estimation of time spent on the various services. The cost of administrative buildings has been recharged on the basis of floor area occupied. The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

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

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

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

(v) Property, Plant and Equipment (PPE)

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

Recognition

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

Measurement

Assets are initially measured at cost comprising:

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

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

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

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

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

Assets are revalued with sufficient regularity 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.

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

Depreciation

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

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

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

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

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

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

Revaluation and Impairment Losses

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

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

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

Disposals and Non-current Assets Held for Sale

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

When assets are disposed of or decommissioned the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal and matched against any capital receipt from the disposal. Any revaluation gains on the asset held in the revaluation reserve are transferred to the Capital Adjustment Account.

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

Capital Receipts

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

Minimum Revenue Provision

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

(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.

Provision for Back Pay Arising from Unequal Pay Claims

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

Contingent Liabilities

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

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

Contingent Assets

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

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

(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 £275,000 and property insurance £250,000. A provision is maintained to cover costs for which it is responsible for liability claims and a reserve is maintained for property related costs. Further details can be found in note 8 and 23.

(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.

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

The Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 (the Code) has introduced several changes in accounting policies which will be required from 1 April 2014. The changes, if adopted for 2013/14, are not considered to have a significant impact on the Statement of Accounts as demonstrated below:

- IFRS10 Consolidated Financial Statements – This introduces a new definition of control which is used to determine which entities are consolidated for the purposes of group accounts. The Council does have interests in a number of related parties however these relationships are not affected by the new definitions.
- IFRS11 Joint Arrangements – This concerns the accounting arrangements over which two or more parties have joint control and are classified as either joint ventures or a joint operation. The Council has no material joint arrangement.
- IFRS12 Disclosures of Involvement with Other Entities – This is a consolidated disclosure standard relating to disclosures in interests in subsidiaries, joint arrangements, associates and unconsolidated structural entities. The Council has a number of arrangements with other entities, however these disclosures are already compliant and no further change is required.
- IAS27 Separate Financial Statements and IAS28 Investments in Associates and Joint Ventures – Changes have been made to conform with IFRS 10, 11 & 12. This would only impact on the disclosure notes and therefore have no impact on the 2013/14 statements.
- IAS32 Financial Instruments – Presentation – Offsetting Financial Assets and Financial Liabilities – This relates to the offsetting of financial assets and liabilities which requires that gains and losses are disclosed separately. This has no material impact on these statements.
- IAS1 Presentation of Financial Statements – This relates to the disclosure requirements for the previous year's comparative information. Given the statement of accounts fully discloses comparative information for the previous year these changes will not have a material impact.

3. Critical Judgements in Applying Accounting Policies

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

- There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of future changes in levels of service provision;
- Leases - lease agreements have been reviewed and a determination made on whether these are finance or operating leases. This judgment has been based upon the degree to which the lease transfers the risks and rewards of ownership to the Council in accordance with IAS 17. It has been determined that all current lease arrangements are operating leases, with the exception of the PFI for Sale Waterside;
- Group accounts - arrangements with partners and third party bodies have been reviewed to assess the extent to which the Council is able to influence decisions or exert control over their operations. It has been determined that no group relationships exist with such bodies;
- Liabilities – liabilities have been reviewed and the appropriate accounting treatment applied based on a determination on the ability to estimate the amount, and also the level of certainty. Liabilities have been included accordingly in the accounting statements as either accruals, provisions or contingent liabilities;

- 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', consequently schools are recognised on the Balance Sheet only if the future economic benefits or service potential associated with the school will flow to the Council. The Council regards that the economic benefits or service potential of a school flows to the Council where the Council has the ability to appoint the employees of the school and is able to set the admission criteria.

There are currently five types of schools within the borough:

- Community schools;
- Voluntary Controlled (VC) schools;
- Voluntary Aided (VA) schools;
- Foundation schools;
- Academies.

Employees at Community schools are appointed by the Council and the Council sets the admission criteria. These schools are therefore recognised on the Council's Balance Sheet.

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

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

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

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

There are no items in the Council's Balance Sheet at 31 March 2014 for which there is considered a significant risk of material adjustment in the forthcoming financial year. The following items are considered in further detail as potential risk:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Business Rates	Following the introduction of the Business Rate Retention Scheme, the Council is now responsible for a share of the cost of successful appeals. A provision has therefore been included for the cost of appeals as at 31 March 2014 based on VOA office data on appeals.	
Provisions	<p>Equal Pay: The Council has made a provision of £2.9m for the settlement of claims relating to equal pay. There is some certainty over the payments required on current claims as negotiations with the legal representatives for most claimants are at an advanced stage. However, there remains the potential for future claims, particularly as this area of law is new and could allow for claims on grounds not yet foreseen. The legislation is retrospective covering employment going back to 2001, however, the Council has taken steps to limit liability and a senior team of officers maintain a careful watching brief.</p> <p>Insurance Claims: Annually the Council receives an independent actuary report that determines the amount to be set aside to cover the cost of outstanding liability claims. As at 31/3/14 the provision stands at £3.759m.</p>	<p>Based on the experience of other Councils it is anticipated that the current provision should prove sufficient. However, there is considerable uncertainty in this area, and a substantial increase in liability is not impossible. Such an increase would impact on available reserves, the application of capital receipts, and the revenue budget – particularly if the level of liability required prudential borrowing to smooth its effect over a number of future years.</p> <p>In the event that the cost of insurance claims exceeds this amount then the excess will be met from the insurance reserve.</p>
	<p>MMI: A provision of £0.419m was made in 2012/3 as a consequence of the Council's former insurer, MMI, triggering a scheme of arrangement (Note 23 vi refers). The amount was based on an initial levy imposed on scheme creditors. This has subsequently been utilised in 2013/14.</p>	<p>Should MMI request additional levy payments then this will be met from the insurance reserve.</p>
Pensions liability	The pensions liability is based on assumptions relating to discount rates used, future changes in salaries, changes in retirement ages, mortality rates and expected returns on pension fund assets. These assumptions are reviewed regularly. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	Changes in liability are actuarially measured every three years, and increases in contributions spread over the following three years. The pension contribution is a key financial assumption in the medium term financial plan.

Arrears	At 31 March 2014, the Council had a balance on trade debtors of £4.4m. Impairment of doubtful debts was reviewed and an appropriate provision determined.	If collection rates were to deteriorate by 5%, this would require an estimated additional provision of £0.2m
---------	---	--

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

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

During 2012/13, Manchester Airport Group acquired Stansted Airport, resulting in a change of structure. The Council's shareholding in Manchester Airport Holdings reduced from a 5% holding to 3.22% of the airports capital as a result of the restructure. This change in structure has enabled the shareholding to be subject to a valuation using the earnings based and discounted cash flow methods and the figure as at 31 March 2014 is shown at fair value. The Council at this point in time is to retain these shares. The value of the shareholding as at 31 March 2014 is £36.7m representing an increase of £7.4m and this increase is reflected in the Available for Sale Financial Instruments Reserve. The valuation provided is based on estimations and assumptions and therefore should the Council sell its shareholding, the value held in these statements may not be realised. In addition a share dividend of £2.323m was received (£1.006)m in 2012/13).

The Comprehensive Income and Expenditure Statement includes a net loss of £3.902m on the sale of assets. This comprises gains on the sale of a number of assets of £(4.077)m and losses of £7.979m. Included in this figure is a loss of £4.5m relating to the disposal of two schools who transferred to academy status during the year.

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

Impairment charges, reflecting a reduction in the value of non-current assets, of £5.844m have been made. This includes £2.8m on Trafford Town Hall in respect of items of development costs that did not enhance the asset value, for example, demolition and site preparation costs.

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

6. Events After the reporting Period

The Statement of Accounts were certified on 25 September 2014 by Ian Duncan CPFA, Director of Finance. Events taking place after this date are not reflected in the financial statements or notes. For the purposes of post balance sheet event dates, any matters of significance that have come to light up to midday on 25 September 2014 have been considered for possible inclusion in this Statement of Accounts. It has been concluded that there are no post Balance Sheet events.

7. Adjustments between Accounting Basis and Funding Basis under Regulations

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

7. Adjustments between Accounting Basis and Funding Basis under Regulations

2013/14	Usable Reserves 2013/14						2013/14
	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Revenue Grants Unapplied £000	Capital Grants Unapplied £000	Movements in Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account:							
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:							
Charges for depreciation and impairment of non-current assets.	(12,520)	0	0	0	0	0	12,520
Revaluation losses on Property, Plant & Equipment.	(5,844)	0	0	0	0	0	5,844
Movements in the fair value of Investment Properties.	(436)	0	0	0	0	0	436
Amortisation of intangible assets.	(331)	0	0	0	0	0	331
Capital grants and contributions applied.	0	0	0	0	0	0	0
Movement in the Donated Assets Account.	0	0	0	0	0	0	0
Revenue expenditure funded from capital under statute.	(3,603)	0	0	0	0	0	3,603
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.	(3,902)	0	(5,245)	0	0	0	9,147
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:							
Statutory provision for the financing of capital investment.	4,964	0	0	0	0	0	(4,964)
Voluntary provision above MRP	1,899	(1,899)	1,899	0	0	0	(1,899)
Capital expenditure charged against the General Fund and HRA balances.	161	0	0	0	0	0	(161)

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

2013/14	Usable Reserves 2013/14 (continued)						2013/14 Movements in Unusable Reserves £000
	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Revenue Grants Unapplied £000	Capital Grants Unapplied £000	
Adjustments primarily involving the Capital Grants Unapplied Account:							
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement.	15,963	0	0	0	0	(15,963)	0
Application of grants to capital financing transferred to the Capital Adjustment Account.	0	0	0	0	263	23,880	(24,143)
Adjustments primarily involving the Capital Receipts Reserve:							
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement.	0	0	0	0	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure.	0	(1,600)	5,814	0	0	0	(4,214)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals.	0	0	0	0	0	0	0
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	(17)	0	17	0	0	0	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash.	0	0	0	0	0	0	0
Adjustments primarily involving the Deferred Capital Receipts Reserve:							
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement.	0	0	0	0	0	0	0

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

2013/14	Usable Reserves 2013/14 (continued)						2013/14 Movements in Unusable Reserves £000
	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Revenue Grants Unapplied £000	Capital Grants Unapplied £000	
Adjustment primarily involving the Major Repairs Reserve:							
Reversal of Notional Major Repairs Allowance credited to the HRA.	0	0	0	0	0	0	0
Use of the Major Repairs Reserve to finance new capital expenditure.	0	0	0	0	0	0	0
Adjustment primarily involving the Financial Instruments Adjustment Account:							
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements.	245	0	0	0	0	0	(245)
Adjustments primarily involving the Pension Reserve:							
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see note 48).	(27,568)	0	0	0	0	0	27,568
Employer's pension contributions and direct payments to pensioners payable in the year.	15,466	0	0	0	0	0	(15,466)
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	379	0	0	0	0	0	(379)
NDR	(15,388)	0	0	0	0	0	15,388

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

2013/14	Usable Reserves 2013/14 (continued)						2013/14 Movements in Unusable Reserves £000
	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Revenue Grants Unapplied £000	Capital Grants Unapplied £000	
Adjustments primarily involving the Equal Pay Adjustment Account: Amount by which amounts charged for Equal Pay claims to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements.	0	0	0	0	0	0	0
Adjustments primarily involving the Accumulated Absences Account: Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements.	(170)	0	0	0	0	0	170
Total Adjustments	(30,702)	(3,499)	2,485	0	263	7,917	23,536

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

Restated 2012/13 Comparative Figures	Usable Reserves 2012/13						2012/13
	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Revenue Grants Unapplied £000	Capital Grants Unapplied £000	Movements in Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account:							
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:							
Charges for depreciation and impairment of non-current assets.	(12,361)	0	0	0	0	0	12,361
Revaluation losses on Property, Plant & Equipment.	(6,381)	0	0	0	0	0	6,381
Movements in the fair value of Investment Properties.	(395)	0	0	0	0	0	395
Amortisation of intangible assets.	(295)	0	0	0	0	0	295
Capital grants and contributions applied.	0	0	0	0	0	0	0
Movement in the Donated Assets Account.	0	0	0	0	0	0	0
Revenue expenditure funded from capital under statute.	(13,126)	0	0	0	0	0	13,126
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement.	(6,044)	0	(3,215)	0	0	0	9,259
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:							
Statutory provision for the financing of capital investment.	4,423	0	0	0	0	0	(4,423)
Capital expenditure charged against the General Fund and HRA balances.	239	0	0	0	0	0	(239)

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

Restated 2012/13 Comparative Figures	Usable Reserves 2012/13 (continued)						2012/13 Movements in Unusable Reserves £000
	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Revenue Grants Unapplied £000	Capital Grants Unapplied £000	
Adjustments primarily involving the Capital Grants Unapplied Account: Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement.	21,024	0	0	0	0	(21,024)	0
Application of grants to capital financing transferred to the Capital Adjustment Account.	0	0	0	0	208	11,693	(11,901)
Adjustments primarily involving the Capital Receipts Reserve: Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement.	0	0	0	0	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure.	0	(667)	16,455	0	0	0	(15,788)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals.	0	0	0	0	0	0	0
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	(21)	0	21	0	0	0	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash.	0	0	0	0	0	0	0
Adjustments primarily involving the Deferred Capital Receipts Reserve: Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement.	0	0	0	0	0	0	0

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

Restated 2012/13 Comparative Figures	Usable Reserves 2012/13 (continued)						2012/13 Movements in Unusable Reserves £000
	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Revenue Grants Unapplied £000	Capital Grants Unapplied £000	
Adjustment primarily involving the Major Repairs Reserve: Reversal of Major Repairs Allowance credited to the HRA.	0	0	0	0	0	0	0
Use of the Major Repairs Reserve to finance new capital expenditure.	0	0	0	0	0	0	0
Adjustment primarily involving the Financial Instruments Adjustment Account: Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements.	231	0	0	0	0	0	(231)
Adjustments primarily involving the Pension Reserve: Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see note 48).	(23,400)	0	0	0	0	0	23,400
Employer's pension contributions and direct payments to pensioner's payable in the year.	15,266	0	0	0	0	0	(15,266)
Adjustments primarily involving the Collection Fund Adjustment Account: Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements.	(289)	0	0	0	0	0	289

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

Restated 2012/13 Comparative Figures	Usable Reserves 2012/13 (continued)						2012/13 Movements in Unusable Reserves £000
	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Revenue Grants Unapplied £000	Capital Grants Unapplied £000	
Adjustments primarily involving the Equal Pay Adjustment Account: Amount by which amounts charged for Equal Pay claims to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements.	0	0	0	0	0	0	0
Adjustments primarily involving the Accumulated Absences Account: Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements.	202	0	0	0	0	0	(202)
Total Adjustments	(20,928)	(667)	13,261	0	208	(9,331)	17,457

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

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

	Balance as at 1 April 2012 £000	Movements Out 2012/13 £000	Movements In 2012/13 £000	Balance at 31 March 2013 £000	Movements Out 2013/14 £000	Movements In 2013/14 £000	Balance at 31 March 2014 £000
General Fund	(9,803)	4,871	(5,712)	(10,644)	3,879	(4,215)	(10,980)
Earmarked Reserves:							
Balances held by schools under a scheme of delegation	(13,395)	4,913	(497)	(8,979)	6,911	(8,406)	(10,474)
Other Earmarked Reserves:							
Computer Reserve To finance planned developments in network infrastructure, new systems and hardware.	(247)	247	0	0	0	0	0
Accommodation Strategy Reserve The Council is rationalising its office accommodation and short term finance has been made available to improve those premises being retained.	(81)	81	0	0	0	0	0
Synthetic Pitch Replacement Reserve This will be used towards replacing synthetic pitches across the Borough.	(303)	213	(15)	(105)	0	(15)	(120)
Training Reserve To undertake some corporate training across the Council.	(414)	133	(231)	(512)	98	(67)	(481)

Transfers to/from Earmarked Reserves (continued)

	Balance as at 1 April 2012 £000	Movements Out 2012/13 £000	Movements In 2012/13 £000	Balance at 31 March 2013 £000	Movements Out 2013/14 £000	Movements In 2013/14 £000	Balance at 31 March 2014 £000
Insurance Reserve Funds earmarked for future claims and to carry out various risk management initiatives.	(6,307)	2,652	(267)	(3,922)	507	(5)	(3,420)
Delegated Service Budgets Revenue budget under/overspends to be carried forward as part of the Council's Medium Term Financial Plans.	(2,634)	2,479	(1,941)	(2,096)	3,591	(2,480)	(985)
ICT Development Investment in new ICT to improve efficiency Council-wide.	(697)	63	(277)	(911)	134	0	(777)
Job Evaluation To pay for the additional costs associated with the Job Evaluation (PARIS) team and any additional legal/ancillary costs associated with the Equal Pay review.	(301)	301	0	0	0	0	0
Community Safety Investment in Community Safety initiatives.	(22)	0	0	(22)	0	0	(22)
Dedicated Schools Grant (DSG) Government grant specifically for the funding of schools and schools' related services.	(171)	0	(2,134)	(2,305)	2,305	(2,777)	(2,777)
Adult Social Care Reserve To facilitate and finance the transformational change of adult social services in order to deliver Putting People First and market transformation.	(31)	31	0	0	0	0	0

Transfers to/from Earmarked Reserves (continued)

	Balance as at 1 April 2012 £000	Movements Out 2012/13 £000	Movements In 2012/13 £000	Balance at 31 March 2013 £000	Movements Out 2013/14 £000	Movements In 2013/14 £000	Balance at 31 March 2014 £000
Economy Contingency/Olympic Reserve To cover potential adverse effects of economic conditions on the Council's finances, such as reduced income streams.	(316)	263	0	(53)	33	0	(20)
Elections Reserve To smooth the elections budget across the 4 year Municipal cycle.	(107)	107	0	0	0	(187)	(187)
Transformation Reserve Money set aside to pump prime the achievement of the next stage of efficiencies through the Transformation Programme.	(2,079)	259	0	(1,820)	347	0	(1,473)
Interest Rate Reserve To smooth the effect on the Council's budget of volatile movements in interest rates.	(492)	0	(616)	(1,108)	1,001	(48)	(155)
Waste Levy Reserve To smooth the effects on the Council's budget of movements in the waste levy over the medium term	(2,058)	0	(1,307)	(3,365)	1,086	0	(2,279)
Long Term Accommodation Decant Reserve To cover the cost of accommodation changes arising from the Long Term Accommodation Project	(1,172)	1,351	(852)	(673)	586	(244)	(331)
Employment Rationalisation Reserve To cover the cost of rationalising the employment of staff by the Council	(2,815)	749	(88)	(2,154)	586	(846)	(2,414)
Telecare Reserve Investment in technology to help in enabling older and more vulnerable people to live independently in their own home.	(124)	124	0	0	0	0	0

Transfers to/from Earmarked Reserves (continued)

	Balance as at 1 April 2012 £000	Movements Out 2012/13 £000	Movements In 2012/13 £000	Balance at 31 March 2013 £000	Movements Out 2013/14 £000	Movements In 2013/14 £000	Balance at 31 March 2014 £000
Capital Reserve Investment in disabled facility schemes	(1,049)	460	(1,517)	(2,106)	435	0	(1,671)
LAA Performance Reward Grant Reserve Revenue element of grant to be allocated to schemes via the Trafford Partnership	(1,369)	454	0	(915)	250	0	(665)
Manchester Airport Debt Restructure Reserve Smoothing of airport debt restructure costs over the medium term	(510)	0	(198)	(708)	0	(213)	(921)
Prepaid Revenue Grants Reserve To hold revenue grants included in the Comprehensive Income and Expenditure Statement which are paid in advance, and which no conditions for repayment are attached. Balance is required to be offset future costs.	(195)	195	(289)	(289)	289	(400)	(400)
Winter Maintenance Reserve To provide emergency funds to cover the costs of highway & footway maintenance during periods of adverse weather conditions.	0	0	(120)	(120)	0	0	(120)
NDR Deficit Reserve Reserve established towards meeting Trafford's share of the NDR Deficit	0	0	0	0	0	(15,461)	(15,461)
Local Welfare Assistance Reserve Smoothing reserve established from prior year under commitments of Local Welfare Assistance grant ring fenced to meet future costs.	0	0	0	0	0	(238)	(238)
Other Reserves Other amounts earmarked for specific purposes.	(434)	26	(8)	(416)	91	(64)	(389)
Total Earmarked Reserves (incl. Schools)	(37,323)	15,101	(10,357)	(32,579)	18,250	(31,451)	(45,780)
Total Reserves	(47,126)	19,972	(16,069)	(43,223)	22,129	(35,666)	(56,760)

* Excludes Capital Receipts Reserve

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

2012/13 £000	2013/14 £000
88 Parish council precepts (i)	57
28,598 Levies (ii)	30,956
21 Payments to the Government Housing Capital Receipts Pool (iii)	17
9,259 Amount written off on disposal of non-current assets (iv)	9,148
(3,214) Sale proceeds from disposal of non-current assets (iv)	(5,245)
34,752 Total	34,933

(i) Partington Town Council at its meeting on 6 November 2012 elected to keep the level of Band D Council Tax at £42.50, the same as 2012/13. However, the new Council Tax Support scheme had the effect of reducing the Parish Tax Base from 2,079 in 2012/13 to 1,331 in 2013/14, and as a consequence the precept was reduced to £56,568. The Council agreed to provide a transitional grant of £31,790 for 2013/14 to mitigate this loss, in addition to the Council grant of £24,070, both of which are contained within the Cost of Services.

(ii) Included are levies as follows:

2012/13 Expenditure £000	2013/14 Expenditure £000
127 Flood Defence	133
12,668 Waste Disposal Authority	14,071
15,803 GM Combined Authority	16,752
28,598 Total	30,956

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

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

The amount paid to the pool in 2013/14 was £0.017m (£0.021m in 2012/13), and has a neutral effect on the Council's General Fund Balance.

(iv) During 2013/14 a net loss on the disposal of assets was realised of £3.903m (£6.045m loss in 2012/13). This arises where the value of proceeds received is less than the value of those assets held on the balance sheet.

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

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

Restated 2012/13 £000	2013/14 £000
6,143 Interest payable and similar charges	6,116
(21,500) Interest income on plan assets (i)	(22,965)
30,200 Interest cost on defined benefit obligation	33,029
(1,795) Interest receivable and similar income (ii)	(2,556)
(1,257) Income and expenditure in relation to investment properties and changes in their fair value (iii)	(1,458)
(263) Residual (Surplus)/deficit on trading undertakings (iv)	(185)
(1,006) Other investment income (v)	(2,323)
10,522 Total	9,658

(i) Changes to IAS19 came into effect for the financial year ending 31 March 2014. The key change is that the previously reported interest cost and expected return on assets components of profit are now combined into a net figure. In effect this means that the expected return has been replaced by a figure that would be applicable if the expected return on assets assumption was equal to the discount rate. The changes have also been adopted retrospectively for the prior year. The effect of the change has been an increase of £3.6m in 2012/13.

(ii) During 2013/14 the average amount invested in the money market was £71.5m, at an average interest rate of 0.74%. Investment interest generated for the year was £(2.556)m, including £(1.043)m of interest receivable from Manchester International Airport following the renegotiation of loan debt held by each of the Greater Manchester Authorities in February 2010. For 2012/13 the average amount invested was £79.4m at an average rate of 0.88%, producing £(1.795)m of investment interest, including £(1.043)m from the Airport.

(iii) Includes increase/(decrease) in the fair value of investment properties £0.436m (£0.395m in 2012/13). Net expenditure/(income) on investment properties is £(1.894)m, £(1.652)m in 2012/13), also included in note 14.

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

(v) During 2013/14 a share dividend of £(2.323)m was received from Manchester International Airport (£(1.006)m in 2012/13).

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

2012/13 £000	2013/14 £000
(88,401) Council Tax income	(78,897)
(64,547) Non domestic rates*	(29,502)
(21,606) Non-ringfenced government grants*	(57,269)
(21,024) Capital grants and contributions*	(15,963)
(195,578) Total	(181,631)

* Further detail on grants is shown in note 39.

12. **Property, Plant and Equipment (Balance Sheet page 13)**
Movements on Balances 2013/14:

	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 2013	255,280	20,078	185,561	19,428	15,804	31,733	527,884
Additions	14,853	863	5,470	388	15	4,914	26,503
Disposals (incl. adj. for academy school transfers)	(10,961)				(480)		(11,441)
Reclassification to Assets Held for Sale					(2,197)		(2,197)
Other Reclassifications	27,244	806	637	86	1,519	(30,629)	(337)
Accumulated depreciation and impairment written out on revaluation adj.	(10,145)	0	0	0	0	0	(10,145)
Revaluation increases/(decreases) recognised in the revaluation reserve	725	0	0	0	1,310	0	2,035
Revaluation increases/(decreases) recognised in the surplus/deficit on the provision of services	0	0	0	0	0	0	0
As at 31 March 2014	276,996	21,747	191,668	19,902	15,971	6,018	532,302
Depreciation and Impairments:							
As at 1 April 2013	(51,560)	(15,965)	(43,412)	(3,363)	(2,946)	0	(117,246)
Depreciation charged to CIES (ii)	(6,960)	(1,386)	(3,763)	(392)	0	0	(12,501)
Impairment charged to CIES	(5,808)	0	0	0	(36)	0	(5,844)
Impairment written off to Revaluation Reserve	0	0	0	0	0	0	0
Revaluation Reserve	0	0	0	0	0	0	0
Disposals	2,539	0	0	0	0	0	2,539
Reclassifications	0	0	0	0	0	0	0
Accumulated depreciation and impairment written out on revaluation adj.	10,087	0	0	0	0	0	10,087
Revaluations	0	0	0	0	0	0	0
As at 31 March 2014	(51,702)	(17,351)	(47,175)	(3,755)	(2,982)	0	(122,965)
Net Book Value:							
Balance Sheet amount as at 31 March 2014*	225,294	4,396	144,493	16,147	12,989	6,018	409,337
Balance Sheet amount as at 1 April 2013*	203,720	4,113	142,149	16,065	12,858	31,733	410,638
Nature of Asset Holding							
Owned	212,891	4,396	144,493	16,147	12,989	6,018	396,934
Finance Lease	0	0	0	0	0	0	0
PFI(i)	12,403	0	0	0	0	0	12,403
Total	225,294	4,396	144,493	16,147	12,989	6,018	409,337

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

Movement in PFI Asset Value	£000
Opening Value 1 April 2013	12,421
Additions	166
Less Depreciation	(184)
Less Impairment	
Closing Value 31 March 2014	12,403

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

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

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

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

There are no changes to depreciation methods used between 2012/13 and 2013/14.

Comparative Movements in 2012/13:

	Other land & buildings £000	Vehicles, plant & equipment assets £000	Infra - structure assets (ii) £000	Community assets (iv) £000	Surplus assets £000	Assets under construc- tion £000	Total £000
Cost or Valuation:							
As at 1 April 2012	246,100	26,931	183,249	18,495	17,353	11,881	504,009
Restated Opening Balances							
Additions	6,056	152	3,841	564	38	21,746	32,397
Disposals	(7,497)	0	0	0	0	0	(7,497)
Accumulated depreciation and impairment written out on revaluation	(9,289)	0	0	0	0	0	(9,289)
Accumulated depreciation and impairment adjustment	28,993	(7,160)	(1,541)	0	(1,130)	0	19,162
Reclassification to Assets Held for Sale	0	0	0	0	0	0	0
Other Reclassifications	1,620	155	12	370	(370)	(1,894)	(107)
Revaluations	(10,703)			(1)	(87)		(10,791)
As at 31 March 2013	255,280	20,078	185,561	19,428	15,804	31,733	527,884
Depreciation and Impairments:							
As at 1 April 2012	(26,489)	(21,524)	(40,979)	(2,956)	(4,076)		(96,024)
Restated Opening Balances							
Accumulated depreciation and impairment written out on revaluation	9,289	0	0	0	0	0	9,289
Accumulated depreciation and impairment adjustment	(28,993)	7,160	1,541	0	1,130	0	(19,162)
Depreciation charged to CIES (iii)	(6,349)	(1,601)	(3,974)	(407)	0	0	(12,331)
Impairment charged to CIES	0	0	0	0	0	0	0
Impairment written off to Revaluation Reserve	0	0	0	0	0	0	0
Revaluation Reserve	0	0	0	0	0	0	0
Disposals	982	0	0	0	0	0	982
Reclassifications	0	0	0	0	0	0	0
Revaluations	0	0	0	0	0	0	0
As at 31 March 2013	(51,560)	(15,965)	(43,412)	(3,363)	(2,946)		(117,246)
Net Book Value:							
Balance Sheet amount as at 31 March 2013*	203,720	4,113	142,149	16,065	12,858	31,733	410,638

Comparative Movements in 2012/13 (continued):

Nature of Asset Holding	Other land & buildings £000	Vehicles, plant & equipment assets £000	Infra - structure assets (ii) £000	Community assets (iv) £000	Surplus assets £000	Assets under construction £000	Total £000
Owned	191,299	4,113	142,149	16,065	12,858	31,733	398,217
Finance Lease							
PFI(i)	12,421						12,421
Total	203,720	4,113	142,149	16,065	12,858	31,733	410,638

Valuation of Non-Current Assets held at fair value

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

	Other land & buildings £000	Vehicles, plant & equipment £000	Surplus assets £000	Total £000
Held at historic cost		4,396		4,396
Valued at current value in:				
Current Year (1 April 2013)	70,521	0	2,103	72,624
Previous year (1 April 2012)	50,365	0	3,542	53,907
Two years ago (1 April 2011)	8,909	0	202	9,111
Three years ago (1 April 2010)	26,300	0	1,606	27,906
Four years ago (1 April 2009)	69,199	0	5,536	74,735
Total	225,294	4,396	12,989	242,679

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

Treatment of Non-Community Schools

The Non-Current Assets and Long-Term Liabilities of Foundation Schools remain vested in the Governing Bodies of the Schools and therefore values and amounts have not been consolidated in the Council's Balance Sheet. The same principle also applies to Voluntary-Aided and Voluntary Controlled Schools. In this area there are 3 Foundation Schools and 23 Voluntary-Aided Schools and one Voluntary Controlled School.

Significant commitments under capital contracts as at 31 March 2014

As at 31 March 2014 the Council was contractually committed to capital expenditure which amounted to approximately £3.9m. Major contracts included the following schemes:

	£000
Springfield Primary School – Additional Places	2,186
Kings Road Primary School – Additional Places	1,133
Altrincham Historic Market Quarter	548
Total at 31 March 2014	3,867

13. Heritage Assets (Balance Sheet page 13)

In accordance with FRS 30, the Council is required to recognise and measure Heritage Assets at fair valuation in the 2013/14 accounts. Heritage assets are assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical value.

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

Movement in Heritage Asset Value	2012/13 £000	2013/14 £000
Opening Value 1 April	1,017	1,011
Additions	0	13
Reclassifications		7
Disposals	0	
Less Depreciation	(6)	(6)
Less Impairment	0	
Closing Value 31 March	1,011	1,025

14. Investment Properties (Balance Sheet page 13)

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

	2012/13 £000	2013/14 £000
Balance at start of year	29,061	28,707
Additions:		
Purchases		
Construction		
Subsequent expenditure		
Disposals		(36)
Net gains/losses from fair value adjustments	(395)	(436)
Transfers:		
to/from Inventories		
to/from Property, Plant & Equipment	64	120
Other changes	(23)	(14)
Balance at end of year	28,707	28,341

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:

	2012/13 £000	2013/14 £000
Rental income from investment property	(2,425)	(2,433)
Direct operating expenses arising from investment	773	539
Net (gain)/loss	(1,652)	(1,894)

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

15. Intangible Assets (Balance Sheet page 13)

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

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

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

None of the software are internally generated.

The carrying amounts of intangible assets is amortised on a straight-line basis. The amortisation of £0.331m charged to revenue in 2013/14 was charged to the IT Administration cost centre and then absorbed as an overhead across all the service headings in the Net Expenditure of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

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

	2012/13			2013/14		
	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	0	3,073	3,073	0	3,299	3,299
Accumulated amortisation	0	(605)	(605)	0	(902)	(902)
Net carrying amount at start of year	0	2,468	2,468		2,397	2,397
Additions:						
Internal development	0	194	194	0	(5)	(5)
Purchases	0	32	32	0	0	0
Acquired through business combinations	0	0	0	0	0	0
Assets reclassified as held for sale	0	0	0	0	0	0
Other disposals	0	0	0	0	0	0
Revaluations increases or decreases	0	0	0	0	0	0
Impairment losses recognised or reversed directly in the Revaluation Reserve	0	0	0	0	0	0
Impairment losses recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0
Amortisation for the period	0	(297)	(297)	0	(331)	(331)
Other changes	0	0	0	0	6	6
Net carrying amount at end of year	0	2,397	2,397	0	2,067	2,067
Comprising:						
Gross carrying amounts	0	3,299	3,299	0	3,300	3,300
Accumulated amortisation	0	(902)	(902)	0	(1,233)	(1,233)
	0	2,397	2,397	0	2,067	2,067

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

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

16. Financial Instruments

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

	Long Term 31 March 2013 £000	Short Term 31 March 2013 £000	Long Term 31 March 2014 £000	Short Term 31 March 2014 £000
FINANCIAL ASSETS				
Available For Sale Financial Assets				
MAG Shareholding (See note on "Interest in Companies" on page 62)	29,300	0	36,700	0
Loans & Receivables – Other Investments				
Principal	0	32,400	5,000	21,900
Accrued Interest	0	113	0	18
Sub-total – Other Investments	0	32,513	5,000	21,918
Sub-Total Investments	29,300	32,513	41,700	21,918
Loans & Receivables - Cash and cash equivalent:				
Cash at Bank	0	8,554	0	9,903
Principal	0	19,760	0	24,040
Accrued interest	0	37	0	74
Sub-total Cash and Cash equivalent	0	28,351	0	34,017
Loans & Receivables – Other Financial Instruments				
MAG Loans (included within Long term debtors)	8,693	0	8,693	0
Homestep Loans (included within Long term debtors)	1,277	0	1,268	0
Local Authority Mortgage Scheme (included within Long term debtors)	2,000	0	3,019	0
Section 106 debtors (included within Short term debtors)	0	2,479	0	1,413
Trade Debtors (included within Short term debtors)	0	3,679	0	4,412
Sub-total	11,970	6,158	12,980	5,825
TOTAL FINANCIAL ASSETS	41,270	67,022	54,680	61,760
FINANCIAL LIABILITIES				
Financial Liabilities at Amortised Cost - Borrowings				
Principal	(97,415)	(3,056)	(94,992)	(2,424)
Accrued Interest	0	(1,054)	0	(836)
Market loans EIR adjustments	(1,915)	0	(2,447)	0
Sub-total	(99,330)	(4,110)	(97,439)	(3,260)
Financial Liabilities at Amortised Cost - Other Financial Instruments				
Trade Creditors (included within short term creditors)	0	(14,616)	0	(6,067)
Sub-total	0	(14,616)	0	(6,067)
Other Long Term Liabilities				
PFI and finance lease liabilities	(6,367)	(173)	(6,183)	(184)
Sub-total	(6,367)	(173)	(6,183)	(184)
TOTAL FINANCIAL LIABILITIES	(105,697)	(18,899)	(103,622)	(9,511)

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

During 2013/14, the Council advanced £19k 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.

Fair value of Assets and Liabilities carried at Amortised Cost

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

- For loans from the PWLB and other loans payable, premature repayment rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures;
- For investments the prevailing benchmark market rates have been used to provide the fair value;
- No early repayment or impairment is recognised;
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the principal outstanding or the billed amount;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

Liabilities

	31 March 2013		31 March 2014				
	Carrying Amount	Fair Value	Principal	Add EIR adjustment	Add accrued Interest	Carrying Amount	Fair Value
	£000	£000	£000	£000	£000	£000	£000
Financial Liabilities Measured at amortised cost							
PWLB	45,285	61,614	41,416	0	593	42,009	53,519
Market	58,155	51,460	56,000	2,447	243	58,690	64,622
Trade creditors (included within short term creditors)	14,616	14,616	6,067	0	0	6,067	6,067
Sub total	118,056	127,690	103,483	2,447	836	106,766	124,208
Other Long Term Liabilities							
PFI & finance lease	6,540	9,461	6,367	0	0	6,367	8,364
Sub total	6,540	9,461	6,367	0	0	6,367	8,364
Total	124,596	137,151	109,850	2,447	836	113,133	132,572

Assets

	31 March 2013		Principal	31 March 2014		Fair Value
	Carrying Amount	Fair Value		Add accrued Interest	Carrying Amount	
	£000	£000	£000	£000	£000	£000
Loans & Receivables						
Cash & Cash equivalents						
- Cash at bank	8,554	8,554	9,903	0	9,903	9,903
- Deposits	19,797	19,797	24,040	74	24,114	24,114
Sub total	28,351	28,351	33,943	74	34,017	34,017
Deposits over 1 year	0	0	5,000	0	5,000	5,005
Deposits under 1 year	32,513	32,513	21,900	18	21,918	21,949
MAG Loans (included within Long term debtors)	8,693	8,693	8,693	0	8,693	8,693
Homestep Loans (included within Long term debtors)	1,277	1,277	1,268	0	1,268	1,268
Local Authority Mortgage Scheme (included within Long term debtors)	2,000	2,000	3,019	0	3,019	3,019
Section 106 debtors (included within Short term debtors)	2,479	2,479	1,413	0	1,413	1,413
Trade Debtors (included within Short term debtors)	3,679	3,679	4,412	0	4,412	4,412
Sub total	50,641	50,641	45,705	18	45,723	45,759
Available For Sale Financial Assets						
MAG Shareholding	29,300	29,300	36,700	0	36,700	36,700
Sub total	29,300	29,300	36,700	0	36,700	36,700
Total	108,292	108,292	116,348	92	116,440	116,476

The fair value is greater than the carrying amount because the Council's portfolio of liabilities and assets includes a number of fixed rate instruments where the interest rate payable and receivable are higher than the rates available for similar transactions in the market at the balance sheet date. This increases the fair value of financial liabilities and raises the value of Investments.

The fair values for both financial liabilities and assets have been determined by reference to the Public Works Loan Board (PWLB) redemption rules which provide a good approximation for the fair value of a financial instrument and includes accrued interest. The comparator market rates have been taken from indicative investment rates at each balance sheet date. In practice rates will be determined by the size of the transaction and counterparty, but it is impractical to use these figures, and the differences are immaterial.

Gains and Losses

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

	2012/13			2013/14		
	Financial Liabilities measured at amortised cost £000	Financial Assets: Loan & Receivables £000	Total £000	Financial Liabilities measured at amortised cost £000	Financial Assets: Loans & Receivables £000	Total £000
Interest Expense	6,142		6,142	6,116		6,116
Total expense in Surplus or Deficit on the Provision of Services	6,142		6,142	6,116		6,116
Interest income		(2,801)	(2,801)		(4,879)	(4,879)
Total income on Surplus or Deficit on the Provision of Services		(2,801)	(2,801)		(4,879)	(4,879)
Net gain/(loss) for the year	6,142	(2,801)	3,341	6,116	(4,879)	1,237

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

- (i) **The Council has the following financial instruments that are classed as Available for Sale**

31.03.12 £000	31.03.13 £000		31.03.14 £000
10,214	29,300	Shareholdings	36,700
10,214	29,300	Total	36,700

17. Inventories (Balance Sheet page 13)

The Council held the following inventories at 31 March 2013 and 2014. All are related to consumable stores.

	Consumable Stores	
	31.3.13 £000	31.3.14 £000
Balance outstanding at start of year	496	370
Purchases	2,463	2,470
Recognised as an expense in the year	(2,491)	(2,435)
Written off balances	(98)	(7)
Reversals of write-offs in previous years		
Balance outstanding at year-end	370	398

18. Work in Progress (Construction Contracts)

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

19. Debtors (Balance Sheet page 13)

Long Term Debtors & Prepayments

31.3.13		31.3.14
£000		£000
23	Council Houses (Mortgages)	14
0	Private Dwellings (Mortgages)	0
1,050	Probation Service (i)	983
0	Car Loans to Staff	0
8,693	Manchester Airport Plc. (ii)	8,693
680	Sale PFI – lifecycle replacement (iii)	608
180	MUFC Deferred Debtor (iv)	120
1,277	Homestep Loans (v)	1,268
2,000	Local Authority Mortgage Scheme (vi)	3,019
13,903	Total	14,706

- (i) The Council acts as 'lead' authority in providing loans to the Greater Manchester Probation Service (GMPS) to assist in the financing of their capital programme. These advances are repaid with interest over varying periods finishing in 2031/32.
- (ii) The Council together with the other nine Greater Manchester authorities is a shareholder in Manchester Airport plc. During 2009/10, in exchange for a greater level of coupon rate receivable, all ten councils agreed to restructure the long term loans that had previously been made to the Airport to finance capital expenditure. As a result of this, these loans which were previously classed as secure loans have become unsecured loans. The revised loan agreement is due to expire in 2055.
- (iii) Private Finance Initiative (PFI) – The Council has a PFI scheme for the provision of new office and community facilities in Sale Town Centre. Amounts payable under the arrangement to the PFI operator in respect of lifecycle costs are included as prepayments. These amounts will be written down to the asset when lifecycle works are undertaken.
- (iv) MUFC Deferred Debtor – A Section 106 agreement was entered into with Manchester United Football Club in March 2005 relating to the stadium improvements completed in 2006. The agreement provides for the funding of works on transport infrastructure improvements, match day improvements measures and improvements to sporting facilities in the borough. In addition to £0.400m received in 2006/07, an amount of £0.600m is due over the next ten years in annual instalments of £0.060m per year. The £0.060m instalment due in 2014/15 is included within short-term debtors in the Balance Sheet.
- (v) Homestep Loans – these are loans provided to first time buyers to assist key workers to purchase a home. The amount advanced has been included as a long term debtor and is repayable when the property is sold.
- (vi) Local Authority Mortgage Scheme – as part of the scheme launched in May 2012, the Council provides an indemnity to Lloyds TSB to allow suitable first time buyers to access the housing market with a 5% deposit instead of a usual 25% deposit. In effect, the Council provides a 'cash backed' indemnity to Lloyds TSB to cover the 20% of the mortgage price in the event of a default within the first 5 years of the mortgage period. Following the success of the original £2m advanced in 2012/13, a further £1m was provided to Lloyds TSB in 2013/14. The fair value of the debtor remains at £3m due to no defaults occurring in 2013/14.

Short Term Debtors and Payments in Advance

31 March 2013 £000	Amounts falling due within one year	31 March 2014 £000
8,003	Council Tax	8,315
2,141	Business Rates	3,076
3,406	Other Government Departments	13,245
4,300	Payments in advance	3,107
18,646	Other	21,842
36,496	Sub Total	49,585
(12,178)	Less Provision for Bad and Doubtful Debts	(15,307)
24,318	Total	34,277

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

31 March 2013 £000		31 March 2014 £000
5,548	Central Government Bodies	13,245
323	Other Local Authorities	462
41	National Health Service Bodies	1,539
83	Public Corporations and Trading Funds	41
18,323	Bodies External to General Government	18,990
24,318	Total	34,277

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

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

31 March 2013 £000		31 March 2014 £000
8,554	Cash held by the Council/Bank current accounts	9,903
19,797	Short-term deposits	24,114
28,351	Total Cash and Cash Equivalents	34,017

21 Assets Held for Sale (Balance Sheet page 13)

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

	Current assets	
	2012/13 £000	2013/14 £000
Balance outstanding at start of year	3,692	990
Assets newly classified as held for sale:		
Property, Plant and Equipment		2,403
Intangible Assets		
Other assets/liabilities in disposal group		
Revaluation losses		
Revaluation gains		
Impairment losses		
Assets held as declassified for sale:		
Property, Plant and Equipment		
Intangible Assets		
Other assets/liabilities in disposal group		
Assets sold	(2,744)	(210)
Transfers from non-current to current (Other movements)	42	59
Balance at year-end	990	3,242

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

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

Long Term Creditors

This includes £(0.036)m (£(0.036)m in 2012/13) for the maintenance of graves at cemeteries.

Long-Term Liabilities – Deferred

31 March 2013 £000	31 March 2014 £000
(6,367) Sale PFI – Finance Lease liability (i)	(6,181)
(1,277) Sale PFI liability (ii)	(1,377)
- Environmental Surcharge Crematoria (iii)	(87)
(1,027) Greater Manchester Debt Administration Fund – MIA (iv)	(919)
(42) Council house mortgages (v)	(18)
(174) Trafford Park Development Corporation (vi)	(175)
(1,327) Commuted sums/S106 agreements (vii)	(1,523)
(10,214) Total	(10,280)

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

- (iii) Since 2007 the Council has included an Environmental Surcharge within its Crematoria fees associated with works required to comply with statutory mercury abatement guidance issued by DEFRA at that time. The sum is either spent on essential works in-year or carried forward as a liability to fund works in future years as required.
- (iv) This is the deferred long term liability relating to Manchester Airport debt (see note 49b).
- (v) £(0.018)m is due from the sale of council houses and other dwellings where buyers have entered into a mortgage agreement with the Council. Therefore the repayments will be received in instalments over a number of years.
- (vi) Prior to its wind up on 31 March 1998 the Trafford Park Urban Development Corporation paid the sum of £1.3m in recognition of the Council agreeing to pay some of the corporation's outstanding liabilities and carrying out certain works. There is a remaining balance of £(0.175)m as at 31 March 2014.
- (vii) The Council has also received commuted sums from developers, in particular for the development and maintenance of open spaces. This will be released to the revenue account when the cost of providing these services falls due.

Short Term Creditors

31 March 2013 £000		31 March 2014 £000
(3,581)	HM Revenue and Customs	(3,535)
	- Other Government Departments	(5,069)
(24,323)	Sundry Creditors	(21,678)
(260)	Carbon Reduction Commitment *	(267)
(3,387)	Employees – accumulated absences	(3,557)
(3,415)	Receipts in Advance – Council Tax	(3,462)
	- Receipts in Advance – NDR	(2,415)
(2,256)	Other Receipts in Advance	(1,694)
(37,222)	Total	(41,677)

* The Council is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This scheme is currently in its introductory phase which will last until 31 March 2014. The Council is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted, a liability and an expense are recognised. The liability will be discharged by surrendering allowances. An estimated liability of £(267)k (£(216)k schools and £(51)k non schools) has been charged to the Consolidated Income & Expenditure Account in 2013/14 and is included in Short Term Creditors above.

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

31 March 2013 £000		31 March 2014 £000
(3,581)	Central Government Bodies	(8,604)
(1,590)	Other Local Authorities	(886)
(204)	National Health Service Bodies	(1,522)
(161)	Public Corporations and Trading Funds	(134)
(31,686)	Bodies External to General Government	(30,531)
(37,222)	Total	(41,677)

23 Provisions (Balance Sheet page 13)

The Council has the following total provisions at 31 March 2014:

	Balance 1 April 2012 £000	Net Movement in Year £000	Balance 1 April 2013 £000	Net Movement in Year £000	Balance 31 March 2014 £000
Total Provision					
Insurance (i)	(3,463)	157	(3,306)	(453)	(3,759)
Equal Pay (ii)	(3,168)	(667)	(3,835)	979	(2,856)
S117 Mental Health Act (iii)	(418)	300	(118)	118	0
VAT on Parking income (iv)	(135)	0	(135)	(37)	(172)
Employee Rationalisation (v)	(14)	(142)	(156)	(190)	(346)
MMI Clawback (vi)	0	(419)	(419)	419	0
NDR Appeals (vii)	0	0	0	(18,043)	(18,043)
Total	(7,198)	(771)	(7,969)	(17,207)	(25,176)

- (i) Insurance £(3.759)m – 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 2013/14 was primarily Travellers. The Council is therefore obliged to make a provision each year in respect of potential claims, most of which are received in future years. The level of provision is assessed independently each year by an actuary, for 2013/14 this was AON Global Risk Consultants. In 2013/14, from a starting balance of £(3.306)m contributions of £(1.267)m were made to the provision, £0.814m of claims were paid, leaving a balance on the provision of £(3.759)m which is deemed an appropriate balance to cover any outstanding liabilities.
- (ii) Liabilities arising from claims under Equal Pay legislation from employees who may have been disadvantaged under the Council's previous pay scheme operating up to 31 December 2008 have been estimated at £(2.856)m. The movements in year have been £0.979m comprising payments of £2.579m in respect of 248 settled claims and an increase to provision of £(1.600)m for future claims. The Council is actively engaged in trying to settle the majority of claims in the next period.
- (iii) The Provision of £(0.118)m in respect of charges which were incorrectly levied under S117 of the Mental Health Act 1983 which were due for repayment with accumulated interest has been fully written back to the revenue account as it is now considered unlikely that any future payments will be made. The remaining small risk of a payment being required is recognised in the Contingent Liabilities note 49, with the expectation that any such payment will be made from the existing budgets and/or the General Reserve.
- (iv) VAT on car parking of £(0.172)m (£(0.135)m in 2012/13). These monies are held pending the outcome of outstanding litigation affecting all local authorities in respect of the VAT liability for off-street car parking.
- (v) Employee Rationalisation – the Council has severance agreements with a number of staff which may or may not be taken up pending the rationalisation of employment within the Council. The estimated cost of these agreements is £0.346m (£0.156m in 2012/13).

- (vi) In January 1994, the Council's insurer at that time, Municipal Mutual Insurance (MMI), made a Scheme of Arrangement with its creditors. Under this scheme, claims are initially paid out in full, but if the eventual winding up of the company results in insufficient assets to meet all liabilities, a claw back clause would be triggered, which could affect claims already paid. On 13 November 2012, the directors of MMI 'triggered' MMI's Scheme of Arrangement ('the Scheme') under section 899 of the Companies Act 2006. This was because solvent run off could not be foreseen and there was no alternative to insolvent liquidation. The Scheme Administrator has set an initial levy of 15% of claims for which scheme creditors have received settlement of more than £50,000. Where scheme creditors are owed amounts from claims not yet paid by MMI, the settlement will be reduced to 85%.

Provision was made in the 2012/13 and liability has subsequently been paid during 2013/14.

- (vii) In 2013/14, the administration of NNDR 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 2014. As such, authorities are required to make a provision for these amounts. Appeals are charged and provided for in proportion of the precepting shares. The total provision charged to the collection fund for 2013/14 has been calculated at £(36.823)m, of which Trafford's share at 49% is £(18.043)m.

Movement in provisions at 31 March 2014 is summarised as follows:

	Outstanding Legal Cases £000	Injury and Damage Compensation Claims £000	Other Provisions £000	Total £000
Balance at 1 April 2013	(3,970)	(3,306)	(693)	(7,969)
Additional provisions made	(1,637)	(1,267)	(18,389)	(21,293)
Amounts used	2,579	814	693	4,086
Unused amounts reversed				0
Unwinding of discounting				0
Balance as at 31 March 2014	(3,028)	(3,759)	(18,389)	(25,176)

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 2013 £000	Provisions	Balance 31 March 2014 £000
(1,015)	Insurance	(1,127)
(3,835)	Equal Pay	(2,856)
(156)	Employee Rationalisation	(346)
(419)	MMI Clawback	0
0	NDR Appeals	(13,532)
(5,425)	Total Short Term	(17,861)
(2,291)	Insurance	(2,632)
(118)	S117 Mental Health Act	0
(135)	VAT on Parking income	(172)
0	NDR Appeals	(4,511)
(2,544)	Total Long Term	(7,315)
(7,969)	Total	(25,176)

24. Usable Reserves (Balance Sheet page 13)

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

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

In accordance with the Council's approved scheme for delegating budgets to schools, the amount of any budget not spent in the year is carried forward. These reserves are not available to the Council for general use, it is for each school to determine how they are spent. The surplus balances at 31 March 2014 were £(10.401)m (£(8.961)m at 31 March 2013), which includes £(10.375)m of revenue balances and £(0.026)m of capital balances.

At 31 March 2014 there were 2 schools with a deficit balance on their revenue reserves, amounting to £0.005m, whilst 72 schools had surplus balances amounting to £(10.380)m.

In addition, there are unspent devolved formula capital balances of £(0.846)m, which are included within Capital Grants and Contributions on the balance sheet (note 39).

(ii) Capital Receipts Reserve

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

2013 £000	2014 £000
(23,273) Balance carried forward at 1 April	(10,011)
(3,209) Capital receipts in the year from sale of assets(net of disposal costs)	(5,244)
(26,482) Sub-total	(15,255)
21 Less amount payable to Government re pooling liability	16
15,783 Amount used to finance capital expenditure in year	4,214
- Amount used to repay debt	1,899
667 Amounts used to cover the increase in the Equal Pay provision	1,600
(10,011) Balance carried forward at 31 March	(7,526)

25. Unusable Reserves (Balance Sheet page 13)

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

31 March 2013 £000	Unusable Reserves	31 March 2014 £000
(18,119)	Revaluation Reserve (i)	(18,170)
(19,086)	Available for Sale Financial Instruments Reserve (ii)	(26,486)
(292,597)	Capital Adjustment Account (iii)	(298,080)
6,180	Financial Instruments Adjustment Account (iv)	5,934
222,381	Pensions Reserve (v)	206,405
(5)	Collection Fund Adjustment Account (vi)	15,003
3,387	Accumulated Absences Account (vii)	3,557
(97,859)	Total Unusable Reserves	(111,835)

(i) Revaluation Reserve

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

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

2012/13 £000		2013/14 £000
(24,495)	Balance as at 1 April	(18,119)
(3,981)	Upward revaluation of assets	(4,528)
8,391	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	2,493
4,410		(2,035)
0	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	
381	Difference between fair value depreciation and historical cost depreciation	513
1,585	Accumulated gains on assets sold or scrapped	1,471
1,966	Amount written off to the Capital Adjustment Account	1,984
(18,119)	Balance as at 31 March	(18,170)

(ii) Available for Sale Financial Instruments Reserve

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

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

In 2013/14 the Council revalued its shareholding in Manchester Airport which resulted in an increase in value from £29.3m to £36.7m, the increase of £7.4m is reflected in the Available for Sale Financial Instruments reserve and the original investment of £29.3m forms part of the Capital Adjustment Account balance.

2012/13 £000		2013/14 £000
0	Balance as at 1 April	(19,086)
(19,086)	Upward revaluation of investment	(7,400)
0	Downward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	0
(19,086)		(7,400)
0	Accumulated gains on assets sold and maturing assets written out to the Comprehensive Income and Expenditure Statement as part of Other Investment Income	0
(19,086)	Balance as at 31 March	(26,486)

(iii) Capital Adjustment Account

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

2012/13 £000		2013/14 £000
(300,098)	Balance as at 1 April	(292,597)
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
18,741	- Charges for depreciation and impairment of non-current assets	18,364
297	- Revaluation losses on Property, Plant and Equipment	331
13,126	- Amortisation of intangible assets	3,603
9,259	- Revenue expenditure funded from capital under statute	9,148
	- 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	
<u>41,423</u>		<u>31,446</u>
<u>(1,966)</u>	Adjusting amounts written out of the Revaluation Reserve	<u>(1,984)</u>
-	Net written out amount of the cost of non-current assets consumed in the year	-
	Capital financing applied in the year:	
(15,784)	- Use of the Capital Receipts Reserve to finance new capital expenditure	(4,214)
(11,901)	- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(24,142)
	- Voluntary provision for debt repayment	(1,898)
(4,424)	- Statutory provision for the financing of capital investment charged against the General Fund Balance	(4,964)
(239)	- Capital expenditure charged against the General Fund Balance	(160)
<u>(32,348)</u>		<u>(35,378)</u>
395	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	436
	- Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement	-
(3)	Other Adjustments	(2)
(292,597)	Balance as at 31 March	(298,079)

(iv) **Financial Instruments Adjustment Account**

2012/13		2013/14
£000		£000
6,411	Balance as at 1 April	6,180
0	Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	0
0	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with Statutory requirements	0
(231)	Less annual charge for premiums incurred in previous financial years and stepped loan EIR adjustment	(246)
0	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	0
6,180	Balance at 31 March	5,934

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

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

In addition to this, the equalisation of interest on the two stepped interest rate market loans calculated over their full life was transferred into this account with the annual recharge to the Comprehensive Income & Expenditure Statement changing from that actually incurred to one calculated on an Effective Interest Rate basis. The balance on the account at 31 March 2014 will be charged to the General Fund in accordance with statutory arrangements over the next 29 years.

(v) **Pensions Reserve**

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2012/13		2013/14
£000		£000
(179,947)	Balance as at 1 April	(222,381)
(34,300)	Remeasurements of the net defined benefit liability/(asset)	28,077
(23,400)	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	(27,568)
15,266	Employer's pension contributions and direct payments to pensioners payable in the year	15,466
(222,381)	Balance as at 31 March	(206,406)

(vi) Collection Fund Adjustment Account

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

2012/13		2013/14
£000		£000
(294)	Balance as at 1 April	(5)
289	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	(379)
	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	15,387
(5)	Balance as at 31 March	15,003

(vii) Accumulated Absences Account

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

2012/13		2013/14
£000		£000
3,589	Balance as at 1 April	3,387
(3,589)	Settlement or cancellation of accrual made at the end of the preceding year	(3,387)
3,387	Amounts accrued at the end of the current year	3,557
(202)	Amount by which amounts officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	170
3,387	Balance as at 31 March	3,557

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

The cash flow from Operating Activities includes the following

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

2012/13 £000		2013/14 £000
(12,361)	Depreciation/Impairment charged to I and E	(12,520)
(295)	Amortisation of Intangible Assets	(331)
3,757	Increase/(Decrease) in Creditors	113
5,504	(Increase)/Decrease in Debtors	16,146
(126)	(Increase)/Decrease in Inventories	28
(8,134)	Pensions Liability	(12,102)
(771)	Contributions to/(from) Provisions	(17,207)
(6,381)	Revaluation Losses	(5,844)
	Carrying value on disposal of Property, Plant and Equipment,	
(5,657)	Investment Property and Intangible Assets	(9,131)
(395)	Investment Properties Losses (Gains)	(435)
468	Other non-cash adjustments	(188)
(24,391)		(41,472)

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

2012/13 £000		2013/14 £000
21,023	Capital Grants credited to the surplus or deficit on the provisions of services	15,963
3,046	Proceeds from the sale of non-current assets	5,072
24,069		21,035

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

2012/13 £000		2013/14 £000
(1,880)	Interest received	(1,628)
5,143	Interest paid	5,408
(1,006)	Dividends received	(2,323)

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

The cash flows for investing activities include the following items:

2012/13 £000		2013/14 £000
29,582	Purchase of property, plant and equipment, investment property and intangible assets	28,533
(17,019)	Purchase / (proceeds) of short-term and long-term investments	(5,595)
0	Other payments for investing activities	0
(3,209)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(5,245)
(21,878)	Other receipts from investing activities	(17,850)
(12,524)	Net cash flows from investing activities	(157)

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

The cash flows for financing activities include the following items:

2012/13 £000		2013/14 £000
0	Cash receipts of short and long-term borrowing	0
0	Other receipts from financing activities	0
163	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	173
199	Repayments of short and long-term borrowing	4,110
750	Other payments for financing activities	(10,018)
1,112	Net cash flows from investing activities	(5,735)

29 Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice. However, decisions about resource allocation are taken by the Council's Executive on the basis of budget reports analysed across directorates. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement);
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year;
- expenditure on support services is reported in the directorate in which the direct costs and income relate, and not on a recharged basis.

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

Directorate Income and Expenditure 2013/14	Children & Young People Services	Communities & Wellbeing	Economic Growth & Prosperity / Environment Transport & Operations	Transformation & Resources	Council Wide	Total
	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(14,038)	(12,510)	(16,564)	(9,730)	(14,943)	(67,785)
Government grants	(131,449)	(15,181)	(866)	(3,203)	(87,370)	(238,069)
Total income	(145,487)	(27,691)	(17,430)	(12,933)	(102,313)	(305,854)
Employee expenses	99,644	14,177	9,637	18,959	4,856	147,273
Other service expenses	75,839	66,989	39,949	13,393	117,071	313,241
Support service recharges	666	0	0	0	0	666
Total expenditure	176,149	81,166	49,586	32,352	121,927	461,180
Net expenditure	30,662	53,475	32,156	19,419	19,614	155,326

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

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

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

	2012/13 £000	2013/14 £000
Net expenditure in the Directorate Analysis	152,931	155,326
Net expenditure of services and support services not included in the Analysis	0	0
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	26,645	17,398
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	(3,775)	(11,636)
Cost of Services in Comprehensive Income and Expenditure Statement	175,801	161,088

Reconciliation to Subjective Analysis

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

2013/14	Directorate Analysis £000	Services and Support Services not in Analysis £000	Amounts not reported to management for decision making £000	Amounts not included in I&E £000	Allocation of recharges £000	Cost of services £000	Corporate Amounts £000	Total £000
Fees, charges and other service income	(62,906)			(4,539)	(22,450)	(89,895)	(2,619)	(92,514)
Surplus or deficit on associates and joint ventures	0	0	0	0	0	0	0	0
Interest and investment income	(4,879)	0	0	4,879	0	0	(4,879)	(4,879)
Income from council tax	0	0	0	0	0	0	(78,897)	(78,897)
Government grants and contributions	(238,069)	0	(2,366)	25,796	0	(214,639)	(106,119)	(320,758)
Total income	(305,854)	0	(2,366)	26,136	(22,450)	(304,534)	(192,514)	(497,048)
Employee expenses	147,273	0	2,208	0	0	149,481	10,065	159,546
Other service expenses	276,169	0	5,724	(700)	0	281,193	975	282,168
Support Service recharges	666	22,450	0	0	0	23,116	0	23,116
Depreciation, amortisation and impairment			11,832	0	0	11,832	0	11,832
Interest Payments	6,116	0	0	(6,116)	0	0	6,116	6,116
Precepts & Levies	30,956	0	0	(30,956)	0	0	31,013	31,013
Payments to Housing	0	0	0	0	0	0	17	17
Capital Receipts Pool								
Gain or loss on Disposal of Non-Current Assets	0	0	0	0	0	0	3,903	3,903
Total expenditure	461,180	22,450	19,764	(37,772)	0	465,622	52,089	517,711
Surplus or deficit on the provision of services	155,326	22,450	17,398	(11,636)	(22,450)	161,088	(140,425)	20,663

2012/13	Directorate Analysis £000	Services and Support Services not in Analysis £000	Amounts not reported to management for decision making £000	Amounts not included in I&E £000	Allocation of recharges £000	Cost of services £000	Corporate Amounts £000	Total £000
Fees, charges and other service income	(51,261)	0	0	8,821	(23,392)	(65,832)	(2,687)	(68,519)
Surplus or deficit on associates and joint ventures	0	0	0	0	0	0	0	0
Interest and investment income	(2,800)	0	0	2,800	0	0	(2,800)	(2,800)
Income from council tax	0	0	0	0	0	0	(88,401)	(88,401)
Government grants and contributions	(238,033)	0	(10,302)	20,354		(227,981)	(107,177)	(335,158)
Total income	(292,094)	0	(10,302)	31,975	(23,392)	(293,813)	(201,065)	(494,878)
Employee expenses	147,644	0	(768)	0	0	146,876	5,100	151,976
Other service expenses	261,990	0	23,102	(1,011)	0	284,081	1,168	285,249
Support Service recharges	651	23,392	0	0	0	24,043	0	24,043
Depreciation, amortisation and impairment	0	0	14,614	0	0	14,614	0	14,614
Interest Payments	6,142	0	0	(6,142)	0	0	6,142	6,142
Precepts & Levies	28,597	0	0	(28,597)	0	0	28,686	28,686
Payments to Housing	0	0	0	0	0	0	21	21
Capital Receipts Pool								
Gain or loss on Disposal of Non-Current Assets	0	0	0	0	0	0	6,044	6,044
Total expenditure	445,024	23,392	36,948	(35,751)	0	469,614	47,161	516,775
Surplus or deficit on the provision of services	152,930	23,392	26,646	(3,775)	(23,392)	175,801	(153,904)	21,897

30. Acquired and Discontinued Operations

None to report.

31 Trading Operations (See also note 10)

		2011/12 £000	2012/13 £000	2013/14 £000
Building Cleaning	Turnover	(2,333)	(2,247)	(2,154)
	Expenditure	2,142	2,102	2,074
	(Surplus)/Deficit	(191)	(145)	(80)
Cumulative Surplus over last three financial years: £(416)k				
Education Catering	Turnover	(5,636)	(5,735)	(5,762)
	Expenditure	5,460	5,617	5,657
	(Surplus)/Deficit	(176)	(118)	(105)
Cumulative Surplus over last three financial years: £(399)k				
Net (surplus)/deficit on trading operations		(367)	(263)	(185)

All the above figures are inclusive of depreciation.

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

	2012/13 £000	2013/14 £000
Net surplus on trading operations	(263)	(185)
Services to the public included in Expenditure of Continuing Operations	0	0
Support services recharged to Expenditure of Continuing Operations	0	0
Net surplus credited to Other Operating Expenditure	(263)	(185)

32 Agency Services

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

- Council tax – the billing authority acts as the agent of its major preceptors when collecting council tax on their behalf. In Trafford, the two major preceptors are the Police and Crime Commissioner for Greater Manchester and the Greater Manchester Fire and Rescue Authority. No fee is chargeable for this service;
- National Non-Domestic Rates (NNDR) – the billing authority acts as agent for Central Government and Greater Manchester Fire and Rescue Authority in collecting NNDR. The Government paid Trafford an allowance for the cost of this collection in 2013/14 of £0.452m (£0.454m in 2012/13).

The Council has not acted in an agency capacity for any other external bodies in the 2013/14 financial year.

33. Road Charging Schemes

The Council does not operate any such schemes.

34 Pooled Budgets

Trafford has operated a pooled fund for Learning Disability Services in conjunction with Trafford Clinical Commissioning Group (CCG), (previously PCT), since 1 April 2003. Trafford Council acts as the lead accounting officer for the pooled fund, which is managed jointly by the Council and the CCG. The pool provides a wide variety of services to Learning Disability adults in Trafford, including a joint community team, extensive specialist residential provision, a range of supported placements, support in the home and external and in-house day care.

The gross 2013/14 budget was £23.170m, which after grant income and fees of £(1.042)m left net planned expenditure of £22.128m to be funded jointly by the Council and the CCG. The net budget was exceeded by £1.550m in year. The previous year's overspend of £1.472m added to this, bringing the total carry forward deficit on the pool to £3.022m.

	2012/13 £000	2013/14 £000
Funding provided to the pooled budgets: the Council	(13,667)	(20,022)
Trafford CCG	(2,068)	(2,106)
	(15,735)	(22,128)
Expenditure met from the pooled budget: the Council	13,671	21,572
Trafford CCG	2,068	2,106
	15,739	23,678
Net (surplus)/deficit arising on the pooled budget during the year	4	1,550
Previous year's (surplus)/deficit carried forward	1,468	1,472
Balance to be carried forward	1,472	3,022

35 Members' Allowances

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

	2012/13	2013/14
	£000	£000
Basic Allowances	407	399
Special Responsibility Allowances	308	307
Expenses	1	1
Total	716	707

The Council consists of 63 elected Members (Councillors) and 7 co-opted/independent Members to whom £0.707m was paid in allowances in the year (£0.716m in 2012/13).

36 Officers' Remuneration

The number of employees whose remuneration, excluding employer's pension contributions, was £50,000 or more in bands of £5,000 in 2012/13 and 2013/14 was:

2012/13		Remuneration Band	2013/14	
Schools Staff	Other Staff		Schools Staff	Other Staff
-	-	£150,000 - £154,999	-	1
-	1	£145,000 - £149,999	-	-
-	1 (1)	£140,000 - £144,999	-	-
-	-	£135,000 - £139,999	-	-
-	-	£130,000 - £134,999	-	-
-	-	£125,000 - £129,999	-	-
-	1	£120,000 - £124,999	-	1
-	-	£115,000 - £119,999	-	-
-	-	£110,000 - £114,999	-	-
-	-	£105,000 - £109,999	-	-
-	2 (1)	£100,000 - £104,999	-	2
-	1	£95,000 - £99,999	-	3
-	-	£90,000 - £94,999	-	2
1	2 (1)	£85,000 - £89,999	2	1
3	4	£80,000 - £84,999	2	4
-	2	£75,000 - £79,999	2	-
5	-	£70,000 - £74,999	3	-
9 (2)	3 (2)	£65,000 - £69,999	8 (1)	5 (2)
10	11	£60,000 - £64,999	11	10
15 (1)	12 (1)	£55,000 - £59,999	13	11 (2)
24	22 (1)	£50,000 - £54,999	27	19
67 (3)	62 (7)	Total	68 (1)	59 (4)

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

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

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

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

(a) R&ER package cost band (including special payments)	(b) Number of compulsory redundancies		(c) Number of other departures agreed		(d) Total number of R&ER packages by cost band [(b) + (c)]		(e) Total cost of R&ER packages in each band £		(f) Number of pension strain costs agreed		(g) Total cost of pension strain in each band £	
	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14
£0 - £20,000	12	21	94	75	106	96	683,652	667,481	16	44	135,010	307,223
£20,001 - £40,000	5	0	6	6	11	6	299,771	153,300	10	5	288,711	147,825
£40,001 - £60,000	0	0	1	1	1	1	56,058	45,000	5	1	250,288	40,419
£60,001 - £80,000	0	0	0	0	0	0	0	0	0	3	0	216,328
Total	17	21	101	82	118	103	1,039,481	865,781	31	53	674,009	711,795

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

Senior Officers Remuneration

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

- (i) £150,000 per year or more; or
- (ii) less than £150,000 but equal to or more than £50,000 per year and who meet at least one of the following criteria:

statutory chief officers (per section 2(6) of the Local Government and Housing Act 1989 as amended), e.g. head of paid service, director of children's services, section 151 officer etc.

a person who has responsibility for the management of the authority, to the extent that the person has power to direct or control the major activities of the authority (in particular activities involving expenditure of money), whether solely or collectively, in accordance with accounting regulations.

Senior Officers Salary 2013/14								
Postholder	Note	Salary (incl. fees & allowances)	Compen-sation for loss of office	Bonuses	Expense allowances	Benefits in kind (e.g. Car allowance)	Pension contributions	Total
		£	£	£	£	£	£	£
Chief Executive	(1)	147,436	0	0	0	2,463	23,961	173,860
Corporate Director (Children, Families & Wellbeing)	(2)	122,000	0	0	0	2,463	21,838	146,301
Corporate Director (Environment, Transport & Operations)		98,000	0	0	493	2,021	17,542	118,056
Corporate Director (Economic Growth & Prosperity)		99,989	0	0	367	0	17,898	118,254
Corporate Director (Transformation & Resources)		98,000	0	0	0	0	17,542	115,542
Director of Finance (Chief Financial Officer)		94,500	0	0	0	2,067	16,916	113,483
Director of Legal & Democratic Services (Monitoring Officer)	(3)	79,167	0	0	0	963	0	80,130
Director of Public Health	(4)	81,480	0	0	0	6,158	11,323	98,961

Notes :

- (1) The Chief Executive also received fees from the Council of £240 plus £10.50 travel expenses as Returning Officer for the January 2014 Broadheath by-election.
- (2) The previous Corporate Director (Children & Young People's Service) was appointed as the new Corporate Director (Children, Families & Wellbeing) on 1/4/13.
- (3) The previous Acting Director of Legal & Democratic Services was appointed as Director of Legal & Democratic Services on 23/07/2013. The Director of Legal & Democratic Services also received fees from the Council of £120 as Deputy Returning Officer for the January 2014 Broadheath by-election.
- (4) Public Health services were transferred from Primary Care Trusts (PCT) to local authorities on 1/04/13.

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

Senior Officers Salary 2012/13								
Postholder	Note	Salary (incl. fees & allowances)	Compensation for loss of office	Bonuses	Expense allowances	Benefits in kind (e.g. Car allowance)	Pension contributions	Total remuneration including pension contributions 2012/13
		£	£	£	£	£	£	£
Chief Executive (Head of Paid Service)	(1)	145,000	0	0	473	2,463	19,773	167,709
Corporate Director (Children & Young People Service)		122,000	0	0	0	2,463	20,618	145,081
Corporate Director (Communities & Wellbeing)	(2)	82,500	56,058	0	0	1,847	13,943	154,348
Corporate Director (Environment, Transport & Operations)		98,506	0	0	0	2,058	16,689	117,253
Corporate Director (Economic Growth & Prosperity)	(3)	41,250	0	0	0	1,026	6,971	49,247
Corporate Director (Economic Growth & Prosperity)	(3)	16,928	0	0	0	0	2,760	19,688
Corporate Director (Transformation & Resources)	(4)	19,107	0	0	0	0	3,250	22,357
Director of Finance & Acting Corporate Director (Transformation & Resources) (Chief Financial Officer)	(5)	96,167	0	0	0	2,036	16,252	114,455
Acting Director of Legal & Democratic Services (Monitoring Officer)		77,690	0	0	0	963	0	78,653

Notes :

- (1) The previous Acting Chief Executive was appointed as Chief Executive on 27/6/12. The Chief Executive also received fees from the Council of £5,036 as Returning Officer for the May 2012 local elections.
- (2) The Corporate Director (Communities & Wellbeing) left the authority on 31 December 2012.
- (3) The previous Corporate Director (Economic Growth & Prosperity) left the authority on 31 August 2012. The new Corporate Director (Economic Growth & Prosperity) was appointed on 1 February 2013.
- (4) The new Corporate Director (Transformation & Resources) was appointed on 21 January 2013.
- (5) The Director of Finance and Acting Corporate Director (Transformation & Resources) reverted back to The Director of Finance on 21 January 2013.

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

37 External Audit Costs

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

	2012/13 £000	2013/14 £000
Fees payable with regard to external audit services carried out by the appointed auditor	155	156
Fees payable in respect of statutory inspection	0	0
Fees payable for the certification of grant claims and returns	53	20
Fees payable in respect of other services provided by the appointed auditor	2	2
Total	210	178

38 Dedicated Schools Grant

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

DSG allocations to:-

	Central Expenditure £000	ISB £000	Total £000
Final DSG 2013/14 before Academy recoupment			(171,458)
Academy figure recouped for 2013/14			51,416
Total DSG 2013/14 after Academy recoupment			(120,042)
Brought forward from 2012/13			(2,357)
Carry forward to 2014/15 agreed in advance			0
Agreed initial budgeted distribution in 2013/14	(19,940)	(102,459)	(122,399)
In year adjustments	1,177	(1,177)	0
Final budgeted distribution for 2013/14	(18,763)	(103,636)	(122,399)
Less actual central expenditure	15,909		15,909
Less actual ISB deployed to schools		103,713	103,713
Local authority contribution for 2013/14	0	0	0
Carry forward to 2014/15	(2,854)	77	(2,777)

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

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

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

	2012/13 £000	2013/14 £000
Credited to Taxation and Non Specific Grant Income		
Revenue Grants:		
Revenue Support Grant	(1,251)	(47,821)
New Homes Bonus	(955)	(1,616)
Council Tax Compensation Grant	(2,210)	(894)
Early Intervention Grant	(9,297)	-
Learning Disability Health & Reform Grant	-	-
Learning Disability Pooled NHS monies	(5,097)	-
Benefits Admin Grant	(1,568)	(1,441)
Local Innovation Award	(17)	-
Local Services Support Grant	(479)	(25)
Education Services Grant	-	(3,517)
Extended Rights to Travel Grant	-	(63)
Local Reform & Community Voices Grant	-	(166)
Council Tax New Burdens Grant	-	(114)
NNDR Costs of Collection Grant	(459)	(452)
Local Welfare Assistance Grant	-	(553)
New Burdens Zero based review Adult Social Care Grant	-	(59)
Foster Carer Recruitment & Training Grant	-	(75)
Capitalisation Grant 13/14	-	(252)
Other	(273)	(221)
Revenue Grants Sub-total	(21,606)	(57,269)
Non Domestic Rates :		
Contribution from NNDR Pool	(64,547)	
Non Domestic Rates Income		(74,301)
NDR Tariff Payment		42,486
NNDR Safety Net Receipt		(12,136)
Small Bus Rate Relief Compensation Grant		(939)
Renewable Energy Disregard Amount		(73)
NDR Collection Fund Deficit		15,461
Non-Domestic Rates Sub-total	(64,547)	(29,502)
Capital Grants :		
Primary Capital Programme	(12,249)	(7,989)
Schools Devolved Formula Capital Grant	(406)	(671)
Schools Condition and Modernisation	(2,700)	(1,617)
Schools diploma Funding	(1,974)	-
Social Care Grants	(571)	(483)
Integrated Transport Grant/Highway Structural Maintenance	(2,449)	(2,954)
Other Grants and Contributions	(674)	(2,249)
Capital Grants Sub-total	(21,024)	(15,963)
Total Credited to Taxation & Non Specific Grant Income	(107,177)	(106,119)

	2012/13 £000	2013/14 £000
Grants Credited to Services		
Revenue Grants Credited to services:-		
Dedicated School Grant (DSG)	(122,362)	(120,042)
Rent Allowances, Rent Rebates and Council Tax Benefit Subsidy	(77,306)	(65,138)
Other Education Grants	(4,531)	(6,339)
Social Care Reform Grant	(83)	-
Send Pathfinder Grant	(165)	(150)
Magistrates Court Grant	(134)	(104)
Public Health Grant	-	(10,171)
Learning Skills Council Grant	(3,105)	(1,651)
Intensive Fostering Grant	(194)	(227)
Children Services Adoption Grant	(16)	(550)
Sale PFI Grant	(658)	(658)
Tackling Troubled Families Grant	(93)	(360)
Arts Grant	(55)	(126)
Section 106 Other Capital Maintenance Grants	-	(112)
Adult Social Care Grant	(2,797)	(3,385)
Other	(674)	(413)
Revenue Grants Credited to Services Sub-total	(212,173)	(209,426)
Capital Grants Credited to services (REFCUS):-		
Sixth Form Funding	(74)	-
BSF One School Pathfinder	(6,963)	(19)
Primary Capital Programme	(804)	(442)
Disabled Facilities	(918)	(749)
Devolved Formula Capital	(239)	(139)
TfGM – Local Sustainable Transport Funds	-	(241)
Housing – Private Sector	(59)	-
Schools Maintenance Grants (DfE)	-	(591)
Other	(1,151)	(185)
Capital Grants Credited to services (REFCUS) Sub-total	(10,208)	(2,366)
Total Grants Credited to Services	(222,381)	(208,407)

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

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

2012/13 £000		2013/14 £000
Short Term Liabilities:-		
Capital Grants & Contributions Receipts in Advance:-		
(1,022)	Primary Capital Programme	-
-	14-19 Diploma Funding	(181)
(1,230)	Devolved Formula Capital	(846)
-	Basic Need	(523)
-	School Travel Plans	(24)
-	Highways – Severe Weather Recovery Grant	(86)
(934)	S106 & S278 Contributions	(361)
-	Other Grants and Contributions	(48)
(3,186)	Total	(2,069)

2012/13 £000		2013/14 £000
	Revenue Grants & Contributions Receipts in Advance (REFCUS):-	
(781)	BSF One School Pathfinder	(758)
70	Other Grants and Contributions	(61)
(711)	Total REFCUS	(819)
	Other Revenue Grants Receipts in Advance:-	
(678)	Council tax Subsidy	-
-	Pothole Funding	(149)
(103)	Social Worker Improvement Fund	-
(23)	Munroe	-
(307)	Troubled Families Grant	-
(21)	Adoption Improvement Grant	-
(18)	Bikeability Grant	(32)
(15)	Road Safety Grant	(10)
(4)	European Community Grant	-
(40)	Arts Council Grant	(54)
(1)	Youth Offending Service	-
-	Section 31 Grant	(8)
-	Welcome Trust Funding 13/14	(11)
-	Stronger Families PBR Grants	(520)
-	S106 Monitoring fee	(5)
-	New Economy Grant	(24)
-	Big Lottery Grant	(65)
-	Youth Justice Board Grant	(8)
(1,210)	Total Other	(886)
(1,921)	Total Short Term Grants Receipts in Advance (Revenue)	(1,705)
	Long Term Liabilities	
	Capital Grants & Contributions Receipts in Advance:-	
(7,095)	Section 106 and S278 Contributions	(6,210)
0	Other Grants and Contributions	(58)
(7,095)	Total Capital Grants	(6,268)
	Revenue Grants & Contributions Receipts in Advance (REFCUS):-	
(2,754)	S106 & S111 Contributions	(3,580)
(2,754)	Total REFCUS	(3,580)
0	Other Revenue Grants & Contributions Receipts in Advance (Long Term) :-	0
0	Total Other	0
(9,849)	Total Long Term Grants Receipts in Advance	(9,848)

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

Included in the balance of Capital Grants & Contributions is £9.8m of contributions received from developers, as part of their obligation under Section 106 of the Town & Country Planning Act 1990. The amounts are received as a result of the granting of planning permission where works are required to be carried out or new facilities provided as a result of that permission. The contributions are restricted to being spent only in accordance with the agreement concluded with the developer. The major balances of Section 106 receipts held by the Council during the year were as follows:

	Balance at 1 April 2013 £000	Receivable in year £000	Contributions applied £000	Balance at 31 March 2014 £000
Open Space schemes	2,184	305	(368)	2,121
Education Schemes	105	88	(22)	171
Affordable Housing schemes	1,077	(98)	0	979
Highways/Transport schemes	6,424	648	(553)	6,519
Total	9,790	943	(943)	9,790

40 Related Parties

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

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

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

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

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

A transport levy of £16.752m (£15.803m in 2012/13) was paid to the Greater Manchester Combined Authority (GMCA) and a waste levy of £14.071m (£14.650m gross levy less rebates of £(0.579)m) (£12.668m in 2012/13) to Greater Manchester Waste Disposal Authority.

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

The Council no longer provides services directly through its leisure centres. These leisure centres have been leased to Trafford Community Leisure Trust (TCLT) who provide relevant leisure services direct to the public. The Council makes payments to the Trust to help ensure the provision of some services at a discounted rate to particular population demographics of the community. For the year 2013/14 the Council paid £1.103m (£1.103m in 2012/13) to TCLT under a Partnership Delivery Plan agreement. Other than minor ICT maintenance support and CCTV monitoring contracts the Council has no other formal business contracts with the TCLT.

The Council has paid grants to voluntary organisations for 2013/14 as follows:

2013 £ amount	Organisation	2014 £ amount
0	Carrington Parish Council	2,210
5,140	Dunham Massey Parish Council	5,294
23,369	Partington Town Council	24,070
1,845	Warburton Parish Council	1,900
30,354	Total Grants	33,474

Voluntary Sector Grants are allocated through Participatory Budget events, whereby those applications which have been shortlisted present their project to residents and residents vote for their preferred project. Adopting this approach ensures no group is reliant on funding from the Council to remain financially viable. A total of £0.200m (£0.320m in 2012/13) of grants were awarded in 2013/14 to 47 projects (56 in 2012/13) at these events, of which payments totalling £0.244m (£0.247m in 2012/13) were made during the year.

The Council also makes payments to Citizens Advice Trafford for advice services, managed under a Service Level Agreement within Adult Social Services. The payment in 2013/14 was £0.180m (£0.180m in 2012/13). It also provides free accommodation to Citizens Advice Trafford.

Shareholdings

Manchester Airport Group plc.

Restated 31.03.13 £m	<i>Manchester Airport Consolidated Profit and Loss Account and Balance Sheet (Extract)</i>	31.03.14 ** £m
(32.4)*	Profit/(Loss) before Tax	80.8
(23.6)*	Profit/(Loss) after Tax	108.9
1,523.7	Net Assets	1,588.1

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

* 2012/13 figures have been restated for the effect of IAS19.

** Draft unaudited figures.

Dividends of £(2.323)m were received in the year 2013/14 (£(1.006)m in 2012/13). Further information on these accounts can be obtained from the Group Financial Accountant, Manchester Airport Group plc., 6th Floor Olympic House, Manchester Airport, Manchester M90 1QX (telephone no. 0161 489 2813).

LIFTCo Topco (MaST) Ltd (previously MaST Lift Co.)

The Council has a 2% shareholding of £200 (200 £1 equity shares) in LIFTCo Topco (MaST) 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 LIFTCo Topco (MaST) Ltd. can be obtained from: Quay West, 5th Floor, West Wing, Trafford Wharf Road, Trafford Park, Manchester M17 1HH.

41. Capital Expenditure and Capital Financing

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

	2012/13 £000	2013/14 £000
Opening Capital Financing Requirement Capital Investment	132,326	147,595
Capital Investment:-		
Property, Plant and Equipment	32,622	26,516
Intangible Assets		(5)
Long Term Debtors	2,000	1,019
Revenue Expenditure Funded from Capital under Statute	23,334	5,969
Sources of finance		
Capital receipts	(15,784)	(4,214)
Government Grants and other Contributions	(22,109)	(26,509)
Sums set aside from revenue:		
Direct revenue contributions	(239)	(160)
MRP/loans fund principal	(4,424)	(6,863)
Other Adjustments (including Probation)	(131)	(106)
Closing Capital Financing Requirement	147,595	143,242
Explanations of movement in the year		
Increase in underlying need for borrowing (supported by government financial assistance)		
Increase in underlying need for borrowing	15,269	(4,353)
Assets acquired under finance leases		
Assets acquired under PFI/PPP contracts		
Increase/(decrease) in Capital Financing Requirement	15,269	(4,353)

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

Year ended 31 March	2012/13 £000	2013/14 £000
Service:		
Children, Families and Wellbeing	21,128	21,034
Economic Growth & Prosperity	30,709	5,083
Environment, Transport & Operations	5,613	7,203
Transformation and Resources	506	179
Total	57,956	33,499
The main items of capital expenditure during the year included:		
Schools - Primary Capital Programme (* incl. £442k of Refcus)		15,054
Highways Structural Maintenance (incl. bridges & street lighting & S278 schemes)		4,354
Lancashire CCC Redevelopment (*Refcus)		2,756
Schools – Capital Maintenance Programme (* incl. £591k of Refcus)		2,353
Traffic & Transport Schemes (incl. Integrated Transport) (* incl. £371k of Refcus)		2,104
Housing Grants (Disabled Facility, Owner Occupier & Housing Standards Grants) (*Refcus)		1,378
Local Authority Mortgage Scheme (**)		1,000
Schools – Devolved Formula Capital (* incl. £140k of Refcus)		810
Public Buildings – DDA Compliance, Repairs & Refurbishment		712
ICT Initiatives		501
Long Term Accommodation Strategy (incl. CCTV Control Room)		407
Parks, Playgrounds and Greenspace Improvements		396
Telecare System		372
Waste Management & Recycling Initiatives		320
Nursery Places Allocation – (2 Year Old Entitlement) (* incl. £16k of Refcus)		199
Other general infrastructure investment (*incl. £275k of Refcus)		783
Total		33,499

(*) REFCUS

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

	£000		£000
Fixed Assets	26,511	Borrowing	2,616
Revenue Expenditure Funded from Capital under Statute (i)	5,969	Grants and Contributions	26,509
(**) Long Term Debtor	1,019	Revenue Contributions & Reserves	160
		Capital Receipts	4,214
Total Capital Expenditure on an accruals basis	33,499		33,499

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 £5.969m under this category, offset by £(2.366)m of Government grants applied. This amounts to a net cost of £3.603m, offset by a corresponding credit entry in the MIRS. These amounts are still treated as capital for control purposes and are hence included in the Capital Expenditure Statement above.

Provision for Debt Repayment

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

42. Leases

a) Council as Lessee – Finance Leases

The Council does not have any finance lease arrangements.

Operating Leases

Vehicles, Plant, Furniture and Equipment - the Council uses vehicles financed under the terms of an operating lease. The amount charged under these arrangements in 2013/14 was £1,025,049 (£1,091,336 in 2012/13).

Land and Buildings - the Council leases numerous buildings which have been accounted for as operating leases. The rentals payable in 2013/14 were £269,335 (£754,374 in 2012/13).*

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

	31 March 2013 £000	31 March 2014 £000
Not later than one year	1,345	1,149
Later than one year and not later than five years	2,548	1,490
Later than five years	1,004	990
	4,897	3,629 **

* The figure for 2012/13 included the lease of office accommodation at Quay West (annual liability of £479,791). This lease was surrendered in March 2013.

** The reduction since March 2013 reflects the lower number of vehicles on lease and relates to the on-going restructure of the Council's Groundforce and Streetscene Teams. Also, it is likely that some of the remaining vehicles will be used more efficiently and others returned during 2014/15, although which specific vehicles is still under negotiation.

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 2013/14 these rents were £1.085m (£1.038m in 2012/13). This figure includes rent received by the Council in respect of its joint ownership of Manchester International Airport of £0.427m (£0.429m in 2012/13).

The rentals receivable in 2013/14 were £2.591m (£2.332m in 2012/13).

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

	31 March 2013	31 March 2014
	£000	£000
Not later than one year	1,506	1,484
Later than one year and not later than five years	4,737	4,509
Later than five years	85,247	84,228
	91,490	90,221

43. PFI and Similar Contracts

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

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

Under such arrangements the responsibility for operating the facilities rests with 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 Cofely GDF-Suez.

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

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

	Payment for services	Reimbursement of Capital Expenditure	Interest	Total
	£000	£000	£000	£000
Payable in 2014/15	696	184	410	1,290
Payable within two to five years	2,997	864	1,513	5,374
Payable within six to ten years	4,267	1,432	1,539	7,238
Payable within eleven to fifteen years	4,423	3,887	1,015	9,325
Total	12,383	6,367	4,477	23,227

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

The estimated value of the remaining PFI payments is £23m. At the end of the initial period, the Council will have a number of courses of action available to it:

- walk away from the contract;

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

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

	2012/13	2013/14
	£000	£000
Balance outstanding as at start of year	6,703	6,540
Payments during the year	(163)	(173)
Capital expenditure incurred in the year	0	0
Balance outstanding at year-end	6,540	6,367
Split on Balance Sheet (see also note 22):		
Short term liability (creditor)	173	184
Long term liability – deferred	6,367	6,183

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

44. Impairment Losses

These are disclosed in note 12.

45. Capitalisation of Borrowing Costs

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

46. Termination Benefits

The Council has terminated the contracts of a number of employees in 2013/14. These are included in the Comprehensive Income and Expenditure Statement as paid, or accrued where appropriate. Provision has been made for outstanding payments to employees where agreed but subject to final payment.

47. Pension Schemes Accounted for as Defined Contribution Schemes

Pension costs included in the Income & Expenditure Account

Teachers' Pensions Scheme

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

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

The scheme had approximately 6,000 participating employers including 174 local authorities. However, it is not possible to identify each authority's share of the underlying liabilities in the scheme attributable to its own employees. For the purpose of the Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2013/14 the Council paid £6.649m (£6.926m in 2012/13) in respect of teachers' retirement benefits. This was based on 14.1% of the teachers' pensionable pay (14.1% in 2012/13).

In addition, the Council is responsible for added years which it has awarded to teachers at its discretion, together with the related annual increases. In 2013/14, these amounted to £1.375m, representing 2.92%

of pensionable pay (£1.378m or 2.81% previously). These benefits are fully accrued in the pension liability described below.

NHS Pension Scheme

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

In 2013/14 the Council paid £0.064m in respect of retirement benefits for these Public Health staff. This was based on 14.0% of their pensionable pay.

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

48. Defined Benefit Pension Schemes

Other Employees

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

The actual contribution rates to maintain the solvency of the fund vary by employing authority, reflecting the differing profiles of members, and are phased in over the three years the actuarial valuation relates to. The Council's employer's contribution rate was 17.9% in 2013/14 and will be 18.9% in 2014/15. In 2013/14, the Council paid an employer's contribution of £12.968m (£12.822m in 2012/13) into the Greater Manchester Pension Fund, representing 17.9% of pensionable pay (16.9% in 2012/13). The Council is also responsible for pension payments relating to the award of added years, together with related increases. In 2013/14 these amounted to £1.002m, which is 1.4% of pensionable pay (£1.019m or 1.3% in 2012/13).

Further information regarding the Pension Fund and its accounts can be obtained from the Pensions Office, Concord Suite, Manchester Road, Droylsden , M43 6SF (Helpline: 0161 301 7000).

Participation in Pensions Schemes

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

The Council participates in two post-employment schemes:

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

Transactions Relating to Retirement benefits

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

Restated 2012/13 £000		2013/14 £000
Comprehensive Income and Expenditure Statement		
	Cost of Services:	
	<i>Service Cost comprising:</i>	
13,600	• current service cost	16,751
1,100	• past service costs	753
-	• (gain)/loss from settlements	-
	<i>Financing and Investment Income and Expenditure:</i>	
8,700	• net interest cost	10,064
23,400	Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	27,568
-	Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	-
	Re-measurement of the net defined benefit liability comprising:	
(43,500)	• Return on plan assets (excluding the amount included in the net interest cost)	5,767
-	• Actuarial gains and losses arising on changes in demographic assumptions	967
77,700	• Actuarial gains and losses arising on changes in financial assumptions	6,487
100	• Other	(41,298)
57,700	Total Post Employment Benefit Charged to the Comprehensive Income & Expenditure Statement	(509)
	Movement in Reserve Statement	
(8,134)	• reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(12,102)
	Actual amount charged against the General Fund Balance for pensions in the year:	
12,828	• employers' contributions payable to scheme	13,034
2,438	• retirement benefits payable to pensioners	2,432

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:

2012/13 £000		2013/14 £000
(734,900)	Present value of the defined benefit obligation	(733,269)
512,200	Fair value of plan assets	526,327
(222,700)	Net Liability arising from defined benefit obligation	(206,942)

Reconciliation of the Movements in the Fair Value of Scheme Assets

2012/13 £000		2013/14 £000
449,600	Opening fair value of scheme assets	512,200
21,500	Interest income	22,965
	Re-measurement gain/(loss):	
43,500	• The return on plan assets, excluding the amount included in the net interest expense	(5,767)
-	• Other	-
12,400	Contributions from employer	12,845
4,700	Contributions from employees into the scheme	4,610
(19,500)	Benefits paid	(20,526)
512,200	Closing fair value of scheme assets	526,327

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

2012/13 £000		2013/14 £000
629,400	Opening present value of scheme liabilities	734,900
13,600	Current service costs	16,751
30,200	Interest costs	33,029
4,700	Contributions from scheme participants	4,610
	Re-measurement (gains) and losses:	
-	• Actuarial gains/losses arising from changes in demographic assumptions	967
77,700	• Actuarial gains/losses arising from changes in financial assumptions	6,487
100	• Other	(41,298)
1,100	Past service cost	753
(21,900)	Benefits paid	(22,930)
734,900	Closing present value of scheme liabilities	733,269

Pension Scheme Assets comprised:

Asset category	Period ended 31 March 2014				Period ended 31 March 2013			
	Quoted prices in active markets £000	Quoted prices not in active markets £000	Total £000	Per-centage of total asset	Quoted prices in active markets £000	Quoted prices not in active markets £000	Total £000	Per-centage of total asset
Equity Securities:								
Consumer	55,450	-	55,450	11%	56,894	-	56,894	11%
Manufacturing	50,869	-	50,869	10%	46,927	-	46,927	9%
Energy & Utilities	46,501	-	46,501	9%	46,094	-	46,094	9%
Financial Institutions	64,272	-	64,272	12%	56,244	-	56,244	11%
Health & Care	22,514	-	22,514	4%	22,865	-	22,865	4%
Information Technology	10,238	-	10,238	2%	9,682	-	9,682	2%
Other	8,017	-	8,017	2%	6,901	-	6,901	1%
Debt Securities:								
Corporate Bonds (investment grade)	31,286	-	31,286	6%	39,799	-	39,799	8%
Corporate Bonds (non-investment grade)	-	-	-	0%	-	-	-	0%
UK Government	8,774	-	8,774	2%	7,967	-	7,967	2%
Other	18,245	-	18,245	3%	17,656	-	17,656	3%
Private Equity:								
All	-	12,995	12,995	2%	-	12,375	12,375	2%
Real Estate:								
UK Property	-	15,504	15,504	3%	-	15,003	15,003	3%
Overseas Property	-	-	-	0%	-	-	-	0%
Investment Funds and Unit Trusts:								
Equities								
Bonds	100,939	-	100,939	19%	101,143	-	101,143	20%
Hedge Funds	27,846	-	27,846	5%	28,395	-	28,395	6%
Commodities	-	-	-	0%	-	-	-	0%
Infrastructure	-	-	-	0%	-	-	-	0%
Other	-	3,718	3,718	1%	-	3,101	3,101	1%
	-	21,208	21,208	4%	-	12,587	12,587	2%
Derivatives:								
Inflation	-	-	-	0%	-	-	-	0%
Interest Rate	-	-	-	0%	-	-	-	0%
Foreign Exchange	-	-	-	0%	-	-	-	0%
Other	7,191	-	7,191	1%	6,831	-	6,831	1%
Cash & Cash Equivalents:								
All	20,760	-	20,760	4%	21,735	-	21,735	4%
Totals	472,902	53,425	526,327	100%	469,135	43,065	512,200	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 2013.

The significant assumptions used by the actuary have been:

2012/13	Mortality assumptions:	2013/14
20.1 years 22.9 years	Longevity at 65 for current pensioners: <ul style="list-style-type: none"> • men • women 	21.4 years 24.0 years
22.5 years 25.0 years	Longevity at 65 for future pensioners: <ul style="list-style-type: none"> • men • women 	24.0 years 26.6 years
2.8%	Rate of inflation	2.8%
4.6%	Rate of increase in salaries	3.9%
2.8%	Rate of increase in pensions	2.8%
4.5%	Rate for discounting scheme liabilities	4.3%

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 2014:	Approximate % increase to Employer Liability	Approximate monetary amount £000
0.5% decrease in real discount rate	9%	69,322
1 year increase in member life expectancy	3%	21,998
0.5% increase in the salary increase rate	3%	19,868
0.5% increase in the pension increase rate	7%	48,726

Pensions - Summary

The overall Pension deficit at 31 March 2014 in the Balance Sheet is £206.4m. This is £(0.5)m lower than the actuarial report figures above as the actuary requires information to be provided in advance of the final year end position.

49. Contingent Liabilities

(a) Municipal Mutual Insurance

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. A contingent liability still exists if the proceeds from the initial levy are not sufficient to cover the cost of future claims. In the event that an additional levy becomes payable then this will be met from the insurance reserve.

(b) Manchester Airport

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

(c) Modesole Ltd

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

(d) Trafford Housing Trust

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

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

- i) TUPE Warranty; the Council has indemnified THT against any liability arising from employment matters that had started or originated before the transfer date relating to staff who transferred under the TUPE regulations. It is likely that the risk of this warranty will diminish quickly with time, and no liabilities have so far been reported.
- ii) Warranties of Truth; the Council has made a number of statements and assertions within the transfer agreement, such as land ownership, value of assets, and the right to exercise certain legal powers. The Council has indemnified THT against any liability should any of those statements prove to be untrue. This risk will also diminish, but over a much longer time frame.
- iii) Pension Fund Guarantor; The Council has underwritten any outstanding pension liability to the Pensions Authority for staff transferring under the TUPE regulations to THT, should THT be unable to meet those liabilities. To mitigate this risk THT has taken out a £3.5m bond, which can only be accessed with the permission of the Council. The liability and the level of bond will be actuarially assessed every five years.
- iv) Unadopted Drains; The Council has indemnified THT for maintenance and repair works relating to unadopted drainage systems. Should a liability arise it is likely to be of small amounts and will be paid out of the Council's revenue budget in the year of occurrence.
- v) Street Lighting on unadopted roads; a joint survey will be undertaken to identify the condition of street lighting on unadopted roads. On completion of this the Council will pay to THT, as a capital lump sum, the estimated repair and maintenance costs of such street lighting for a 30

year period above a total of £85,000. Although no payment is anticipated to be made, any such sum will come from either capital or revenue sources in later years.

- vi) Outstanding works; the Council retains liability for £187.7m worth of qualifying works to bring the housing stock to standard. However, the Council has engaged THT as their agent to undertake these works and has paid THT up front in that the cost of the transfer was reduced by that amount.
- vii) There are a number of Environmental warranties that the Council in aggregate has indemnified THT up to £90m and an unlimited indemnification to THT's funders, the Prudential Trustee Company Ltd. The risk of these warranties is partially off-set by expected VAT receipts from the works done by THT on the Council's behalf (see above) over ten years amounting to £18.8m. The liabilities and risks of the warranties will be kept under constant review, and monies put aside from the VAT receipts as appropriate.
- viii) The expected VAT Receipts of £18.8m are contingent to works being carried out under the Development Agreement agreed with THT on the date of stock transfer. A total of £18.3m has been received to date.
- ix) Asbestos; The Council has given THT a 30 year indemnification against any cost of works arising from asbestos above an excess in any one year of £308,500. This is a rolling excess in that should any excess in one year be unused, it will roll over into the next financial year.
- x) Pollution and Contaminated Land;

The Council has extended a 30 year indemnification for any pollution clear up on land transferred where the pollution occurred before the transfer date.

(e) Timperley Sports Club

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

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

(f) Kier (previously May Gurney)

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

(g) Equal Pay

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

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

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

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

(h) Metrolink

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

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

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

(i) Section 106 Agreements

A number of agreements in accordance with Section 106 of the Town and Country Planning Act 1990 exist between the Council and developers associated with the planning conditions attached to new developments. In respect of contributions received to date, should the conditions in the agreement not be met by the Council then amounts would become repayable to developers. Should developments proceed and conditions within agreements be met then the estimated value of contributions the Council will receive is £31.4m.

(j) Significant Legal and Insurance Claims

- The Council is currently in negotiations with its insurers over recompense for losses in respect of a major insurance claim under its Fidelity Guarantee Policy. At this stage the final settlement figure is being negotiated.
- The owners of a residential home have lodged a claim that the Council acted inappropriately in 2007 which led to a significant loss in profit. The Council disputes this claim in its entirety.

(k) Altrincham Interchange

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

(l) Greater Manchester Loan Fund

On 13 May 2013 the Council agreed to enter into an indemnity agreement to support the Greater Manchester Loan Fund which has been set up to provide loan finance for new and growing businesses in Greater Manchester. The indemnity was provided to Manchester City Council in case loans could not be repaid, alongside other Greater Manchester Authorities, to underwrite the initial £12-£14m capital. An assessment of advances has been made as at 31 March 2014 and the risk of the indemnity being called is low.

(m) S117 of the Mental Health Act 1983

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

50. Contingent Assets

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

Ref	Title	Description	Value
49 (c)	Modesole Ltd	Profit from future sale of shares	Unknown
49 (j)	Section 106 Agreements	Developers meeting the agreement conditions.	Estimated value £31.4m
49 (l)	Insurance Claim	Major Fidelity Guarantee Policy Claim	Unknown

51. Nature and Extent of Risks Arising from Financial Instruments

Key Risks

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

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

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council;
- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments;
- Market risk - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates movements.

Overall Procedures for Managing Risk

The Council's overall risk management procedures focus on the unpredictability of financial markets, and implementing restrictions to minimise these risks. The procedures for risk management are set out through a legal framework based on the Local Government Act 2003 and the associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on

Treasury Management in the Public Services and Investment Guidance issued through the Act. Overall these procedures require the Council to manage risk in the following ways:

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

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

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

The annual treasury management strategy which incorporates the policies to be adopted covering both debt and investments together with the prudential indicators for 2013/14 was approved by Council on 20 February 2013 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	
No new long term debt to be taken in accordance with information obtained from the Council's advisors.	This was fully complied with in 2013/14.
Debt restructuring exercises to be undertaken which produce revenue savings.	No opportunities arose during 2013/14 presenting significant revenue savings to be obtained.
Investment	
All investments placed in the continuation of previous year's practice of Security, Liquidity & Yield.	This was fully complied with in 2013/14.
In compliance with CLG Investment Guidance the maximum amount of investments which could be placed in Non-specified investments was set at £50m.	This limit was not exceeded and at 31 March 2014 Non Specific Investments consisted of a £5m Investment maturing on 22 August 2016 with the Greater Manchester Waste Disposal Authority and £36.7m for Manchester International Airport shares which are not tradable in any market.

Prudential Indicators for 2013/14

Indicator	2013/14 Indicator set by Council	2013/14 Actual
<p style="text-align: center;">Authorised Borrowing Limit</p> <p>(Maximum level of external debt & other long term liabilities (PFI & leases) that the Council requires – this is statutory limit under section 3(1) of the Local Government Act 2003).</p>	£126m	£104m
<p style="text-align: center;">Operational Boundary</p> <p>(This is calculated on a similar basis as the Authorised limit & represents the expected level of external debt & other long term liabilities (PFI & leases) may reach during the year, it is not a limit.</p>	£107m	£104m
<p style="text-align: center;">Upper limits on fixed interest rates</p> <p>(Maximum limit of fixed interest rate exposure – debt less investment)</p>	£3.6m	£3.4m
<p style="text-align: center;">Upper limits on variable interest rates</p> <p>(Maximum limit of fixed interest rate exposure – debt less investment)</p>	£1.9m	£1.5m
<p style="text-align: center;">Gross debt and Capital Financing Requirement</p> <p>(A new indicator implemented from 1 April 2013 highlighting medium term debt will only be for capital purposes – Minimum amount of capital financing requirement to exceed all external debt).</p>	£37m	£40m
<p style="text-align: center;">Maturity structure of fixed rate borrowing</p> <p>(These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing – these are required for upper as shown and lower limits which were set at 0%).</p>		
Under 1 year (this includes the next call date for Market loans)	70%	54.8%
1 year to 2 years	25%	1.8%
2 years to 5 years	25%	14.4%
5 years to 10 years	25%	17.5%
10 years to 20 years	25%	6.3%
20 years to 30 years	25%	0.0%
30 years to 40 years	25%	0.0%
40 years and above	25%	5.2%
<p style="text-align: center;">Maximum principal funds invested exceeding 364 days (excluding MIA shares with a value of £36.7m)</p> <p>(These limits are set to reduce the need for early sale of an investment)</p>	£50m	£5m

Credit Risk

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

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

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

- Credit ratings from all three rating agencies,

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

The Annual Investment Strategy also imposes a maximum amount and time limits in respect of each financial institution. Deposits are not made with banks and financial institutions domiciled in a country which has a minimum Sovereign long term rating of AA and meet the requirements of the investment criteria outlined below;

Financial Asset Category	Minimum credit rating (Fitch or equivalent)	Maximum investment	Maximum period
Banks & Building Societies	Short Term: F1	£20m	3 Years
	Long Term: AA		
	Financial Strength: C		
	Support: 3		
Banks & Building Societies	Short Term: F1	£5m	1 Year
	Long Term: A-		
	Financial Strength: C		
	Support: 3		
Money Market Funds	AAA	£20m	3 Years
UK Government including Local Authorities & Debt Management Office	N/A	£20m	3 Years
UK Banks – part nationalised	N/A	£20m	3 Years
The Council's own bank if the bank falls below the above criteria	N/A	£5m	1 Year

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 2014	Historical experience of default*	Estimated maximum exposure to default
	£000	%	£000
AAA rated counterparties	2,290	0.00%	0
AA rated counterparties	14,050	0.02%	3
A rated counterparties	34,600	0.09%	31
Trade debtors **	4,412		500
Total	55,352		534

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

** The estimated maximum exposure to default for trade debtors of £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 2014

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £34k 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 2014 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 2013	%	31 March 2014	%
	£000		£000	
Singapore	0	0	2,300	5
Sweden	0	0	6,750	13
UK	47,160	90	41,890	82
United Arab Emirates	5,000	10	0	0
Total	52,160	100	50,940	100

The Council does not generally allow credit for its trade debtors, such that £4.4m of the £55.4m balance is past its due date for payment. The past due amount can be analysed by age as follows:

	31 March 2013	31 March 2014
	£000s	£000s
Less than one year	2,835	3,900
More than one year	844	512
Total	3,679	4,412

Liquidity Risk

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when it is needed.

The Council has ready access to borrowings from the Money Markets to cover any day to day cash flow need, and for longer term funds these can be accessed from both the PWLB and Money Markets. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The 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 2013 £000	31 March 2014 £000
Instant access	19,760	24,040
Up to 3 Months	7,000	3,500
3 to 6 Months	2,000	2,300
6 to 9 Months	6,000	2,200
9 to 12 Months	17,400	13,900
Over 1 Year	0	5,000
Total	52,160	50,940

The maturity analysis of financial liabilities based on the carrying amount – all trade and other payables due to be paid in less than one year are not shown in the table below:

Period	31 March 2013 £000	31 March 2014 £000
Under 1 Year	4,316	3,465
1 year to 2 years	2,641	1,988
2 years to 5 years	8,931	9,752
5 years to 10 years	16,986	18,644
10 years to 20 years	9,178	10,452
20 years to 30 years	37,570	31,877
30 years to 40 years	220	490
40 years and above	30,138	30,397
Total	109,980	107,065

Market Risk

Interest rate risk - The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise;
- borrowings at fixed rates – the fair value of the borrowing liability will fall;

- investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise; and
- investments at fixed rates – the fair value of the assets will fall.

Maturity risk - Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the surplus or deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the surplus or deficit on the Provision of Services or Other Comprehensive Income and Expenditure and affect the General Fund Balance, subject to influences from Government grants. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in the Other Comprehensive Income and Expenditure Statement.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. The central treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns, similarly the drawing of longer-term fixed rates borrowing would be postponed.

If all interest rates had been 1% higher with all other variables held constant, the financial effect would be calculated as follows:

	<u>£000</u>
Increase in interest receivable on variable rate investments	(240)
Decrease in fair value of fixed rate borrowings liabilities (no impact on Comprehensive Income & Expenditure Statement)	13,548

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 £36.7m in Manchester International Airport. Whilst these holdings are generally illiquid, the Council is exposed to losses arising from movements in the price of shares.

All movements in the share values will impact on gains and losses recognised in the Available for Share reserve. A general shift of 5% in the price of shares (positive or negative) would have resulted in a £1.84m gain or loss being recognized in the Available for Sale Reserve.

Foreign exchange risk - The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

52. Trust Funds

The Council administers a number of Trust Funds. The values of these funds, which are not included in the Balance Sheet, were £0.446m at 31 March 2014 and are listed below.

Value of Fund £ 31.03.13		Value of Fund £ 31.03.14
1,932	J Birkhead Trust Fund	1,935
388,092	Del Panno Trust	390,590
14,561	Miss Muckley Dec'd Legacy	14,561
39,270	Clifford Wilcox	39,409
443,855	Sub-total	446,495
29,560	Monies held in Criminal Injuries Compensation Scheme Trust	0
473,415	Total monies held in Trusts	446,495

53 Effect of Prior Period Adjustments

Prior period adjustments have been made to the Council's 2012/13 published financial statements in relation to the following:

IAS19 Change to Accounting Standard

There have been several significant changes in relation to the international accounting standard IAS19 Employee Benefits. This has resulted in changes to accounting treatment for financial years starting on or after 1 January 2013. There is no impact on the Balance Sheet however, the main changes are as follows:

Expected Return on Assets

This is in relation to the return on Pension Scheme assets such as those held by the Greater Manchester Local Government Pension Fund. Advance credit for anticipated outperformance of return seeking assets (such as equities) is no longer permitted by IAS19. This has been replaced with an equivalent figure calculated using a discount rate (as opposed to using a figure calculated using expected return on assets assumptions).

Asset Disclosures

IAS19 requires a much more detailed breakdown of the pension fund assets. The values of the assets, broken down into different classes that distinguish between the nature and risk now need to be disclosed. A further breakdown is also needed showing those assets which have a quoted market price and those which do not. The disclosure included in the Council's 2012/13 published financial statements only showed the main categories of equities, bonds, property and cash as required. As a result of the change some of these categories are split further.

Disclosure Presentation

In order to be consistent with the new requirements of IAS19 the disclosures in relation to the Council's defined benefit pension scheme have changed from those published in 2012/13. By making these changes to the accounting standard, it is intended that the presentation of the information is easier for the user to understand (see note 48)

The prior year period adjustment for Pensions has had the following effect on the 2012/13 Accounts as follows:

Extract for restated items only

comprehensive income and expenditure statement

2012/13	Gross Expenditure 31 March 2013 £000	Gross Income 31 March 2013 £000	Net Expenditure 31 March 2013 £000
Financing and investment income and expenditure	37,510	(30,588)	6,922
IAS 19 Restatement	-	3,600	3,600
Restated Financing and investment income and expenditure	37,510	(26,988)	10,522
(Surplus) or Deficit on Provision of Services			21,897
IAS 19 Restatement			3,600
Restated (Surplus) or Deficit on Provision of Services			25,497
Actuarial (gains)/losses on pension assets/liabilities			37,900
IAS 19 Restatement			(3,600)
Remeasurement of net defined benefit / liability			34,300
Other Comprehensive (Income) & Expenditure			23,224
IAS 19 Restatement			(3,600)
Restated Other Comprehensive (Income) & Expenditure			19,624

cash flow statement

	2012/13 £000	Restat- ment	Restated 2012/13 £000
Year Ended 31 March			
Net (surplus) or deficit on the provision of services	21,897	3,600	25,497
Adjustments to net surplus or deficit on the provision of services for non-cash movements (note 26a)	(20,791)	(3,600)	24,391
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities (note 26b)	24,069		24,069
Net cash flows from Operating Activities (note 26c)	25,175		25,175
Investing Activities (note 27)	(12,524)		(12,524)
Financing Activities (note 28)	1,112		1,112
Net increase or decrease in cash and cash equivalents	13,763		13,763
Cash and cash equivalents at the beginning of the reporting period	(42,114)		(42,114)
Cash & cash equivalents at the end of reporting period (note 20)	(28,351)		(28,351)

Movement in reserves statement

	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Revenue Grants Unapplied £000	Capital Grants unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
Movement in reserves during 2012/13								
Surplus or (deficit) on the provision of services	(21,897)	0	0	0	0	(21,897)	0	(21,897)
IAS 19 Restatement	(3,600)	-	-	-	-	(3,600)	-	(3,600)
Restated Surplus or (deficit) on the provision of services	(25,497)	0	0	0	0	(25,497)	0	(25,497)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	(23,224)	(23,224)
IAS 19 Restatement	-	-	-	-	-	-	3,600	3,600
Restated Other Comprehensive Income and Expenditure	0	0	0	0	0	0	(19,624)	(19,624)
Total Comprehensive Income and Expenditure	(21,897)	0	0	0	0	(21,897)	(23,224)	(45,121)
IAS 19 Restatement	(3,600)	-	-	-	-	(3,600)	3,600	0
Restated Total Comprehensive Income and Expenditure	(25,497)	0	0	0	0	(25,497)	(19,624)	(45,121)
Adjustments between accounting basis & funding basis under regulations (note 7)	17,328	667	(13,261)	(208)	9,331	13,857	(13,857)	0
IAS 19 Restatement	3,600	-	-	-	-	3,600	(3,600)	0
Restated Adjustments between accounting basis & funding basis under regulations (note 7)	20,928	667	(13,261)	(208)	9,331	17,457	(17,457)	0

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 National Non-Domestic Rates (NNDR) and its distribution to local authorities and the Government.

2012/13			2013/14			
Business Rates	Council Tax	Total £000	Year ended 31 March	Business Rates	Council Tax	Total £000
INCOME						
	(91,942)	(91,942)	Income from Council Tax Payers	2	-	(94,921) (94,921)
	(12,955)	(12,955)	Transfer from General Fund for Council Tax Benefits		-	-
(151,661)		(151,661)	Income from Non-Domestic Rate Payers	3	(159,886)	-
			Transitional Protection Payments Receivable		-	-
			Contributions towards previous years' estimated Collection Fund Deficit		-	-
(151,661)	(104,897)	(250,771)	TOTAL INCOME		(159,886)	(94,921) (254,807)
EXPENDITURE						
Council Tax Precept Demands :						
	88,490	88,490	- Trafford Council			78,518 78,518
	11,544	11,544	- Police and Crime Commissioner for GM			10,601 10,601
	4,211	4,211	- GM Fire & Rescue Authority			4,092 4,092
Non-domestic Rates :						
145,420		145,420	- Payment to national pool	3	-	-
			- Payment to Central Government		75,817	-
			- GM Fire & rescue Authority		1,516	-
			- Trafford Council		74,301	-
Charges to Collection Fund:						
7,589	563	8,152	- Write offs of uncollectable amounts		1,824	373 2,197
(1,802)	193	(1,609)	- (Increase)/Decrease in Bad Debt Provision		148	886 1,034
			- (Increase)/Decrease in Provision for Appeals		36,823	-
454		454	- Costs of Collection		452	-
			- Disregarded Amounts		73	-
			- Transitional Protection Payments Payable		485	-
Contributions :						
	236	236	- Distribution of previous years' estimated Collection Fund Surplus	4	-	-
151,661	105,237	256,898	TOTAL EXPENDITURE		191,439	94,470 285,909
0	340	340	(Surplus) / Deficit for year		31,553	(451) 31,102
340 (Surplus) / Deficit for year						
0	(346)	(346)	(Surplus) / Deficit as at 1 April		-	(6) (6)
0	(6)	(6)	(6) (Surplus) / Deficit as at 31 March	5	31,553	(457) 31,096
Allocated to:						
0	(5)	(5)	- Trafford		15,461	(384) 15,077
0	(1)	(1)	- Police and Crime Commissioner for GM		-	(53) (53)
0	0	0	- GM Fire & Rescue Authority		316	(20) 296
0	0	0	- Central Government		15,776	-
0	(6)	(6)			31,553	(457) 31,096

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 National Non-Domestic Business Rates. The administrative costs associated with the collection process are charged to the General Fund.

Collection Fund surpluses declared by the billing authority in relation to Council Tax are apportioned to the relevant precepting bodies in the subsequent financial year. Deficits likewise are proportionately charged to the relevant precepting bodies in the following year. For Trafford, the Council Tax precepting bodies are the Police and Crime Commissioner for Greater Manchester (PCCGM) and the Greater Manchester Fire and Rescue Authority (GMFRA).

In 2013/14, the local government finance regime was revised with the introduction of the retained business rates scheme. The main aim of the scheme is to give Councils a greater incentive to grow businesses in the Borough. It does, however, also increase the financial risk due to non-collection and the volatility of the NNDR tax base.

The scheme allows the Council to retain a proportion of the total NNDR received. The Trafford share is 49% with the remainder paid to precepting bodies. For Trafford the NNDR precepting bodies are Central Government (50% share) and GMFRA (1% share).

NNDR surpluses declared by the billing authority in relation to the Collection Fund are apportioned to the relevant precepting bodies in the subsequent financial year in their respective proportions. Deficits likewise are proportionately charged to the relevant precepting bodies in the following year.

The national code of practice followed by Local Authorities in England stipulates that a Collection Fund Income and Expenditure account is included in the Council's accounts. The Collection Fund balance sheet meanwhile is incorporated into the Council's consolidated balance sheet.

2. Council Tax

This tax was introduced on 1 April 1993 with all domestic properties placed in one of eight valuation bands. The Government has determined that the Council Tax payable in each band will be a specified fraction of the middle valuation band, known as band D.

Each year, the Council must estimate the equivalent number of band D properties, after allowing for discounts, exemptions, losses on collection etc. For 2013/14, the calculation was as follows:

	Total No. Dwellings (i)	Specified Fraction	Band 'D' Equivalent
Band A (disb)	13	X5/9	7
Band A	14,925	x6/9	9,950
Band B	18,071	x7/9	14,055
Band C	23,579	x8/9	20,959
Band D	13,202	x9/9	13,202
Band E	7,007	x11/9	8,564
Band F	4,093	x13/9	5,911
Band G	3,829	x15/9	6,382
Band H	875	x18/9	1,750
	85,594		80,780
Less allowance for losses on collection			(525)
Adjustment for Exemption changes			595
Less cost of Council Tax Support Scheme			(9,859)
Council Tax Base			70,991

The actual number of properties was 96,918, after adjusting for single person discounts, empty properties etc., the notional number of dwellings is 85,594.

The Band D Council Tax levied for the year was £1,312.20 (£1,302.21 in 2012/13).

3. Non-Domestic Rates

The Council collects National Non-Domestic Rates (NNDR) for its area based on local rateable values provided by the Valuation Office Agency (VOA) multiplied by a uniform business rate set nationally by Central Government. In previous financial years the total amount due, less certain allowances, was paid to a central pool (the NNDR pool) administered by Central Government, which, in turn, paid to Local Authorities their share of the pool, such shares being based on a standard amount per head of the local adult population.

In 2013/14, the administration of NNDR 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 and non-collection of rates. Instead of paying NNDR to the central pool, local authorities retain a proportion of the total collectable rates due. In the case of Trafford the local share is 49% and the remainder is distributed to preceptors which in Trafford's case are Central Government (50%) and 1% to the Greater Manchester Fire & Rescue Authority (GMFRA).

The business rates shares payable for 2013/14 were estimated before the start of the financial year as £75.817m to Central Government, £1.516m to GMFRA and £74.301m to Trafford Council. These sums have been paid in 2013/14 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 2013/14 to the value of £42.486m (see note 11 and 39).

The total income from business rate payers collected in 2013/14 was £159.886m (£145.874m in 2012/13). This sum includes £0.485m of transitional protection payments from ratepayers, which under Government regulation should have a neutral impact on the business rate retention scheme. This sum has to be repaid to Central Government and therefore increases payments to Central Government to £76.302m.

In addition to the top up and tariff payment, a 'safety net' figure is calculated at 92.5% of baseline amount which ensures that authorities are protected to this level of Business Rates income. For Trafford the value of safety net figure is £29.428m. The comparison of business rate income to the safety net, uses the total income collected from business rate payers and adjusts for losses in collection, losses on appeal, transitional protection payments, the cost of collection and the revision to Small Business Rate Relief (announced in the Autumn Statement 2012) not allowed for when the safety net was set.

Authorities are expected to finance appeals made in respect of rateable values as defined by VOA as at 31 March 2014. As such, authorities are required to make a provision for these amounts. Appeals are charged and provided for in proportion of the precepting shares. The total provision charged to the collection fund for 2013/14 has been calculated at £36.823m, which has resulted in the Trafford's retained business rates falling below the threshold and a safety net payment being made of £12.136m for 2013/14.

The total non-domestic rateable value at 31 March 2014 is £383.1m (£382.2m 2012/13), and the national multipliers applicable for 2013/14 were 46.2p for qualifying Small Businesses, and the standard multiplier being 47.1p for all other businesses (45.0p and 45.8p respectively in 2012/13).

Estimated Surplus and Deficits

Regulations require the Council to make estimates in January each year of the surplus or deficit likely to arise at the year end, and to transfer these amounts into or out of the collection fund in the following financial year. In January 2013 it was estimated that the collection fund would have no surplus or deficit (£0.236m in January 2012) and so nothing was due to or from the preceptors in 2013/14. This distribution to the relevant precepting bodies is shown below, with Trafford's element utilised to support General Fund expenditure during the year.

2012/13 £000	Distribution of Surplus on Collection Fund	2013/14 £000
(200)	Trafford	0
(26)	Police and Crime Commissioner for GM	0
(10)	Greater Manchester Fire & Rescue Authority	0
(236)	Estimated Collection Fund Surplus/Deficit	0

4. Year End Surplus/Deficit 2013/14

Council Tax

The opening balance for the Collection Fund for 2013/14 regarding Council Tax was £(0.006)m surplus. The £(0.457)m surplus which had accrued at the year-end in respect of Council Tax transactions will be distributed in subsequent years to the Council's General Fund, the Police and Crime Commissioner for GM and the GM Fire and Rescue Authority.

2012/13 £000	Allocation of year-end (Surplus)/Deficit on Collection Fund	2013/14 £000
(5)	Trafford	(384)
(1)	Police and Crime Commissioner for GM	(53)
(0)	Greater Manchester Fire & Rescue Authority	(20)
(6)	Estimated Collection Fund Surplus	(457)

In the Balance Sheet at 31 March 2014, the Council has included the £(0.457)m surplus on a disaggregated basis as a Creditor to the Police and Crime Commissioner for GM and the GM Fire & Rescue Authority to the value of £(0.073)m, and a £(0.384)m attributable surplus on the Council Tax Collection Fund balance alongside the General Fund.

National Non Domestic Rates

As 2013/14 was the first year of operating the new business rates retention scheme, the opening balance for the Collection Fund for 2013/14 regarding NNDR was zero. The £31.553m deficit which had accrued at the year-end in respect of NNDR transactions will be collected in subsequent years from the Council's General Fund, the GM Fire and Rescue Authority and Central Government.

2012/13 £000	Allocation of year-end (Surplus)/Deficit on Collection Fund	2013/14 £000
0	Trafford	15,461
0	Greater Manchester Fire & Rescue Authority	316
0	Central Government	15,776
0	Estimated Collection Fund Surplus	31,553

In the Balance Sheet at 31 March 2014, the Council has included the £31.553m deficit on a disaggregated basis as a debtor from the GM Fire & Rescue Authority and Central Government to the value of £16.092m, and a £15.461m attributable deficit on the NNDR Collection Fund balance alongside the General Fund.

glossary

Actuarial Gains and Losses

Over a reporting period, these consist of:
(A) Experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred, including reflection of any funding valuation which has taken place since the last report); and
(B) the effects of changes in actuarial assumptions (split between financial and demographic).

Capital Financing Charges

The annual charge to the revenue accounts in respect of interest and principal repayments of borrowed money together with leasing rentals.

Capital Financing Requirement

This reflects the Council's underlying need to borrow for a capital purpose. It forms a basis for calculating the minimum revenue provision (MRP), which is the amount required to be set aside as provision to repay debt.

Capital Grants

Grants received towards capital outlay on a particular service or project.

Capital Receipts

Money received from the sale of surplus assets such as land or buildings that is used for new capital expenditure or to repay debt.

Capital Receipts Pooling

New regulations came into force on 1 April 2004 which required authorities to pay over to the Government a proportion of the proceeds from the disposal of housing assets.

Carrying Amount

This equates to the level of principal outstanding on loans and investments together with any accrued interest.

Collection Fund

The Collection Fund records transactions in respect of the council tax, community charge, non-domestic rates and revenue support grant receipts and illustrates the way in which these have been distributed.

Community Assets

Non-current assets that an authority intends to hold in perpetuity and have no determinable useful life.

Coupon Rate

The interest rate stated, expressed as a percentage of the principal (face value).

Creditors

Amounts owed by the Council for work done, goods received or services rendered but for which payment has not been made at the date of the balance sheet.

Current Service Cost (Pensions)

The increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Curtailement

For a defined benefit scheme, an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service.

Curtailements include:

termination of employees' service earlier than expected, for example as a result of closing a factory or discontinuing a segment of a business, and termination of, or amendment to the terms of, a defined benefit scheme so that some or all future service by current employees will no longer qualify for benefits or will qualify only for reduced benefits.

DCLG (Department for Communities & Local Government)

This is the Government department which has the main responsibility for Local Government.

DfE (Department for Education)

This is the Government department responsible primarily for schools. It administers the majority of funding for schools including Dedicated Schools Grant, the major form of financial support.

Debtors

Sums of money due to the Council but which are unpaid at the date of the balance sheet

Deferred Debtors/Deferred Capital Receipts

Corresponding entries relating to sums due at some time in the future, for example from the sale of council houses purchased with the help of mortgages granted by the Council.

Defined Benefit Scheme

A pension or other retirement benefit scheme other than a defined contribution scheme. Usually the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).

Defined Contribution Scheme

A pension or other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Depreciation/Amortisation

An amount charged to revenue accounts to represent the wearing out of non-current assets.

Direct Service Organisation (DSO)

The in-house team which has won a contract to carry out work, or provide a service following a competitive tendering process.

Discretionary Benefits

Retirement benefits which the employer has no legal, contractual or constructive obligation to award and which are awarded under the authority's discretionary powers.

Effective Interest Rate

The rate at which debt charges are applied to the comprehensive income and expenditure statement.

Financial Instruments

The term covers both financial assets and liabilities. The borrowing, service concession arrangements (PFI & finance leases) and investment transactions are classified as financial instruments.

General Fund

The main revenue account of the Council into which the Council's precept from the Collection Fund and specific Government grants are paid and from which is met the cost of providing services.

Heritage Assets

Heritage assets are assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical value.

Impairment

A reduction in the recoverable amount of a non-current asset. An impairment charge can be caused by a clear consumption of economic benefits or by a general fall in prices.

Income

Amounts which an authority receives, or expects to receive, from any source. Income includes fees, charges, sales and Government grants. The term "income" implies that the figures concerned relate to amounts due in a financial year irrespective of whether or not money was actually received during that year (i.e. on an accruals basis).

Indemnified

To protect against damage, loss or injury; insure.

Infrastructure Assets

Those non-current assets from which benefit can be obtained only by continued use of the asset created e.g. highways, footpaths and bridges.

Interest Costs (Pensions)

For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

Investments (Pension Fund)

The investments of the Pension Fund will be accounted for in the statements of that fund. However authorities (other than town parish and community councils and district councils in Northern Ireland) are also required to disclose, as part of the transitional disclosures relating to benefits, the attributable share of pension scheme assets associated with their underlying obligations.

Large Scale Voluntary Transfer (LSVT)

This is the name given to the process of transferring the Council housing stock out of Council ownership into another not for profit social housing organisation, such as a housing association.

NNDR

National non-domestic rates, payable by businesses.

NNDR Pool

A fund administered by the DCLG into which are paid business rates collected by local authorities. The DCLG pay out of the fund a per capita amount to all local authorities.

Pay and Reward Improving Services (PARIS)

Comprehensive pay and grading review to ensure a fair and equal pay structure across the Council.

Past Service Cost

The change in present value of the defined benefit obligation for employee service in prior periods resulting from a plan amendment (the defined benefit plan) or a curtailment (a significant reduction by the entity in the number of employees covered by the plan).

Precept

The amount levied by one authority which is collected on its behalf by another.

Present value of defined benefit obligation

The present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

Private Finance Initiative

An agreement with the private sector to design, build and operate facilities specified by an authority in return for an annual payment.

Projected Unit Method

An accrued benefits valuation method in which the scheme liabilities make allowances for projected earnings. An accrued benefits valuation method is a valuation method in which the scheme liabilities at the valuation date relate to: the benefits for pensioners and deferred pensioners (i.e. individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependants, allowing where appropriate for future increases, and the accrued benefits for members in service on the valuation date.

Provisions

Sums set aside for losses or liabilities which are certain to arise but cannot be quantified with certainty.

Reserves

Amounts set aside to meet future costs.

Retirement Benefits

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment. Retirement benefits do not include termination benefits payable as a result of either (i) an employer's decision to terminate an employee's employment before the normal retirement date, or (ii) an employee's decision to accept voluntary redundancy in exchange for those benefits, because these are not given in exchange for services rendered by employees.

Revenue Expenditure Funded from Capital under Statute (REFCUS)

Capital expenditure which does not produce a tangible asset (e.g. improvement grants or other expenditure on assets the authority does not own). These are charged directly to revenue in the year expenditure is incurred but are treated as capital for control purposes.

Revenue Support Grant (RSG)

A grant paid by Central Government to aid local authority expenditure generally.

Revenue Contributions

Refers to the financing of capital expenditure directly from revenue in one year rather than from loan or other sources.

Revenue Expenditure

Recurring expenditure on day to day expenses such as employees, running expenses of buildings, equipment and capital financing costs.

Scheme Liabilities

The liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflects the benefits that the employer is committed to provide for service up to the valuation date.

Settlement

Occurs when an entity enters into a transaction that eliminates all further legal or constructive obligation for part or all of the benefits provided under a defined benefit plan, for example, when a lump-sum cash payment is made to, or on behalf of, plan participants in exchange for their rights to receive specified post-employment benefits.

Soft Loan

This is where credit is given to an external organisation or individual at conditions which are more favourable than market rates.

Stepped Interest Rate Loans

A loan agreement where one rate of interest applies for the primary period of the loan and another rate for the remainder, or secondary period.

Trust Funds

Funds administered by the Council on behalf of others, for purposes such as prizes, charities, specific projects, and on behalf of minors.

Unsupported Borrowing

Borrowing undertaken to finance capital expenditure where the related debt costs are paid for by the authority or from other income.

Vested Rights

In relation to a defined benefit scheme, these are:

- for active members, benefits to which they would unconditionally be entitled on leaving the scheme:
- for deferred pensioners, their preserved benefits:
- for pensioners, pensions to which they are entitled.

