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AGENDA PAPERS MARKED 'TO FOLLOW' (SECOND ISSUE) FOR

ACCOUNTS AND AUDIT COMMITTEE

Date: Monday, 29 July 2019

Time: 6.30 p.m.

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

	A G E N D A	**PART I**	**Pages**
5.	**2018/19 AUDIT COMPLETION REPORT**		1 - 30
	To consider a report from the Council's External Auditor.		
9.	**2018/19 ACCOUNTS**		31 - 240
	To consider a report of the Corporate Director, Finance and Systems.		
	PLEASE NOTE: The Statement of Accounts document is extremely extensive. It is impracticable to circulate in hard copy; but is available on the Council's website with the other agenda papers.		

SARA TODD
Chief Executive

Membership of the Committee

Councillors B. Brotherton (Chair), E. Patel (Vice-Chair), C. Boyes, G. Coggins, J. Dillon, A. Duffield, P. Lally, J. Lloyd and A. Mitchell; and Mrs. J. Platt.

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

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This agenda was issued on **Friday, 26 July 2019** by the Legal and Democratic Services Section, Trafford Council, Trafford Town Hall; Talbot Road, Stretford, Manchester, M32 0TH

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Audit Completion Report Draft to Accounts & Audit Committee

Trafford Metropolitan Borough Council

Year ending 31 March 2019

MAZARS

CONTENTS

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One St Peter's Square
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M2 3DE

Accounts & Audit Committee
Trafford Metropolitan Borough Council
Town Hall
Talbot Road
Stretford
M32 OTH

29 July 2019

Dear Members

Audit Completion Report – Year ended 31 March 2019

We are pleased to present our Audit Completion Report for the year ended 31 March 2019. The purpose of this document is to summarise our audit conclusions.

The scope of our work, including identified significant audit risks and other areas of management judgement, was outlined in our Audit Strategy Memorandum which we presented on 6 February 2019. We have reviewed the significant audit risks and other areas of management judgement included in our Audit Strategy Memorandum and have considered an additional area of management judgement as part of the audit relating to the assumptions and methodology applied to calculate the accounting entries for the Council's PFI arrangement for office and community facilities in Sale Town Centre.

We would like to express our thanks for the assistance of your team during our audit.

If you would like to discuss any matters in more detail then please do not hesitate to contact me on [RI telephone number].

Yours faithfully

Karen Murray
Director
Mazars LLP

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Tel: 0161 238 9248 – Fax: 0161 238 9201 – www.mazars.co.uk

1. EXECUTIVE SUMMARY

Purpose of this report and principal conclusions

The Audit Completion Report sets out the findings from our audit of Trafford Metropolitan Borough Council ('the Council') for the year ended 31 March 2019, and forms the basis for discussion at the Accounts and Audit Committee meeting on 29 July 2019.

The detailed scope of our work as your appointed auditor for 2018/19 is set out in the National Audit Office's (NAO) Code of Audit Practice. Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 and, as outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards of Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

Sections 3 and 6 of this report outline the detailed findings from our work on the financial statements and our conclusion on the Council's arrangements to achieve economy, efficiency and effectiveness in its use of resources. Section 3 also includes our conclusions on the audit risks and areas of management judgement in our Audit Strategy Memorandum, which include:

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

Status of our work

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

Opinion on the financial statements

We anticipate issuing an unqualified opinion, without modification, on the financial statements. Our proposed audit opinion is included in the draft auditor's report in Appendix B.

Value for Money conclusion

We anticipate concluding that the Council had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources except for the overall effectiveness of the Council's services for children . Our draft auditor's report, including proposed conclusion, is provided in Appendix B. More details on the reason for the qualified conclusion are provided in section 6.

Whole of Government Accounts (WGA)

We anticipate completing our work on your WGA submission, in line with the group instructions issued by the NAO, by the deadline of 13 September 2019.

Wider powers

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and to consider any objection made to the accounts. We have not received any objections relating to 2018/19.

1. EXECUTIVE SUMMARY (CONTINUED)

Status of our audit work

We have substantially completed our work on the financial statements and Value for Money conclusion for the year ended 31 March 2019. At the time of preparing this report the following matters remain outstanding:

Audit area	Status	Description of outstanding matters
Property, Plant and Equipment and Investment Properties	● (amber)	We are completing our testing in this area.
Pension Liability	● (green)	We are completing our work on the pensions liability and associated disclosures.
Accounting for the Council's PFI arrangements	● (green)	We are awaiting further information so that we can complete our work in this area.
Leases	● (green)	We are awaiting some further information so that we can complete our work in this area.
Cash & Cash Equivalents	● (green)	We are awaiting receipt of bank confirmations in respect of two schools.
Movement in Reserves Statement	● (green)	We are completing our testing of this statement
Testing of general IT controls	● (green)	We are awaiting responses to some residual queries so that we can finalise this work.
Signed final statements and signed Management Representation Letter	● (green)	Following the Audit Committee on 29 July 2019 the Council will provide signed copies of the financial statements, annual governance statement and Management Representation Letter

Status

- ● (red) Likely to result in material adjustment or significant change to disclosures within the financial statements
- ● (amber) Potential to result in material adjustment or significant change to disclosures within the financial statements
- ● (green) Not considered likely to result in material adjustment or change to disclosures within the financial statements

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

Audit Adjustments and Internal Control Recommendations

Section 4 confirms there are no internal control issues arising from our audit. Section 5 outlines the audit adjustments noted as part of our audit as at the time of issuing this report. If any additional adjustments are noted on completion of the outstanding work, these will be reported to the Audit, Governance and Standards Committee in a follow-up letter.

2. AUDIT APPROACH

Our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum (ASM) in February 2019. Following further discussions with the Council we have updated our approach as previously documented in the ASM. In particular we consider that the outstanding liability relating to the Council's FI arrangements for the provision of office and community facilities in Sale Town Centre are significant management estimates, although we have not identified this as a significant risk. It represents a material figure on the Council's balance sheet and is derived from a financial model that incorporates assumptions and estimates which impact materially on the reported value.

There are no other changes to our approach to the Council or Group financial statements as communicated to the Council in our ASM in February 2019.

Materiality

Our final We set materiality at the planning stage of the audit at £9m for the Group financial statements and £8.9m for the Council financial statements, using a benchmark of 1.75% of gross expenditure at the Surplus/Deficit on Provision of Services level.

assessment of materiality, based on the final 2018/19 financial statements and qualitative factors is unchanged from that at the planning stage for both the Group and Council financial statements. Our final materiality levels and trivial thresholds are set out in the table below. We set our trivial threshold (the level under which individual errors are not communicated to the Accounts and Audit Committee, at £271k for the Group and £267k for the Council based on 3% of overall materiality.

Materiality element	Group materiality	Council single-entity materiality
Overall materiality	£9,035,000	£8,896,000
Performance materiality	£6,324,000	£6,227,000
Trivial threshold for reporting to Audit Committee	£271,000	£267,000

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

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

* Reflecting movement from one salary band to another

2. AUDIT APPROACH (CONTINUED)

Overview of our group audit approach

The Council's Group financial statements for 2018/19 includes one wholly owned subsidiary company, Trafford Leisure CIC Ltd., and one Joint Venture, Trafford Bruntwood LLP. The 2018/19 financial year is the first that the Council has consolidated Trafford Bruntwood LLP, which was set up on 28 March 2018.

Our Audit Strategy Memorandum provided details of our intended group audit approach. We confirm that there have been no changes to our approach outlined in that Memorandum, and in particular we have not considered either the subsidiary or the joint venture to be a significant component and consequently we have not obtained specific assurance from the component auditors of the two companies.

The table below confirms the approach we have taken to auditing the Council's consolidated financial statements.

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

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

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

3. SIGNIFICANT FINDINGS

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

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

Significant risks and key areas of management judgement

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

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

3. SIGNIFICANT FINDINGS (CONTINUED)

Significant risk	Description of the risk
Revenue recognition	Our audit methodology incorporates this risk as a significant risk at all audits, although based on the circumstances of each audit, it is rebuttable. Based on our initial knowledge and planning discussions we concluded that we could rebut the presumption of a revenue recognition risk for the majority of the Council's revenue income and expenditure and planned to carry out further detailed planning work to confirm if we could rebut the risk relating to the income categorised as fees and charges.
	How we addressed this risk
	We reviewed the Council's fees and charges income sources, such that we improved our understanding and confirmed that we could rebut the risk of revenue recognition for all areas of income. Our audit approach also incorporated testing from payments and receipts around the year-end to provide assurance that there were no material unrecorded items of income and expenditure in the 2018/19 accounts.
	Audit conclusion
	We confirm that we were able to rebut the risk of fraud in revenue recognition.

3. SIGNIFICANT FINDINGS (CONTINUED)

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

How we addressed this risk

We have:

- Critically assessed the Council's valuer's scope of work, qualifications, objectivity and independence to carry out the Council's programme of revaluations;
- Considered whether the overall revaluation methodology used by the Council valuer is in line with industry practice, social housing statutory guidance, the CIPFA Code of Practice and the Council's accounting policies;
- Critically assessed the appropriateness of the underlying data and the key assumptions used in the valuer's calculations;
- Critically assessed the appropriateness of the social housing factor applied to the valuation of the Council Dwellings;
- Assessed the movement in market indices between the revaluation dates and the year end to determine whether there have been material movements over that time;
- Critically assessed the treatment of the upward and downward revaluations in the Council's financial statements with regards to the requirements of the CIPFA Code of Practice;
- Critically assessed the approach that the Council adopts to ensure that assets not subject to revaluation in 2018/19 are materially fairly stated; and
- Tested a sample of items of capital expenditure in 2018/19 to confirm that the additions are appropriately valued in the financial statements.

Audit conclusion

The final elements of our work on the valuation of Property, Plant & Equipment are still to be completed and concluded.

Significant risk	Description of the risk
Valuation of Defined Benefit Pension Liability	The net pension liability represents a material element of the Council's balance sheet. The Council is an admitted body of Greater Manchester Pension Fund, which had its last triennial valuation completed as at 31 March 2016. The valuation of the Local Government Pension Scheme relies on a number of assumptions, most notably around the actuarial assumptions, and actuarial methodology which results in the Council's overall valuation. There are financial assumptions and demographic assumptions used in the calculation of the Council's valuation, such as the discount rate, inflation rates and mortality rates. The assumptions should also reflect the profile of the Council's employees, and should be based on appropriate data. The basis of the assumptions is derived on a consistent basis year to year, or updated to reflect any changes. There is a risk that the assumptions and methodology used in valuing the Council's pension obligation are not reasonable or appropriate to the Council's circumstances. This could have a material impact to the net pension liability in 2018/19.
	How we addressed this risk We have: • Critically assessed the competency, objectivity and independence of the Greater Manchester Pension Fund's Actuary, Hymans Robertson; • Liaised with the auditors of the Greater Manchester Pension Fund to gain assurance that the controls in place at the Pension Fund are operating effectively. This included the processes and controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the IAS19 valuation is complete and accurate; • Reviewed the appropriateness of the Pension Asset and Liability valuation methodologies applied by the Pension Fund Actuary, and the key assumptions included within the valuation. This included comparing them to expected ranges, utilising information provided by PWC, consulting actuary engaged by the National Audit Office; • Agreed the data in the IAS 19 valuation report provided by the Fund Actuary for accounting purposes to the pension accounting entries and disclosures in the Council's financial statements.
	Audit conclusion The final elements of our work on the Pension Liability are still to be completed and concluded. We identify at page 17 an unadjusted misstatement arising from our work to date as a result of the Council obtaining a revised estimate for the liability following two recent legal cases. The estimate is not materially different and management have indicated that they will not amend to reflect this since it is an estimation uncertainty.

3. SIGNIFICANT FINDINGS (CONTINUED)

Management judgement	
Valuation of investment in Manchester Airport Holdings Limited	**Description of the management judgement** The Council uses an external valuation expert to determine the value of its investment in Manchester Airport Holdings Limited at 31 March 2019. The valuation is determined according to a methodology and applying assumptions. Council officers challenge the valuation assumptions and reach judgements on the valuation to include in the financial statements.
	How our audit addressed this area of management judgement Mazars' in-house valuation team reviewed the methodology and key assumptions used by management's expert, considering the appropriateness of the methodology and the reasonableness of the assumptions used.
	Audit conclusion We have not identified any significant matters from our testing, and we have concluded that the Council's investment in Manchester Airport Holdings Limited is materially fairly stated.

Management judgement	
Accounting for the outstanding liability for the Private Finance Initiative (PFI) contract in Sale Town Centre	**Description of the management judgement** In 2003 the Council entered into a 25 year PFI contract for the provision of new office and community facilities in Sale Town Centre. The outstanding liability relating to this scheme represents a material figure on the Council's balance sheet and is derived from a financial model that incorporates assumptions and estimates which impact materially on the reported value. There is a risk that the assumptions and methodology applied to calculate the accounting entries are not appropriate and given this is the first year of our appointment as your external auditors we will need to obtain assurance that accounting entries are not materially misstated.
	How our audit addressed this area of management judgement We have: • Reviewed the Council IFRIC 12 assessment and associated disclosures • Considered whether the accounting model reflects the operator's model and produces reliable results for the financial statements • Checked that outputs from the accounting model are correctly reflected in the financial statements, relevant disclosures have been made and these agree to supporting documentation.
	Audit conclusion Subject to clearance of some outstanding queries, our work to date has not identified any significant matters from our testing, and we have concluded that the PFI Liability is materially fairly stated.

3. SIGNIFICANT FINDINGS (CONTINUED)

Qualitative aspects of the Council's accounting practices

The Council is required to prepare its financial statements on a going concern basis by the Code of Practice on Local Authority Accounting (the Code). We have considered the appropriateness of the use of the going concern assumption and have reviewed the Council's accounting policies and disclosures and concluded they comply with the requirements of the Code, appropriately tailored to the Council's circumstances.

Draft accounts were received from the Council on 31 May 2019, in accordance with the statutory deadline and were of a good quality. High quality supporting working papers have been made available in a timely manner and these have assisted our audit progress. Council finance officers have been very helpful in promptly answering our detailed audit queries.

Significant matters discussed with management

During the course of the audit there were no significant matters that we needed to discuss with management.

Significant difficulties during the audit

During the course of the audit we did not encounter any significant difficulties and we have had the full co-operation of management.

Wider responsibilities

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

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

We have not exercised any of these powers as part of our 2018/19 audit.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. At the date of producing this report we have not received any objections during our audit from electors.

3. SIGNIFICANT FINDINGS (CONTINUED)

Modifications required to our audit report

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

Issue	Impact on our audit opinion
In May 2019 Ofsted issued a report on its inspection of the Council's Children's Social Care Services. The inspection report concluded that the overall effectiveness of the Council's services for children is inadequate. We have considered whether the Ofsted inspection findings indicate a significant Value for Money risk, and have concluded that it does.	We intend to issue a qualified 'except for' Value for Money conclusion for 2018/19 More details are provided in section 6 of this report.

4. INTERNAL CONTROL RECOMMENDATIONS

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

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

We have not identified any matters that we need to report in this respect.

Follow up of previous internal control points

As 2018/19 is the first year of our appointment as the Council's external auditor, there are no previous internal controls points to follow up and report.

5. SUMMARY OF MISSTATEMENTS

We set out below the misstatements identified for adjustment during the course of the audit, above the level of trivial threshold of £267k.

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

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

Unadjusted misstatements 2018/19

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Dr: Net Cost of Services (Past Service Cost)	4,550			
	Cr: Remeasurement of Pension Liability		4,550		
	Dr Pension Reserve			4,550	
	Cr Pension Liability				4,550
	Explanation Following two recent legal cases, there has been an increase in the estimated liability for pensions. The adjustment would increase the Council's pension liability by £4,550k, with a corresponding increase in the Pension Reserve. The transactions would be included within the Service Costs (as a past service cost) and adjusted through the Movement in Reserves Statement so that they do not impact on the Council's Usable Reserves.				

5. SUMMARY OF MISSTATEMENTS (CONTINUED)

Disclosure amendments

Note 11 Other Operating Expenditure
'Amount written off on disposal of non-current assets' £8,767k amended to £3,767k
'Sale proceeds from disposal of non-current assets' £(5,456k) amended to £(456k)
These amendments were required to remove amounts included in respect of the repayment of the loans already disclosed separately in the note.

Note 14 Property, Plant and Equipment:

- various incorrect comparator amounts for the prior year have been amended.
- 'Investment Assets column totalling £110,364k removed from table under 'Valuation of Non-Current Assets held at fair value' as these do not need to be disclosed here as they are already covered in a specific note.
- Significant commitments under capital contracts as at 31 March 2019: Asset investment fund reduced from £67,108k to £6,300k to remove a developer loan that is not relevant to this note

Note 18 Financial Instruments: S106 Debtors £1,997k and Equity-Trafford Bruntwood LLP £9,041k have been moved to the bottom of the table and a footnote added to explain they are not financial instruments.

Note 27. Unusable Reserves: Pensions Liability table has been replaced by the Pensions Reserve table which is the appropriate balance to include in this note.

Note 31 added to disclose the reconciliation of liabilities arising from financing activities. This is a new requirement of the Code for 2018/19

Note 38. officers' Remuneration 2018/19 Director of Commissioning NHS Trafford CCG total amended from £95,010 to £105,010 due to a casting error.

Note 39 External Audit Costs has been amended to remove line relating to payments to the Cabinet Office which is not relevant to this note, and to make the following other amendments:
- Fees payable to Grant Thornton for the certification of grant claims and returns 2018/19 reduced from £26k to £20k and a footnote added to explain this relates to work by Grant Thornton on the 2017/18 Housing Benefit Subsidy claim and the 2017/18 Teachers' Pensions return.
- Footnote added to explain that the £19k in 2017/18 relates to work by Grant Thornton on the 2016/17 Housing Benefit Subsidy claim and the 2016/17 Teachers' Pensions return.
- Fees payable to KPMG £4k deleted as this is to be included in the corresponding note in the 2019/20 accounts as it relates to work being completed in 2019/20.

Note 43 Capital Expenditure and Capital Financing: prior year comparators added to second table.

Note 51 Contingent Liabilities:
- Paragraphs on potential liabilities from guarantee contracts have been removed as they are not material
- Section 106 Agreements amount amended from £16.6m to £1.77m and narrative amended.

Note 52 Contingent Assets: Section 106 Agreements amount amended from £16.6m to £14.45m and narrative amended.

6. VALUE FOR MONEY CONCLUSION

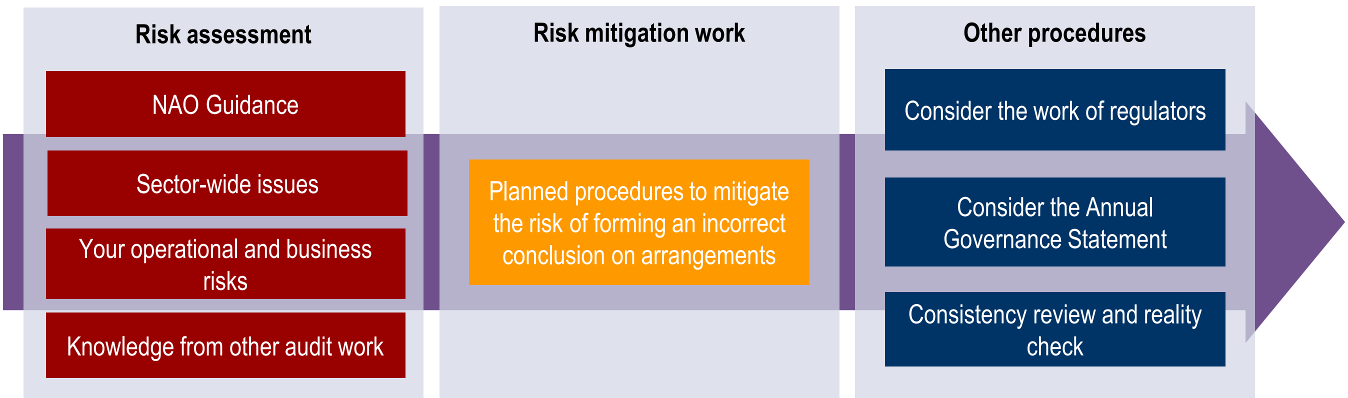
Our approach to Value for Money

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

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

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

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



Significant Value for Money risks

The NAO’s guidance requires us to carry out work to identify whether or not a risk to the Value for Money conclusion exists. Risk, in the context of our Value for Money work, is the risk that we come to an incorrect conclusion rather than the risk of the arrangements in place at the Council being inadequate. In our Audit Strategy Memorandum, we reported that we had identified three significant Value for Money risks relating to the financial sustainability of the Council in the medium term, the Council’s investment strategy and work to integrate health and social care services with Trafford Clinical Commissioning Group (CCG)..

Since issuing our Audit Strategy Memorandum the Council has undergone an Ofsted inspection of its Children’s Social Care Services. The inspection report was issued on 8 May 2019 and concluded that the overall effectiveness of the Council’s services for children is inadequate. This is a deterioration from the overall conclusion of the previous inspection in 2015 when services were rated as good overall. We have considered whether the Ofsted inspection findings indicate a significant Value for Money risk, and have concluded that it does. Consequently we intend to issue a qualified 'except for' Value for Money conclusion for 2018/19.

In considering this we have read the Ofsted report and discussed the Council’s response with officers. In the period between inspection and receipt of the formal inspection report, the Chief Executive took immediate steps to address the issues Ofsted had raised. These actions include:

- £1.5m set aside to fund improvements in 2019/20 with further work to identify and plan for recurrent additional costs
- External support brought in to undertake casefile audits to address weaknesses in record keeping and processes
- Recruitment of new social workers is underway to support reducing caseloads and reorganisation of teams and management arrangement to ensure sufficient review and support.

The Chief Executive has also led the Council’s work to develop a full action plan to respond to all of the issues raised. This will be formally agreed with Ofsted in July. A shadow Improvement Board has been set up which includes external partners and an interim Programme Manager has been appointed to lead the implementation of the actions once formally agreed.

6. VALUE FOR MONEY CONCLUSION (CONTINUED)

The work we carried out in relation to significant risks is outlined below.

Risk	Work undertaken	Conclusion
Financial budget pressures The Council's future budgets remain challenging with a forecast funding gap of £41m in the Medium Term Financial Strategy to 2022 (source: draft budget report to Executive October 2018). Proposals were put forward for 2019/20 to reduce the gap by £16.03m though additional funding, income generation and new savings, leaving residual budget gaps of £2.36m in 2019/20, £10.38m in 2020/21 and £12.61m in 2021/22. In January 2019 the Council forecast a small revenue saving of £28k at the end of 2018/19 and so close monitoring and management of budget pressures was required to maintain a balanced position.	**Work undertaken** We have reviewed the Council's performance in delivering the 2018/19 budget and financial plans, including the arrangements established by the Council to identify, manage and monitor revenue pressures and savings proposals in order to deliver a balanced position for 2018/19 and to address the forecast budget gap to 2022. **Findings** The Council has effective arrangements to report on its financial position and forecasts, including pressures and actions being taken to address them. Despite some significant pressures reported during 2018/19 the Council achieved a year end underspend of £1.8m against its revenue budget and delivered savings totalling £10.489m against the target of £9.97m. However, there remain a number of pressures around social care demand led services that will need to be managed in order to deliver a balanced position in 2019/20. The Council has robust arrangements in place for setting the annual revenue budget and updating the Medium Term Financial Strategy (MTFS), including workshops in 2018 with the Executive and Corporate Leadership Team to develop the 2019/20 budget and update the MTFS to 2022. The Council also clearly recognises the risks to the forecasts associated with the proposed "hard reset" of the business rate baselines and the fair funding review in 2020/21 which may have an adverse impact on the Council's funding streams. Delivery of a balanced positon on the 2019/20 revenue budget will require use of £2.8m of reserves, income generation of £3.3m and transformational service delivery savings of £3.6m. There are also forecast funding gaps of £15.7m in 2020/21 and £12.8m in 2021/22. The Council expects to reduce its total earmarked reserves by £12.3m between 31 March 2019 and 31 March 2022 whilst maintaining the General Fund reserve at the assessed minimum required level of £7m. Earmarked reserves at 31 March 2019, excluding schools, totalled £43.3m. The use of reserves to support revenue budgets in the longer term is not sustainable, and the Council will need to ensure that its longer term financial sustainability does not deplete its reserves to unsustainably low levels.	We conclude that for 2018/19 the Council has made proper arrangements to deliver financial sustainability in the medium term.

6. VALUE FOR MONEY CONCLUSION (CONTINUED)

The work we carried out in relation to significant risks is outlined below.

Risk	Work undertaken	Conclusion
Investment strategy The Council has developed its investment strategy to support its financial resilience and address funding gaps. The fund currently totals £300m with plans for it to increase to £400m in 2019/20 and £174.2m investment commitments to date.	**Work undertaken** We have reviewed the governance arrangements in place for the identification, evaluation and approval of investments from the fund and subsequent monitoring and reporting of investment performance against expected returns. **Findings** In 2017 the Council established the Investment Management Board (IMB) as a cross-party body responsible for overseeing the Council's investment activity and implementing the adopted investment strategy. It has clear terms of reference that were updated and approved by Council in November 2018. The role of the IMB is to provide strategic direction and oversight of the Investment Strategy, including approval of investment opportunities and it sets out the policies for the management of its investments. IMB have full delegated power from Council for investments so that they have swift decision making within the investments budget. The IMB reports annually to Council as part of the budget process, confirming the forecast investment income for the Council. In-year reporting on investments and returns is via the Budget Monitoring reports to each meeting of the Executive. The investment fund has been increased from £300m to £400m in 2019/20. Advice and support for investment decisions is provided by the Council's appointed investment advisers and it acts under advisement from a number of senior officers. Due diligence is undertaken for each investment but the Council recognises there is still a risk to this income stream and so a risk reserve is being built up. At the end of 2018/19 ten investments from the investment fund had been approved by the IMB with a total value of over £175m, £58m of which had been invested in 2018/19, providing returns of £1.67m. The budget report to Council in February 2019 estimated £8m returns on the Council's investments from the investment fund in 2019/20. We understand this is currently on track to be achieved.	We conclude that for 2018/19 the Council has made proper arrangements for the consideration and approval of investments from the investment fund with adequate monitoring and reporting of investment performance.

6. VALUE FOR MONEY CONCLUSION (CONTINUED)

Risk	Work undertaken	Conclusion
Health and Social Care Integration: working with partners The Council is working with Trafford CCG and other partners towards the integration of health and social care to help secure a sustainable health and social care economy by 2021 by putting in place an integrated organisation for the Council and the CCG and a new model of care for community health, primary care and social care services. The Council and the CCG are also developing a single integrated strategic commissioning function, and a joint Chief Financial Officer has been appointed and is operating across the two organisations as part of these more integrated working arrangements.	**Work undertaken** We have reviewed arrangements in place for the Council to work with its partners to deliver transformation and efficiencies in the provision of health and social care services. **Findings** The Council continues to work with the CCG towards integrated health and social care services. Some joint director level roles are in place across both. However, in June 2018, the two organisations decided to re-establish separate posts for the Council Chief Executive and the CCG Accountable Officer rather than continue with a joint appointment. An Integrated Commissioning Directorate has been established, bringing together four commissioning teams and work is ongoing to align the statutory commissioning functions of the Director of Adult Social Care and the Director of Children's Services. Appropriate governance arrangements are in place to support work towards integration through: • The Trafford Joint Commissioning Board of a number of Council and CCG members, lay-members and officers, to provide local leadership and governance for joint commissioning arrangements and a link to the Greater Manchester Health and Social Care devolution arrangements. • A Health and Social Care Commissioning Advisory Board of officers from the Council and CCG to support the work of Trafford's Joint Commissioning Board. The Council and CCG continue work to establish a Single Commissioning Function. In October 2017, £22m was awarded from the Greater Manchester Transformation Fund to be used to deliver services that will enable the integration of health and social care, with match funding from the Council and CCG of £10.6m and a forecast £19.4m benefits resulting from service changes and improvements, giving a total budget of £52m. Actual spend at 31 March 2019 was £13m, £10m less than expected due to delays in implementing some schemes. Pooled budget arrangements remain in place between the Council and CCG for Learning Disability Services and the Better Care Fund for Adult Care services. The Council also provide some back office services to the CCG through a service level agreement arrangement and in March 2019 CCG staff have been co-located with Trafford Council staff in Trafford Town Hall, which is expected to further integrate and promote joint working.	We conclude that for 2018/19 the Council has made proper arrangements to work with partners towards the integration of health and social care services.

APPENDIX A
DRAFT MANAGEMENT REPRESENTATION LETTER

To be provided to us on client headed note paper
[Client address]
[Date]

Dear [Name]

Trafford Metropolitan Borough Council - audit for year ended 31 March 2019

This representation letter is provided in connection with your audit of the financial statements of Trafford Metropolitan Borough Council (‘the Council’) and its Group for the year ended 31 March 2019 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the Code) and applicable law.

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

My responsibility for the financial statements and accounting information

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

My responsibility to provide and disclose relevant information

I have provided you with:

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

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

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

Accounting records

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

Accounting policies

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

[continued]

APPENDIX A
DRAFT MANAGEMENT REPRESENTATION LETTER (CONTINUED)

Accounting estimates, including those measured at fair value

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

Contingencies

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

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

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

There are no undisclosed contingent gains which should be disclosed.

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

Laws and regulations

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

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

Fraud and error

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

I have disclosed to you:
- all the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting the Council and Group involving:
    - management and those charged with governance;
    - employees who have significant roles in internal control; and
    - others where fraud could have a material effect on the financial statements.

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

Related party transactions

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

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

[continued]

APPENDIX A
DRAFT MANAGEMENT REPRESENTATION LETTER (CONTINUED)

Future commitments

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

Subsequent events

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

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

Going concern

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

Unadjusted misstatements

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

Yours faithfully

Nicola Bishop
Corporate Director of Finance and Systems

APPENDIX B
DRAFT AUDITOR'S REPORT

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

Opinion
We have audited the financial statements of Trafford Metropolitan Borough Council ('the Council') and its subsidiary and joint venture ('the Group') for the year ended 31 March 2019, which comprise the Council and Group Comprehensive Income and Expenditure Statements, the Council and Group Balance Sheets, the Council and Group Movement in Reserves Statements, the Council and Group Cash Flow Statements and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

In our opinion, the financial statements:
- give a true and fair view of the financial position of Trafford Metropolitan Borough Council and the Group as at 31st March 2019 and of the Council's and the Group's expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

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

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

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

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

We have nothing to report in this regard.

Responsibilities of the Corporate Director of Finance and Systems for the financial statements
As explained more fully in the Statement of responsibilities for the statement of accounts Responsibilities, the Corporate Director of Finance and Systems is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, and for being satisfied that they give a true and fair view. The Corporate Director of Finance and Systems is also responsible for such internal control as the Corporate Director of Finance and Systems determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Corporate Director of Finance and Systems is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and prepare the financial statements on a going concern basis, unless the Council is informed of the intention for dissolution without transfer of services or function to another entity. The Corporate Director of Finance and Systems is responsible for assessing each year whether or not it is appropriate for the Council to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

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

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

Matters on which we are required to report by exception under the Code of Audit Practice
We are required by the Code of Audit Practice to report to you if:
we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

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

Qualified conclusion – Except for
On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, with the exception of the matters described in the 'Basis for qualified conclusion' paragraph below, we are satisfied that, in all significant respects, Trafford Metropolitan Borough Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Basis for qualified conclusion
We have undertaken our review in accordance with the Code of Audit Practice issued by the Comptroller and Auditor General, having regard to the guidance on the specified criterion issued in November 2017, as to whether the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider in satisfying ourselves whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

APPENDIX B
DRAFT AUDITOR'S REPORT

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

In seeking to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources, we have considered reports issued by other regulators. In May 2019, Ofsted reported the results of an inspection of children's social care services. Ofsted concluded that the overall effectiveness of the Council's services for children is inadequate, with widespread deterioration in the quality of local authority services for children in Trafford as a result of failures in leadership.

Our qualification is in relation to those services that have been assessed as 'inadequate'. This qualification will remain until these services are no longer assessed as inadequate by Ofsted.

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

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

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

Delay in certification of completion of the audit
We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Council's Whole of Government Accounts consolidation pack. We are satisfied that these matters for not have a material effect on the financial statements or on our conclusion on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.

Karen Murray
For and on behalf of Mazars LLP
One St. Peter's Square
Manchester
M2 3DE
July 2019

APPENDIX C
INDEPENDENCE AND FEES

Auditor independence

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

We can confirm that no new threats to independence have been identified since issuing the Audit Strategy Memorandum and therefore we remain independent. In particular there are no independence threats from our non-audit work disclosed below.

We also confirm that we have received confirmation from our external experts regarding their independence.

Audit & non-audit fees

We reported our expected audit fees in our Audit Strategy Memorandum. Below we report the audit fees at this, our Audit Completion phase. We confirm that we have completed no non-audit engagements at the Council.

Audit fees	2018/19 (planned)	2018/19 (actual)
Trafford Council – audit of the Council financial statements	£91,008	£95,330*
Total audit fees	**£91,008**	**£95,330**

* During the year a fee variation of £4,322 was agreed with the Council for additional work required as part of our statutory audit.

CONTACT

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TRAFFORD COUNCIL

Report to: **Accounts & Audit Committee**
Date: **29 July 2019**
Report for: **Decision**
Report of: **Corporate Director of Finance and Systems**

Report Title

Approval of the Final Accounts 2018/19 (Accounts 2019)

Summary

The pre-audited 2018/19 accounts were approved by the Corporate Director of Finance and Systems on 31st May 2019, and on 3rd June 2019 were submitted to the Council's external auditors, Mazars, and placed on deposit for public inspection for 30 working days.

Attached are the redrafted Final Accounts for 2018/19, as they currently stand at the time of the Committee report distribution and pending any changes prior to the completion of the audit by 31st July 2019. Amendments made are highlighted and accommodate changes currently agreed with Mazars during their audit.

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

The following issues have also been identified during the audit and further details can be found in the Audit Completion Report 2018/19, Item 5 on this Agenda:

Significant Findings (Section 3)

- Property, Plant & Equipment (PPE) - the final elements of audit work are still to be completed;
- Valuation of Defined Pension Liability – the final elements of audit work are still to be completed and concluded. An unadjusted misstatement has been identified where the Council used a revised estimate of pension liability but is not materially different and therefore will not be amended since it is an estimation uncertainty (see also Section 5);
- Private Finance Initiative (PFI) contract in Sale Town Centre – subject to clearance of some outstanding audit queries.

Summary of Misstatements (Section 5)

- Valuation of Defined Pension Liability – Unadjusted (see above);
- A number of "disclosure" amendments have been made to improve readability and to correct typographical errors.

Value for Money conclusion (Appendix B)

- In seeking to satisfy themselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources, the external auditors have considered the recent Ofsted report, in May 2019, which concluded that following their inspection of children's social care services the Council's services for children was deemed inadequate. As

such the auditor will issue a qualified conclusion, using the term “except for”, in relation to these services. This qualification will remain until these services are no longer assessed as inadequate by Ofsted.

Recommendation

Members are requested to review and note the Accounts as they currently stand.

Approval be delegated to the Chair of Accounts and Audit Committee and the Corporate Director of Finance and Systems to approve the Final Accounts for 2018/19, on or before the statutory deadline of 31 July 2019.

Contact person for access to background papers and further information:

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

Background Papers: None

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

Statement of accounts

2019


SALE TOWN HALL

Contents

EXPLANATORY NOTES TO THE CORE FINANCIAL STATEMENTS:

Narrative Report

This document provides the detail behind the Council's financial performance for the year 1 April 2018 to 31 March 2019.

The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015. The regulations require the accounts to be prepared in accordance with proper accounting practices and these primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom in 2018/19 (the Code), supported by International Financial Reporting Standards (IFRS).

In complying with the requirements and standards of the Chartered Institute of Public Finance and Accountancy (CIPFA) in preparing the accounts, they aim to provide all stakeholders including partners, elected councillors and residents of the Borough and other interested parties an understanding of the financial position of the Council in 2018/19, confidence that public money has been accounted for correctly and that the financial position of the Council is robust.

This Narrative Report provides information about Trafford, its objectives and achievements whilst also providing a summary of the financial position at 31 March 2019 and key issues that have affected the accounts during the year.

Trafford the Borough

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

Trafford has a robust economy with approximately 13,500 businesses, ranging from cutting edge digital and creative companies to advanced manufacturing and green technology. The 235,500 strong population of Trafford is one of the most highly skilled and educated in the North West of England with 50% qualified at NVQ4 and above compared to the North West Average of 35%. The population is projected to increase by around 11% to 263,000 by 2040, a similar rate of increase to that at the national level. However, reflecting the national trend, the highest rates of population growth will be seen within the older age groups. The number of people aged 65 and over is projected to increase by 45%, whilst those aged 85 and over will increase by 75% bringing even greater challenges to the health and social care system; it is these older groups who are most likely to need support from these services.

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

The Council is committed to see our town centres flourish and will continue, with a range of partners, to make investment to improve the town centres to benefit residents, businesses and visitors. Further proposals will be developed to create better 'places' that can thrive and grow and be fit for the future. Over the last 12 months the Council has supported six businesses to open in vacant units in the town centres by providing loan funding assistance through the Town Centres Business Growth Programme, and two businesses to improve their marketing.

During 2018/19 the Council has helped more people into work with the Council directly supporting around 300 people into employment in Trafford via the Trafford Pledge. The Council is also working with businesses providing opportunities and access to resources to help them to establish and grow with our town centres being revitalised and you can see across the Borough how this determination is working.

The environment is also important to the Council and with the help of residents it is one of the greenest boroughs in the UK with 10 green flag parks and open spaces and is the best in the North West for recycling. This helps to keep Council Tax down and is great for the environment.

Trafford Council the Organisation

Trafford is made up of 21 wards each comprising of three councillors with a political make up at 31 March 2019 as follows:-

- 30 Labour
- 29 Conservative
- 2 Liberal Democrats
- 2 Green Party

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

Following the local elections on 2 May 2019 the political composition shifted (see below) as follows, with the Labour Group gaining an overall majority with Councillor Andrew Western as Leader of the Council.

- 36 Labour
- 20 Conservative
- 3 Liberal Democrats
- 1 Independent Liberal Democrat
- 3 Green Party

The management structure, headed by the Corporate Leadership Team was reviewed during 2018 and comprises the Chief Executive (the Head of the Paid service) and six corporate directors:-

- Corporate Director – Place
- Acting Corporate Director – Adult Services
- Acting Corporate Director – Children's Services
- Corporate Director of Finance and Systems (S151 officer)
- Corporate Director of Governance and Community Strategy (Monitoring Officer)
- Corporate Director of People

During the year a new corporate plan has been developed setting out the Council's vision and priorities with the aim of making Trafford a better borough. The Council's evolving long term vision is "***Working together to build the best future for all our communities and everyone in Trafford.***"

To ensure this ambition is met we need to make sure we have a highly effective Council working in partnership with the community, businesses and the voluntary and social enterprise sector.

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

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

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

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

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

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

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

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

Trafford is one of the lowest spending councils in the UK, has one of the lowest council tax levels in the country and yet is proud to be delivering effective high quality services through both direct service delivery and effective partnership working.

The Council provides a broad range of services including schools, children's and adult's social care provision, economic regeneration, environmental and highway services and leisure and cultural services. A number of different delivery vehicles are used to supply some council services for example leisure centres are run by Trafford Leisure, a wholly owned Community Interest Company, some services are delivered through collaborative working, eg a shared service for the delivery of some back-office functions whilst others are contracted out to external providers for example waste collection, street cleansing and highway maintenance. As at April 2018 the Council employed 1,798 full time equivalent staff (excluding school based staff); this had increased to 1,851 (2.95%) by 31 March 2019. Employee health and well-being is a key priority and during the year the Employee Health and Wellbeing Strategy organised numerous events to support workforce wellbeing and work life balance. In the latter part of 2018, a new vision for the Council and seven strategic priorities were developed. This was supported by a new set of organisational values that were developed following a series of engagement sessions with colleagues. Performance and development reviews and appropriate range of blended learning and development opportunities supported our staff to undertake their roles throughout the year.

Risk Management and Opportunities

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

Trafford continues to influence and shape its role within Greater Manchester to support the Greater Manchester Combined Authority (GMCA) to exercise its powers of devolution.

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

- Health and Social Care Integration and the on-going work which has led to closer working between the Council and Trafford Clinical Commissioning Group (CCG) from 1 April 2018 and the CCG physically moving into Trafford Town Hall from 1 April 2019. The rising demand placed on our health and social care services continues to be a major pressure for both the Council and CCG. The priority is to ensure that residents' wellbeing is the best it can be and the Council believes that integrating commissioning and support service functions of the Council and the CCG will mean the integrated organisation can, together, continue to provide excellent health and social care services to residents. The area was successful in securing £22m of Transformation Funding which will allow the organisation to transform the way it delivers health and social care services in the future.
- Business Rates Retention and ensuring the council maximises the level of retained business rates to provide a stable funding stream while incentivising economic growth.
- Greater Manchester Spatial Framework (GMSF) - The districts of Greater Manchester are working together to produce a joint plan to manage the supply of land for jobs and new homes across Greater Manchester. The GMSF will ensure that the right land in the right places delivers the homes and jobs needed up to 2037, along with identifying the need for supporting infrastructure (such as roads, rail, Metrolink and utility networks) required to achieve this. It will be the overarching development plan within which Greater Manchester's ten local planning authorities can identify more detailed sites for jobs and homes in their own area. As such, the GMSF will not cover everything that a local plan would cover and individual Districts will continue to produce their own local plans. Nonetheless, the plan will have a significant long term influence on local revenue streams (Council Tax and Business Rates), capital expenditure and demand for local services. Authorities consulted with residents on the proposals included in the plan and following a delay, a second draft of the plan was released in January 2019 followed by a formal eight-week consultation with the public which closed on 18 March 2019. It is expected that the analysis of the consultation responses received from GM residents and stakeholders will result in the preparation of a revised plan and further consultation in summer 2019.

The Council also has an Investment Strategy whereby, through key investments, it aims to generate additional revenue streams to support the revenue budget in later years as well as promoting growth and regeneration across the borough and the wider Greater Manchester area.

Governance

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

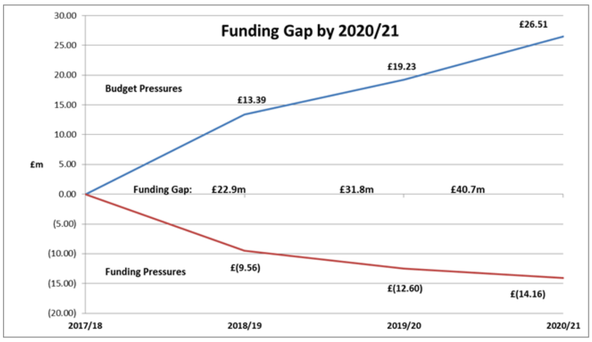
The Budget Process 2018/19

On 21 February 2018 the Executive recommended the Council approve an overall net revenue budget of £164.25m following a budget process that involved consultation with stakeholders, the Final Local Government Finance Settlement and following detailed scrutiny. When preparing the Council's Medium Term Financial Strategy (MTFS) the Council makes provisional spending plans for future financial years ensuring these are balanced against the expected funding from Government, Council Tax payers and Business Rate payers. The MTFS is a three year incremental process that builds on the work and achievements of previous years, taking into account demographic, legislative and other pressures; mitigated by a series of savings proposals to ensure a balanced budget can be achieved in the coming year, and that there is financial sustainability for future years. To meet the needs of the community the budget is divided into a number of key service areas as shown in the table 2 below.

In determining the budget for 2018/19 an overall budget gap of £22.95m was addressed by a combination of additional resources of £12.97m and £9.98m of service savings and additional income. This means that since 2010 the Council has addressed an overall budget gap over the period of £184m.

There was a 2.99% increase in Council Tax in April 2018 for Trafford services and a 2% increase was made in respect of the adult social care precept specifically to support adult social care costs. This increased the Band D Council Tax to £1,242.64. This Band D Council Tax increased to £1,484.89 when precepts for the GMCA Mayoral Police and Crime Commissioner and GMCA Mayoral General Precept (including Fire Services); ensuring Trafford had one of the lowest council tax levels in the country.

At the time of setting the budget for 2018/19 the overall funding gap for the next three years stood at nearly £41m taking into account rising demand for adult and children's social care services and updated funding announcements.



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

Overall Performance

This section provides details on the:-

a) Performance Monitoring
b) the management accounts position
c) the statutory accounts

Performance Monitoring

The Council monitors and reports, using performance dashboards at a service directorate and council priority level, on a range of key measures of performance. These are currently being reviewed and aligned to the emerging Council priorities with examples given below. In table 1.

Table 1

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

Performance is monitored by individual service directorates, the Corporate Leadership Team, Executive Members and Scrutiny Committee.

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

In May 2019 the Council received an "Inadequate" rating following an Ofsted inspection of Children's Services. To address this, a new earmarked reserve of £1.5m has been established in year to support an improvement plan which will focus on making the necessary improvements to those aspects of the service concerned.

Performance against budget

The Council's net revenue expenditure was £162.463m taking account of £1.629m additional funding from business rates in 2018/19 and this represents a saving of £1.783m against budget; a specific report on the outturn position is available on the Council's web site, which contains more detail on financial performance against budget. In-year service savings and one-off income increases (including the Manchester Airport dividend) led to an overall Council service underspend of £0.154m. This underspend has been increased by additional funding from business rates mainly attributable to extra Section 31 compensation grants in respect of the changes to the Small Business Rate Relief Scheme of £1.629m. This has resulted in a final net revenue outturn underspend of £1.783m.

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

Table 2:

Revenue Budget	Revised Budget £m	Actual Exp £m	Variance £m	%
Children's Services	32.336	32.952	0.616	1.90%
Adult Services (incl. Public Health)	47.976	48.117	0.141	0.29%
Public Health	12.228	12.245	0.017	0.14%
Place	23.844	22.911	(0.933)	(3.91)%
People	2.742	2.642	(0.100)	(3.65)%
Finance & Systems	6.993	6.540	(0.453)	(6.48)%
Governance & Community Strategy	7.433	7.444	0.011	0.15%
Directorate Budgets	**133.552**	**132.851**	**(0.701)**	**(0.52)%**
Council-wide Budgets	30.694	31.241	0.547	1.78%
Net Service Expenditure Outturn	**164.246**	**164.092**	**(0.154)**	**(0.09)%**
Financed by:				
Council Tax	(94.497)	(94.497)	0	-
Business Rates	(67.619)	(69.248)	(1.629)	(2.41)%
Collection Fund Surplus	(0.500)	(0.500)	0	-
Reserves	(1.630)	(1.630)	0	-
Funding variance	**(164.246)**	**(165.875)**	**(1.629)**	**(0.99)%**
Net Revenue Outturn	0	(1.783)	(1.783)	

Major variances included:-

- Children's Services – £0.6m additional net cost of placements and home to school transport offset by underspends relating to staff vacancies, additional grant income and running cost savings;
- Place – one-off business rate refunds £0.9m;
- Corporate Budgets – a mix of savings on corporate budgets including Treasury Management, additional income from our Investment Strategy and the release of a number of Council Wide contingencies and provisions of £1.0m.
- Other net savings across all Directorates of £0.3m
- An amount of £1.5m transferred to reserves to support new investment in Children's Services;
- Manchester Airport Group (MAG) dividend of £2.0m which has already been transferred to the MAG Dividend Reserve;

Business Rates – Additional funding from business rates mainly attributable to extra Section 31 compensation grants in respect of the changes to the Small Business Rate Relief Scheme of £1.629m.

Reserves

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

The balance at the start of the year was £6.0m and was increased during the year, as a result of budgetary risks associated with future funding from business rates and other funding risks, to give a balance as at 31 March 2019 of £7m. This is the minimum level agreed by the Council on 20 February 2019 to be maintained for 2019/20.

The level of earmarked reserves has increased by £1.4m due to a combination of changes which are detailed in the movement in reserves statement. Notable movements include increases to a number of reserves including the Manchester Airport Dividend Reserve £2.0m, Business Rate Smoothing Reserve £2.1m, High Needs Support Reserve £0.6m and Treasury Management Interest Smoothing Reserve £1.0m. In addition £1.5m has been added to a Children's Action Fund Reserve to cover new investment in Children's Services to address issues which had been deemed inadequate by Ofsted in their recent inspection.

A number of reserves were applied in the year with the major ones being the Investment Fund Reserve £5.0m to support a strategic investment at Manchester Airport and the National Non Domestic Rate Deficit Reserve to cover a historic deficit on the Collection Fund of £3.7m.

Capital Investment

The Capital Programme for 2018/21 was approved at the Council meeting of 21 February 2018 and provided the framework within which the Council's capital investments plans were to be delivered. Capital resources are allocated based on a process which affords priority to:-

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

The value of the three year Capital Programme, covering 2018/19 to 2020/21, was set at £144.65m, with £59.42m originally programmed for 2018/19.

Financing of the investment proposals was predominantly made up of grants and contributions of £67.01m relating to specific areas of investment e.g. schools and highways; capital receipts of £15.53m generated from the disposal of assets, revenue and reserves contributions £9.99m and prudential borrowing of £49.90m which is only undertaken where the investment is linked to revenue savings and it is affordable and sustainable to do so. In setting the 3 year programme all potential resources were fully utilised and the Programme included £2.22m of over-programming

Investment across the 3 years included:

- The continued provision of in excess of 3,000 additional school places to meet demand along with a programme to ensure schools met suitability and sustainability standards.

- Town centre regeneration with major projects being completed in Altrincham and started in Stretford.
- Commencement of major redevelopment of leisure centres in line with the Council's aim to "Increase Physical Activity across the Borough".
- Continued improvement of the highways and footways infrastructure and integrated transport initiatives including the extension of the Metrolink through Trafford Park and cycling facilities.
- Continuing development of the Council's ICT systems to ensure an improved customer experience and seamless service delivery across internal and external partners.

In October 2018 the Council approved an updated Investment Strategy. The objective of this being to stimulate economic development and to support the Council's financial resilience over the next few years, whilst offering an alternative solution that can be used to address future budget gaps. An increase to the Fund was made total in February 2019 of £100m meaning that the total Fund is £400m, supported by prudential borrowing.

By the end of 2018/19 ten transactions had been agreed by the Investment Management Board at a total capital cost of £175.50m. This investment has provided a net benefit to support the revenue budget in 2018/19 of £1.67m, which is £472k above the budgeted target for the year.

- To mitigate the risks of the approach nationally recognised investment advisors are being used as part of the due diligence process with emphasis placed on securing investments in low risk assets.
- As part of this Strategy, on 20 March 2018 the Council set up a joint venture with Bruntwood (K Site Ltd) called Trafford Bruntwood LLP. The entity will be responsible for the redevelopment of the former Kelloggs headquarters site at Talbot Road, Stretford in line with the Civic Quarter Masterplan for the wider area. The entity forms part of the Council's group accounts.

As 2018/19 progressed, the initial plans were revised to incorporate expenditure re-profiled from the previous year, new assumptions, approvals and scheme updates, as information became available giving rise to an adjusted budget of £340.92m.

The Council spent £103.16m on its Capital Programme in 2018/19 compared to the budgeted spend of £340.92m. Details of which can be found on pages 143. The capital expenditure incurred during the year and financing of this expenditure is shown in the table below.

Capital Programme	Budget £m	Actual Exp £m	Variance £m
Schools Investment	13.51	6.65	(6.86)
Supporting Infrastructure	5.38	2.88	(2.50)
Regeneration Projects	15.92	13.61	(2.31)
Highways / Transport Improvements	23.00	17.45	(5.55)
Social Services	3.03	2.70	(0.33)
ICT Investment	1.93	0.34	(1.59)
Recreation & Culture	21.84	1.45	(20.39)
General Programme	**84.61**	**45.08**	**39.53**
Investment Programme	256.31	58.08	(198.23)
Total Programme	**340.92**	**103.16**	**(237.76)**
FINANCED BY:			
Grants and Contributions	(27.77)	(21.81)	(5.96)
Capital Receipts	(14.29)	(6.12)	(8.17)
Earmarked Reserves	(13.05)	(10.18)	(2.87)
Borrowing	(285.81)	(65.05)	(220.76)
	(340.92)	**(103.16)**	**(237.76)**

The variance between the budgeted capital expenditure and the final outturn for the year was £237.76m and this will require re-profiling into 2019/20 and later years along with the associated financing. The major reasons for the variance included some planned re-profiling and an extension of the time taken to reach agreement on a number of grant funded projects. More details of the variance can be found at : http://www.trafford.gov.uk/about-your-council/budgets-and-accounts/revenue-and-capital-budgets.aspx

Treasury Management

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

Throughout 2018/19 the Council complied with its legislative and regulatory requirements, including compliance with all treasury management prudential indicators.

Debt - at 31 March 2019 the Council's total external level of debt was £220.7m compared to £164.4m at 1 April 2018. The net increase of £56.3m is a result of planned debt repayments of £(4.1)m, an opportunity to repay a high rated loan at reduced costs £(20.0)m together with the receipt of £80.4m of debt from the Public Works Loan Board. The debt taken from the PWLB was used to fund (a) capital schemes including the Council's Investment Strategy which generates a revenue income stream sufficient to repay borrowing costs, (b) the restructure of a high rated market loan and (c) action to reduce the under borrowed position. Whilst the Council continues to maintain a deliberate policy of being under borrowed action, albeit at a reduced level and as a result of this action, debt interest continues to be saved.

The average external rate of interest payable during the year was 3.97%, which compares favourably with 5.11% in 2017/18. The following table provides further details, including the interest loan rate at the beginning and end of the financial year.

	as at 1.4.18	as at 31.3.19
Average weighted maturity of long term loans (in years)	30.4	26.9
Number of loans	24	26
Value of loans	£164.4m	£220.7m
Loan rate	4.19%	3.33%

Investments

The Council operates its own trading function for the investment of any temporary surplus cash. The Council's money market investments, excluding cash at bank, totalled £77.9m as at 31 March 2019 and this compares to £73.2m as at 31 March 2018. In 2018/19 an average investment rate of 1.06%, 0.55% above the market benchmark (London Inter-bank BID 7 day rate), was achieved. This compares with an average return of 0.82%, in 2017/18 which was 0.61% above the LIBID 7 day rate.

Statutory Accounts

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

Comprehensive Income & Expenditure Statement (CIES):

- The deficit on the provision of services on the CIES is £17.9m (2017/18 at £24.6m). However, the management accounts declare an outturn underspend of £1.783m (2017/18 £2.747m). The differences between these two statements of financial performance relate to the differences in accounting practices applied, which are adjusted for in the MiRS, and a summary reconciliation between the two outturns is provided later in the Narrative Report;
- The total balance on the CIES has moved from a £19.9m surplus to a £33.6m deficit. The movement in the CIES of £53.5m primarily relates to:
- Changes in pension charges of £60.2m.
- Net gains on asset revaluations including PPE and Investment assets £1.5m
- An increase in financing and investment income and expenditure £2.6m
- An increase in tax and non specific grant income £13.2m
- plus other net movements of £5.4m

Balance Sheet:

There has been a net £33.6m or 14.0% reduction in the value of the balance sheet, with the key movements being:

- An increase in the value of long term assets of £86.8m relating to new capital expenditure including the acquisition of new investment property as part of the Investment Strategy, long term debtors in respect of a shareholder loan to Manchester Airport Group (MAG) and loan to Bruntwood Development Holdings Limited, equity investment in Trafford Bruntwood LLP, depreciation, revaluation adjustments and disposals.
- An increase in current assets of £3.1m
- A decrease in current liabilities of £0.3m

- An increase in long term liabilities of £123.2m primarily due to an increase in long term borrowing to finance the acquisitions made under the Investment Strategy and an increase in the pension liability, following actuarial assessment and caused by a reduction in corporate bond yields.

Net Pensions Asset / Liability

The Council participates in two pension schemes: the Local Government Pension Scheme, administered by Tameside Metropolitan Borough Council and the Teachers' Pension Scheme, administered by the Department for Education (DfE). At 31 March 2019 the Council had a net liability for pensions of £275.7m, which compares with £205.3m at 31 March 2018. Excluding for the impact of the advance pension payment, the liability has increased by £58.3m. This increase has been reflected in the external actuary report and is due to a reduction in corporate bond yields which has had the impact of increasing the value of pension obligations.

Further details on the Council's overall net pensions asset/liability are included in notes 49 and 50 on pages 148 to 149.

Collection Fund – Council Tax:

The Council collected Council Tax in 2018/19 on behalf of itself, the Greater Manchester Combined Authority (Mayoral, Police and Fire) and Partington Town Council.

A total of £112.5m of Council Tax was collected in respect of 2018/19, a performance of 98.1% (98.1% in 2017/18). Details of the Collection Fund can be found on page 169, which shows an overall surplus of £2.18m. This surplus is apportioned to the Council, the GMCA Mayoral Police and Crime Commissioner and the GMCA Mayoral General Precept (including Fire Service) on a proportionate basis. Trafford's share of the surplus is £1.8m which is planned to support future budgets.

- Council Tax collection rates were strong and in year collection rates were the same as targeted at 98.1%. Furthermore, the collection of older debt was better than anticipated by £0.63m.

- The Council Tax Support Scheme, now in its sixth year continues to progress well. A drop in the number of claimants in 2018/19 resulted in costs being lower than budget by £0.193m.

- Continued growth in our council tax base was in line with forecast and resulted in a surplus of £0.084m however this has been partially offset by on-going successful council tax property valuation appeals of £0.113m, resulting in an in a small in year deficit of £0.029m. The better than expected collection rates relating to historic debt of £0.63m as mentioned above, resulted in a total in-year surplus of £0.601m

- After taking into account the brought forward collection fund surplus of £2.18m and the planned budget support of £0.593m, the net impact of the above has resulted in a year end cumulative surplus of £2.18m. Of this £1.586m is committed to support the 2019/20 budgets of all precepting authorities.

Collection Fund - Business Rates

The Council continues to participate in the 100% business rates pilot, along with the remaining GM districts.

The level of business rate income for the year after discounts, reliefs, cost of collection and provisions was £153.012m (£153.371m in 2017/2018) compared with an estimated income of £154.063m, resulting in an in-year deficit of £1.051m. During the year there was significant volatility in the rating system as a result of building demolitions, refurbishments and appeals relating to major infrastructure projects. Demolitions and refurbishments saw a reduction in income of approximately £3.6m. Some significant historic appeals were settled during the year which was met from our existing appeals provision. The award of mandatory and discretionary reliefs over those budgeted resulted in a further reduction in income of £1.4m. A general review of the remaining appeals provision resulted in an amount of £4m being released due to major appeals being dismissed by the Valuation Office during the year. The net effect of the above resulted in a net deficit on the Collection Fund of £1.05m, of which the Council's share is £1.04m.

The accumulated surplus on the NDR element of the collection fund carried forward as at 31st March 2019 was £0.142m (deficit £9.53m 2017/2018). The accumulated surplus is made up from the 2017/2018 surplus of £1.193m and the 2018/2019 deficit of £1.051m. The distribution of the 2017/18 surplus will be made in 2019/2020 and the collection of the 2018/2019 deficit will be made in 2020/21 both under the new sharing agreement with the Council's share being 99% and Greater Manchester Fire and Rescue Authority at 1%. See page 175.

Reconciliation between Statutory Accounts and Management Accounts

The Council's management accounts outturn position is an underspend of £1.782m (analysed above), whereas the (Surplus)/Deficit on the Provision of Services in the CIES on pages 19 to 20 shows an overspend of £17.866m.

The differences between the CIES and the Council's management accounts are adjusted for in the Movement in Reserves Statement (MIRS) (pages 23 to 24) and further analysed in the new Expenditure and Funding Analysis. (page 26). The MIRS statement reconciles the surplus on provision of services in the CIES to the movement in the General Fund and Earmarked Balances (first two columns of the MiRS, with detail in note 9).

The net increase in the General Fund and Earmarked Reserves is £0.572m, as detailed below.

CIES account reconciled to outturn	£m
CIES Account Deficit on Service Provision	**17.9**
Accounting adjustments in MiRS:	
- Capital charges and Capital Grants	(12.4)
- Pensions	(17.2)
- Collection Fund and Other Adjustments	9.4
Total Accounting adjustments	**(20.2)**
Net Transfers to/(from) reserves	
-Net transfer to/(from) schools reserves	0.9
-Net transfer to/(from) Other earmarked reserves	(1.4)
-Net transfer to/(from) General Reserve	1.0
Total Net transfers to/(from) earmarked reserves	**0.5**
Total Management Outturn (under)/Overspend *	**(1.8)**

* exact figure is £1.783m (Table 1 of the Revenue Budget Outturn report) and has been transferred to the Budget Support Reserve held within Earmarked Reserves and will be carried forward into 2019/2020.

Schools

At the end of 2018/19 the Council maintained 54 primary schools, 6 secondary schools and 4 special schools (64 in total) for which the year-end balances were included within the Council's balance sheet. Four of the Council's schools carried over a deficit budget at the end of the year. Schools may carry forward any surplus/deficit in expenditure for the year from one financial year to the next. School balances for 2018/19 increased by £0.834m when compared to 2017/18, to £8.217m.

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

During 2018/19, one primary school converted to academy status bringing the total number of academy schools to 25.

At the end of 2018/19 a central DSG reserve of £2.305m was carried forward and this will be held in reserve to cover ring-fenced commitments in the Schools and Early Years blocks and to cover expenditure pressures within the high needs block.

Outlook

The next few years will continue to prove to be a challenging period to the Council particularly due to the uncertainty around local government funding with 2019/20 being the end of the current comprehensive spending review (CSR) period.

A new CSR is planned for later in the year but Government has already signalled some major changes, including a move to a 75% business rate retention scheme and a resetting of baselines used to calculate business rate growth and the fair funding review of the relative need of authorities which will result in a redistribution of resources nationally through updated baseline funding levels. No other indication of the level of funding Local Authorities can expect to receive for 2020/21 and beyond has been announced. This, coupled with the uncertainty caused by Brexit will lead to significant financial turbulence over the period and something which the reserves strategy will need to cover.

Future Budgets

Information on the planned future expenditure and the financial environment of the Council can be found in the Council's 2019/20 Budget and 2019/22 Capital Investment Programme and Prudential Indicators Reports, which can be found on the Council's website.

Receipt of Further Information

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

Nicola Bishop ACA CPFA
Corporate Director of Finance and Systems
31st July 2019

Explanation of the Financial Statements

Please note that a glossary of terms can be found on page195.

A description of the responsibilities of the Council regarding the Accounts 2019 is provided at page 15, and the Audit certificate can be found on page 16.

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

There can be choices in accounting conventions and/or treatment that would be more practical for a given organisation in order for it to show a truer reflection of economic activity or value. The Council's choices are outlined in detail in the Accounting Policies (note 3) on pages 37 to 55.

The main financial statements that make up the Accounts (pages 19 to 25) are: the Comprehensive Income and Expenditure Statement (CIES); Balance Sheet; Movement in Reserves Statement (MiRS) and, Cash Flow Statement. These are explained in summary below, with a full explanation included with each statement in the main accounts.

The Comprehensive Income and Expenditure Statement (page 19 to 20) 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 2018 to 31 March 2019. 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 2019 are adjusted for within the Movement in Reserves Statement on pages 23 to 24, with more detail in note 9 on pages 62 to 69. A summary reconciliation between the CIES net gain and the management accounts net declared underspend position is provided in the narrative report.

The MiRS (pages 23 to 24) also shows the movements in reserves of the Council for the year split between usable and unusable reserves. Unusable reserves relate to accounting adjustments for the differences between management and financial accounting treatment and are not 'cash backed' and cannot be used to support service activity.

The total net worth of the Council, total assets less total liabilities, as a statement of value is listed on the Balance Sheet on pages 21 to 22.

The Cash Flow statement (page 25) 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 37 to 168. These notes expand on the figures, providing greater detail and information as prescribed or as necessary. Included within these notes is a statement on 2018/19 capital expenditure and how this was financed on pages 143 to 144.

The Council has the responsibility for collecting all Council Tax due in the Borough on behalf of itself, the GMCA Mayoral Police and Crime Commissioner, the GMCA Mayoral General Precept (including Fire Services) and Parish Councils. It also has the responsibility for collecting all Non-Domestic Rates (Business Rates) on behalf of itself and the GMFRA. The financial activity relating to local taxation is contained in the Collection Fund statement, pages 169 to 175.

Main Changes to the Core Statements and Significant Transactions in 2018/19

Pension Valuation and Advance Pension Payment

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

At 31 March 2019 the Council had a net liability for pensions of £275.7m, which compares with £205.3m at 31 March 2018. This increase in net liability includes a figure of £12.1m relating to the balance of the three year advanced pension contribution, which is yet to be utilised (i.e. one year remaining). If the cash advance balance is excluded for comparison, this would have resulted in a net liability of £287.8m and a movement of £58.3m from 2017/18 as advised by the pension fund Actuary (Hymans-Robertson).

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

Financial Instruments

The major change to the CIPFA Code of Practice on Local Authority Accounting 2018/19 was the implementation of IFRS 9 Financial Instruments. This has seen a significant change to the way investments are categorised and an enhanced disclosure requirement to Note 18 is included in the Council's accounts. With the adoption of IFRS 9, the new standard sets out that investments in equity should be recognised as fair value through profit and loss. This would mean that any changes in valuation would impact the Council's revenue budget. However, the Code does allow for councils to elect at the outset to treat equity investments as fair value through other comprehensive income. The Council has therefore, elected to designate its shareholding in Manchester Airport as fair value through other comprehensive income meaning that any changes in the valuation will not impact the revenue budget. Under IFRS 9, the election to designate to fair value through other comprehensive income is irrevocable.

The Council also holds a pooled investment in a property fund. MHCLG has agreed a temporary override for English Local Authorities for a five year period starting on 1 April 2018. The Council will use the statutory override to account for any changes in the fair value on its pooled investments. Further details on the impact of the IFRS 9 is disclosed in Note 18.

New Debt and purchase of investment properties

In October 2018 the Council agreed an updated investment strategy with the objective of supporting the Council's resilience over the next few years and offer an alternative solution to address future funding gaps. During the year a number of new investment and other assets at a value of £58.1m were acquired and which were financed by additional borrowing.

MAG shares valuation

A firm of financial experts and valuers have been engaged by the Council to provide an independent valuation which includes reviewing the financial performance, stability and business assumptions of the Manchester Airport Group. As at 31 March 2019 the Council's valuers advised of an increase of £0.8m in the fair value Council share from £51.9m to £52.7m which has been reflected in the financial statements.

Trafford Park Metrolink Extension

During 2018/19 the Council made a capital contribution of £5m to Transport for Greater Manchester for the extension of the metrolink to the Trafford Centre. This is part of a £20m contribution which will be financed from developer contribution.

Academy School Transfer of Assets

During 2018/19 one school transferred to Academy status, this has resulted in a loss on disposal of £5.62m as the associated assets are removed from the Council's Balance Sheet and the full amount is recognised as a loss in the Financing and Investment Income and Expenditure line of the CIES. Further details can be found in Notes 7 & 12.

Statement of responsibilities for the statement of accounts

The Council's Responsibilities

The Council is required to:

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

Responsibilities of the Chief Finance Officer

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

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

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

The Chief Finance Officer has also:

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

Certification

By the Chief Finance Officer

I certify that the Statement of Accounts set out on the following pages gives a true and fair view of the financial position of Trafford Borough Council at 31 March 2019, and its expenditure and income for the year ended 31 March 2019.

Nicola Bishop ACA CPFA
Corporate Director of Finance and Systems
31st July 2019

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

Councillor Barry Brotherton
Chair of the Accounts & Audit Committee
31st July 2019

Audit opinion

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

Independent auditor's report to the members of Trafford Metropolitan Borough Council

Report on the financial statements

Opinion

We have audited the financial statements of Trafford Metropolitan Borough Council ('the Council') and its subsidiary and joint venture ('the Group') for the year ended 31 March 2019, which comprise the Council and Group Comprehensive Income and Expenditure Statements, the Council and Group Balance Sheets, the Council and Group Movement in Reserves Statements, the Council and Group Cash Flow Statements and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

In our opinion, the financial statements:

- give a true and fair view of the financial position of Trafford Metropolitan Borough Council and the Group as at 31st March 2019 and of the Council's and the Group's expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

Basis for opinion

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Corporate Director of Finance and Systems' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Corporate Director of Finance and Systems has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Corporate Director of Finance and Systems is responsible for the other information. The other information comprises the Annual Governance Statement and information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Responsibilities of the Corporate Director of Finance and Systems for the financial statements

As explained more fully in the Statement of responsibilities for the statement of accounts Responsibilities, the Corporate Director of Finance and Systems is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, and for being satisfied that they give a true and fair view. The Corporate Director of Finance and Systems is also responsible for such internal control as the Corporate Director of Finance and Systems determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Corporate Director of Finance and Systems is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and prepare the financial statements on a going concern basis, unless the Council is informed of the intention for dissolution without transfer of services or function to another entity. The Corporate Director of Finance and Systems is responsible for assessing each year whether or not it is appropriate for the Council to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

Auditor's responsibilities for the audit of the financial statements

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

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

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

We are required by the Code of Audit Practice to report to you if:

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

We have nothing to report in these respects.

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

Qualified conclusion – Except for

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, with the exception of the matters described in the 'Basis for qualified conclusion' paragraph below, we are satisfied that, in all significant respects, Trafford Metropolitan Borough Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Basis for qualified conclusion

We have undertaken our review in accordance with the Code of Audit Practice issued by the Comptroller and Auditor General, having regard to the guidance on the specified criterion issued in November 2017, as to whether the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider in satisfying ourselves whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

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

In seeking to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources, we have considered reports issued by other regulators. In May 2019, Ofsted reported the results of an inspection of children's social care services. Ofsted concluded that the overall effectiveness of the Council's services for children is inadequate, with widespread deterioration in the quality of local authority services for children in Trafford as a result of failures in leadership.

Our qualification is in relation to those services that have been assessed as 'inadequate'. This qualification will remain until these services are no longer assessed as inadequate by Ofsted.

Responsibilities of the Council

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

Auditor's responsibilities for the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

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

Use of the audit report

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

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Council's Whole of Government Accounts consolidation pack. We are satisfied that these matters for not have a material effect on the financial statements or on our conclusion on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.

Karen Murray
For and on behalf of Mazars LLP

One St. Peter's Square
Manchester
M2 3DE

26 July 2019

Comprehensive income and expenditure statement

About this Statement

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

2017/18 (Restated)			Year ended 31 March	2018/19			
Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Service	Note	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
197,122	(151,562)	45,560	Children's Services		198,816	(158,402)	40,414
92,644	(33,931)	58,713	Adults Services		97,923	(37,848)	60,075
43,178	(21,140)	22,038	Place		46,988	(18,360)	28,628
10,566	(2,816)	7,750	Governance and Community Strategy		11,604	(2,920)	8,684
13,450	(3,399)	10,051	Finance and Systems		13,431	(3,883)	9,548
8,795	(4,995)	3,800	People and Traded Services		8,221	(4,964)	3,257
63,646	(59,450)	4,196	Council-wide		57,330	(52,196)	5,134
429,401	**(277,293)**	**152,108**	**Cost of Services**		**434,313**	**(278,573)**	**155,740**
38,091	(2,466)	35,625	Other Operating Expenditure	11	41,478	(5,566)	35,912
40,838	(26,872)	13,966	Financing and Investment Income and Expenditure	12	50,870	(34,310)	16,560
	(177,095)	(177,095)	Taxation and Non-Specific Grant Income and Expenditure	13/40		(190,346)	(190,346)
		24,604	**(Surplus) or Deficit on Provision of Services**				**17,866**

Comprehensive income and expenditure statement (continued)

2017/18 (Restated)			Year ended 31 March	2018/19			
Gross Expenditure £000	**Gross Income £000**	**Net Expenditure £000**	**Service**	**Note**	**Gross Expenditure £000**	**Gross Income £000**	**Net Expenditure £000**
		24,604	**(Surplus) or Deficit on Provision of Services**				**17,866**
		(15,387)	(Surplus) or Deficit on Revaluation of Property, Plant and Equipment Assets	14			(24,508)
		(8,425)	(Surplus) or Deficit on Revaluation of Available for Sale Financial Assets	27(ii)			0
		0	(Surplus) or Deficit on Revaluation of Financial Instruments	27(ii)			(800)
		(20,672)	Re-measurement of Net Defined Benefit / Liability	27(v)			41,053
		(44,484)	**Other Comprehensive (Income) and Expenditure**				**15,745**
		(19,880)	**Total Comprehensive (Income) and Expenditure**				**33,611**

2017/18 has been restated to reflect the restructure of the Transformation & Resources directorate into 3 new directorates of Governance and Community Strategy, Finance and Systems and People and Traded Services (see note 55 for further details).

Balance sheet

About this Statement

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

31 March 2018 £000		Notes	31 March 2019 £000
460,653	Property, Plant & Equipment	14	484,055
1,002	Heritage Assets	15	996
72,200	Investment Property	16	110,364
3,093	Intangible Assets	17	4,693
59,365	Long Term Investments	18	66,783
14,911	Long Term Debtors	21	31,153
611,224	**Long Term Assets**		**698,044**
35,243	Short Term Investments	18	50,777
5,713	Assets Held for Sale	23	7,534
83	Inventories	19	74
38,440	Short Term Debtors	21	32,315
41,110	Cash and Cash Equivalents	22	32,950
120,589	**Current Assets**		**123,650**
(5,494)	Short Term Borrowing	18	(6,285)
(55,048)	Short Term Creditors	24	(54,825)
(30,500)	Short Term Provisions	25	(30,396)
(697)	Grants Receipts in Advance (Revenue)	40	(805)
(2,055)	Grants Receipts in Advance (Capital)	40	(1,735)
(93,794)	**Current Liabilities**		**(94,046)**

Balance sheet (continued)

31 March 2018 £000		Notes	31 March 2019 £000
(36)	Long Term Creditors	24	(36)
(12,093)	Provisions	25	(12,310)
(162,605)	Long Term Borrowing	18	(216,690)
(113)	Revenue Grants & Contributions – Long-Term Receipts in Advance (REFCUS)	40	(113)
(8,483)	Grant Receipts in Advance (Capital)	40	(7,352)
(205,319)	Other Long Term Liabilities – Pensions	27/49	(275,655)
(9,427)	Other long-term liabilities – Deferred	24	(9,157)
(398,076)	**Long Term Liabilities**		**(521,313)**
239,944	**Net assets**		**206,335**
(6,000)	General Fund Balance	9/10	(7,000)
(52,459)	Earmarked General Fund Reserves	9/10/26	(53,814)
(6,603)	Capital Receipts Reserve	9/26	(703)
(219)	Revenue Grants Unapplied (REFCUS)	9	(3)
(9,727)	Capital Grants Unapplied	9	(10,827)
(75,008)	**Usable Reserves**	**26**	**(72,347)**
(55,427)	Revaluation Reserve	27	(67,878)
(41,651)	Available For Sale Financial Instruments Reserve	27	0
-	Financial Instrument Revaluation Reserve	27	(42,528)
(313,473)	Capital Adjustment Account	27	(329,357)
4,864	Financial Instruments Adjustment Account	27	16,164
229,512	Pensions Reserve	27/49	287,765
7,604	Collection Fund Adjustment Account	27	(1,941)
3,635	Accumulated Absences Account	27	3,787
(164,936)	**Unusable Reserves**		**(133,988)**
(239,944)	**Total Reserves**		**(206,335)**

Nicola Bishop ACA CPFA
Corporate Director of Finance and Systems
31st July 2019

Movement in reserves statement

About this Statement

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

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

Movement in reserves statement (continued)

	General Fund Balance £000	Earmarked General Fund Reserves £000	Total General Fund Balance £000	Capital Receipts Reserve £000	Revenue Grants Unapplied £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
Balance as at 31 March 2017	**(6,000)**	**(39,624)**	**(45,624)**	**(8,524)**	**(99)**	**(10,835)**	**(65,082)**	**(154,984)**	**(220,066)**
MOVEMENT IN RESERVES DURING 2017/18									
(Surplus) or deficit on the provision of services	24,604	-	24,604	-	-	-	24,604	-	24,604
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	(44,484)	(44,484)
Total Comprehensive Income and Expenditure	**24,604**	**-**	**24,604**	**-**	**-**	**-**	**24,604**	**(44,484)**	**(19,880)**
Adjustments between accounting basis & funding basis under regulations (note 9) *	(37,439)	-	(37,439)	1,920	(120)	1,108	(34,531)	34,531	-
Net (Increase)/Decrease before transfers to Earmarked Reserves	**(12,835)**	**-**	**(12,835)**	**1,920**	**(120)**	**1,108**	**(9,927)**	**(9,953)**	**(19,880)**
Transfers (to)/from Earmarked Reserves (note 10)	12,835	(12,835)	-	-	-	-	-	-	-
(Increase)/Decrease in 2017/18	**-**	**(12,835)**	**(12,835)**	**1,920**	**(120)**	**1,108**	**(9,927)**	**(9,953)**	**(19,880)**
Balance as at 31 March 2018	**(6,000)**	**(52,459)**	**(58,459)**	**(6,604)**	**(219)**	**(9,727)**	**(75,009)**	**(164,937)**	**(239,946)**

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.

2017/18 £000	Year Ended 31 March	2018/19 £000
24,604	Net (surplus) or deficit on the provision of services	17,866
(61,405)	Adjustments to net surplus or deficit on the provision of services for non-cash movements **(Note 28a)**	(50,524)
(9,488)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities **(Note 28b)**	20,732
(46,289)	**Net cash flows from Operating Activities (Note 28c)**	**(11,926)**
54,367	Investing Activities (Note 29)	87,549
(43,443)	Financing Activities (Note 30)	(55,381)
24,192	Cash flows from Advanced Pension Contribution (Note 28d)	(12,081)
(11,173)	**Net (increase) or decrease in cash and cash equivalents**	**8,161**
(29,937)	Cash and cash equivalents at the beginning of the reporting period	(41,110)
(41,110)	**Cash & cash equivalents at the end of reporting period (Note 22)**	**(32,949)**

Notes to the accounts

1. Expenditure and Funding Analysis

About this Statement

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

1. (a) Expenditure and Funding Analysis

2018/19	As reported for Management Accounts Outturn £000	Adjustments to arrive at the net amount chargeable to the General Fund (note 1b) £000	Net Expenditure Chargeable to General Fund Balances £000	Adjustments between the Funding and Accounting Basis (note 1b) £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000
Children's Services	32,952	(2,214)	30,738	9,675	40,413
Adults Services	60,362	(2,113)	58,249	1,826	60,075
Place	22,911	(5,076)	17,835	12,634	28,628
Governance and Community Strategy	7,444	(4)	7,440	1,244	8,684
Finance and Systems	6,540	1,603	8,143	1,404	9,547
People and Traded Services	2,642	(213)	2,429	829	3,258
Council-wide	31,241	(17,053)	14,188	(10,894)	5,134
Net Cost of Services	**164,092**	**(25,070)**	**139,022**	**16,718**	**155,740**
General Fund Financing	(165,875)	165,875	-	-	-
Other Operating Expenditure	-	32,601	32,601	3,311	35,912
Financing & Investment Income & Expenditure	-	(7,889)	(7,889)	24,449	16,560
Taxation and Non Specific Grant Income	-	(166,089)	(166,089)	(24,257)	(190,346)
Total Other Income and Expenditure	**(165,875)**	**24,498**	**(141,377)**	**3,503**	**(137,874)**
(Surplus) or Deficit	**(1,783)**	**(572)**	**(2,355)**	**20,221**	**17,866**

The table below shows the comparative information for 2017/18

2017/18 (Restated)	As reported for Management Accounts Outturn £000	Adjustments to arrive at the net amount chargeable to the General Fund (note 1b) £000	Net Expenditure Chargeable to General Fund Balances £000	Adjustments between the Funding and Accounting Basis (note 1b) £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000
Children's Services	31,380	(794)	30,586	14,972	45,559
Adults Services	58,295	(1,887)	56,408	2,306	58,713
Place	37,832	(23,725)	14,107	7,934	22,041
Governance and Community Strategy	7,351	(179)	7,172	579	7,751
Finance and Systems	7,550	1,702	9,252	799	10,051
People and Traded Services	2,564	(116)	2,449	1,351	3,800
Council-wide	14,098	(7,802)	6,296	(2,103)	4,193
Net Cost of Services	**159,069**	**(32,801)**	**126,268**	**25,840**	**152,108**
General Fund Financing	(161,816)	161,816	-	-	-
Other Operating Expenditure	-	32,697	32,697	2,928	35,625
Financing & Investment Income & Expenditure	-	(2,105)	(2,105)	16,071	13,966
Taxation and Non Specific Grant Income	-	(169,694)	(169,694)	(7,401)	(177,095)
Total Other Income and Expenditure	**(161,816)**	**22,714**	**(139,102)**	**11,598**	**(127,504)**
(Surplus) or Deficit	**(2,747)**	**(10,087)**	**(12,834)**	**37,438**	**24,604**

2017/18 has been restated to reflect the restructure of the Transformation & Resources directorate into 3 new directorates of Governance and Community Strategy, Finance and Systems and People and Traded Services (see note 55 for further details).

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

Movement in General Fund	2017/18 £000	2018/19 £000
Opening General Fund as at 1 April	(45,625)	(58,459)
(Surplus) or Deficit on the General Fund in year	(12,834)	(2,355)
Closing General Fund as at 31 March	**(58,459)**	**(60,814)**

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

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

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

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

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2017/18 (Restated) Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement	Levies and Precepts reported at Directorate Level/ GF Financing £000	Interest Payable, receivable, Other Investment Income and Trading profit reported at Directorate Level £000	Tax and Non Specific Grants and general funding reported at Directorate Level/ GF Financing £000	Investment Property Income and Expenditure reported at Directorate Level £000	Reserve Movements reported at Directorate Level/ GF Financing £000	Total Adjustments to arrive at the net amount chargeable to the General Fund £000
Children's Services	-	(33)	17	-	(778)	(794)
Adults Services	-	-	131	-	(2,018)	(1,887)
Place	(23,682)	(68)	30	1,795	(1,800)	(23,725)
Governance and Community Strategy	-	-	-	-	-	-
Finance and Systems	-	-	1,439	-	-	1,439
People and Traded Services	-	(31)	-	-	-	(31)
Council-wide	(8,931)	443	3,488	-	(2,802)	(7,802)
Net Cost of Services	**(32,613)**	**311**	**5,105**	**1,795**	**(7,398)**	**(32,801)**
General Fund Financing	(84)	-	164,522	-	(2,622)	161,816
Other Operating Expenditure	32,697	-	-	-	-	32,697
Financing & Investment Income & Expenditure	-	(311)	-	(1,795)	-	(2,105)
Taxation and Non Specific Grant Income	-	-	(169,627)	-	(67)	(169,694)
Total Other Income and Expenditure	**32,613**	**(311)**	**(5,105)**	**(1,795)**	**(2,689)**	**22,714**
Difference between General Fund (surplus) or deficit and Comprehensive Income and Expenditure Statement (surplus) or deficit	**-**	**-**	**-**	**-**	**(10,087)**	**(10,087)**

2017/18 has been restated to reflect the restructure of the Transformation & Resources directorate into 3 new directorates of Governance and Community Strategy, Finance and Systems and People and Traded Services (see note 55 for further details).

2017/18 (Restated) Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement	Adjustments between Accounting Basis and Funding Basis 2017/18			
	Adjustments for capital purposes £000 (i)	Net change for pension adjustment £000 (ii)	Other differences £000 (iii)	Total adjustments between accounting & funding basis £000
Children's Services	8,913	6,414	(354)	14,973
Adults Services	834	1,470	2	2,306
Place	7,317	614	3	7,934
Governance and Community Strategy	(136)	715		579
Finance and Systems	(132)	939	(8)	799
People and Traded Services	697	654		1,351
Council-wide	(3,784)	1,688	(7)	(2,103)
Net Cost of Services	**13,710**	**12,494**	**(364)**	**25,840**
General Fund Financing	-	-	-	-
Other Operating Expenditure	2,928	-	-	2,928
Financing & Investment Income & Expenditure	9,737	6,334	-	16,071
Taxation and Non Specific Grant Income	(11,252)	-	3,851	(7,401)
Total Other Income and Expenditure	**1,413**	**6,334**	**3,851**	**11,598**
Difference between General Fund (surplus) or deficit and Comprehensive Income and Expenditure Statement (surplus) or deficit	**15,123**	**18,828**	**3,487**	**37,438**

2017/18 has been restated to reflect the restructure of the Transformation & Resources directorate into 3 new directorates of Governance and Community Strategy, Finance and Systems and People and Traded Services (see note 55 for further details).

(i) Adjustments for Capital Purposes

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

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

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

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

(ii) Net Change for Pension Adjustments

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

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

(iii) Other Differences

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

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

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

2. Expenditure and Income Analysed by Nature

	2017/18 £000	2018/19 £000
Expenditure		
Employee benefit expenses	161,828	165,910
Other service expenses	250,275	264,454
Depreciation, amortisation & impairment	18,849	17,825
Interest payments	6,404	5,697
Precepts and levies	32,697	32,601
Loss on the disposal of assets	2,928	3,311
Loss on transfer of schools to academy status	6,228	5,619
Pension interest costs	23,249	24,475
Change in fair value of investment property	3,510	1,367
Total expenditure	**505,968**	**521,260**
Income		
Fees, charges and other service income	(43,777)	(43,909)
Interest and investment income	(6,747)	(10,867)
Income from Council Tax and Business Rates	(160,670)	(172,691)
Government grants and contributions	(238,296)	(239,556)
Other grants and contributions	(14,959)	(17,763)
Pension expected return on assets	(16,915)	(18,608)
Total income	**(481,364)**	**(503,394)**
(Surplus) or Deficit on the Provision of Services	**24,604**	**17,866**

3a. Accounting Concepts

The Statement of Accounts summarises the Council's transactions for the 2018/19 financial year and its position at the year end 31 March 2019. The Council is required to prepare an Annual Statement of Accounts by the Accounts and Audit Regulations 2015 which require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (The Code) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under Section 21(2) of the Local Government Act 2003.

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

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

Underlying Assumptions

Going Concern

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

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

The accounts have been prepared on the assumption that the Council will continue and there are no material concerns over its financial position which would impact on this conclusion.

Primacy of Legislation Requirements

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

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

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

3b. Accounting Policies

(a) Accruals of Income and Expenditure

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

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

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

Non Domestic Rates (NDR)

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

Council Tax

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

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

Accounting for Business Improvement District

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

(c) Acquisitions and Discontinued Operations

There are no acquisitions or discontinued operations to report.

(d) Cash and Cash Equivalents

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

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

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

(e) Exceptional Items

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

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

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

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

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

(g) Charges to Revenue for Non-Current Assets

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

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

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

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

(h) Employee Benefits

Benefits Payable During Employment

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

Termination Benefits

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

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

Post Employment Benefits

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

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

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

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

The Local Government Pension Scheme

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

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

Liabilities are discounted to their value at current prices, using a discount rate of 2.7% (based on the indicative rate of return on a basket of high quality corporate bonds, Government gilts and other factors).

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

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

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

Service cost comprising:

- current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
- past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years - debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- net interest on the net defined benefit liability i.e. net interest expense for the Council - the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement - this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period - taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.

Remeasurement comprising:

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

Contributions paid to the Greater Manchester Pension Fund:

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

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

Discretionary Benefits

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

(i) Events After the reporting Period

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

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

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

(j) Financial Instruments

Financial Liabilities (Debt and Interest Charges)

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

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

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

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

Financial Assets

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

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

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

Financial Assets Measured at Amortised Cost

Financial assets, including simple deposits, treasury bills and gilts, money market funds, measured at amortised cost are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

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

Expected Credit Loss Model

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

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

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

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

- Group 1 – the Council has made two loans to Manchester Airport Group. An initial loan of £8.7m was made in 2009/10 is due to expire in 2055 and a further advance of £11.3m was made in 2018/19 specifically for the development of Terminal 2 due for repayment in 2058. Loss allowances for this loan will be assessed on an individual basis using common industry-related risk characteristics and the financial health of the company.

- Group 2 – Loans made under Investment Strategy – The scope of the Council's investment strategy covers direct investment in properties (see policy covering investment property) as well as loans made to third party developers. To date the Council has made one developer loan advance in respect of the redevelopment of the Kellogs site to K Site Ltd (a wholly owned subsidiary of Bruntwood Development Holding Ltd) to assist in partly financing their share of the redevelopment of the K Site. Loss allowances for this type of loan will be assessed on an individual basis using common industry-related risk characteristics and the financial health of the company.

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

- Group 4 -Homestep Loans – these are loans provided to first time buyers to assist key workers to purchase a home. The amount advanced has been included as a long term debtor and is repayable when the property is sold. Credit losses will not be calculated on a collective basis using information available on any mortgage defaults.

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

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

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

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis.

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

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

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

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

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

Fair Value through Other Comprehensive Income (FVOCI)

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

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

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

- Manchester Airport Holding Limited

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

(k) Foreign Currency Translation

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

(l) Government Grants and Contributions

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

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

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

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

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

(m) Heritage Assets

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

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

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

Trafford Town Hall Collection

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

Historic Buildings

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

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

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

Heritage Assets not reported on the balance sheet

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

(n) Intangible Assets

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

(o) Interests in Companies and Other Entities

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

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

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

Trafford Bruntwood LLP, is a Joint Venture Company with K Site Ltd (a wholly owned Subsidiary of Bruntwood Development Holdings Ltd) with each investor owning a 50% share in the Joint Venture.

In the Council's single-entity accounts the interests in Trafford Leisure CIC and Bruntwood LLP, included in its group accounts, are recorded as long term investments at cost.

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

As a Joint Venture, Trafford Bruntwood LLP, has been consolidated on an equity basis with the group accounts. The investment is shown under a separate line in the group balance sheet and adjusted by the Council's share (50%) in the joint venture's net asset movement since acquisition. The Council's share of the joint venture's operating results for the year is included within the group income and expenditure account.

(p) Inventories and Long-Term Contracts

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

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

(q) Investment Property

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

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

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

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the

Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

(r) Joint Ventures

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

(s) Leases

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

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

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

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

The Council as Lessee

Operating Leases

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

The Council as Lessor

Operating Leases

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

(t) Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service. The main basis of apportionment is by estimation of time spent on the various services. The cost of administrative buildings has been recharged on the basis of floor area occupied. The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received.

(u) Property, Plant and Equipment (PPE)

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

Recognition

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

Measurement

Assets are initially measured at cost comprising:

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

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

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

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

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

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

Depreciation

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

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

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

- vehicles, plant and equipment between 3 and 8 years;
- all other property, including infrastructure and community assets between 10 and 60 years;
- intangible assets 20 years.

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

Revaluation and Impairment Losses

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

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

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

Disposals and Non-current Assets Held for Sale

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

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

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

Capital Receipts

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

(v) Schools

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

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

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

(w) Private Finance Initiative (PFI) and Similar Contracts

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

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

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

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

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

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

(x) Provisions, Contingent Liabilities and Contingent Assets

Provisions

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

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 £0.275m and property insurance £0.250m. A provision is maintained to cover costs for which it is responsible for liability claims and a reserve is maintained for property related costs. Further details can be found in note 10 and 25.

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

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

(aa) VAT

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

(ab) Fair Value Measurement

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

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

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

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

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

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

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

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

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

Level 3 – unobservable inputs for the asset or liability.

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

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

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

Accounting changes that are introduced by the 2019/20 code are:-

- Amendments to IAS 40 Investment Property: Transfers of Investment Property
- Annual Improvements to IFRS Standards 2014-2016 Cycle
- IFRIC 22 Foreign Currency Transactions and Advance Consideration
- IFRIC 23 Uncertainty over Income Tax Treatments
- Amendments to IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation.

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

5. Critical Judgements in Applying Accounting Policies

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

- There continues to be a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of future changes in levels of service provision.
- Leases - lease agreements have been reviewed and a determination made on whether these are finance or operating leases. This judgement has been based upon the degree to which the lease transfers the risks and rewards of ownership to the Council in accordance with IAS 17. It has been determined that all current lease arrangements are operating leases, with the exception of the PFI for Sale Waterside.
- Upfront pension payment - The Council is liable to make contributions towards the cost of post-employment benefits. For the 3 year period 2017/18 – 2019/20 the Council has agreed with the Greater Manchester Pension Fund (GMPF) that the employer contributions payable to the Local Government Pension Scheme (LGPS) can be paid as a single up-front payment. Subsequently, in April 2017 the Council paid £36.3m representing an estimate of three years of pension payments to make a budget saving. In line with the Council's accounting policies the amount relating to 2018/19 has been accounted for in year, the amounts relating to 2019/20 has been offset against the pension liability in the balance sheet. The pension reserve will be aligned with the pension liability in 2019/20 as the up-front payment arrangements are accounted for.
- Group accounts - arrangements with partners and third party bodies have been reviewed to assess the extent to which the Council is able to influence decisions or exert control over their operations. The CIPFA Code of Practice requires that where a Council has material financial interests and a significant level of control over one or more entities, it should prepare Group Accounts. From October 2015 the services provided by Trafford Community Leisure Trust were transferred into a Community Interest Company (CIC), Trafford Leisure CIC Ltd, wholly owned by the Council. Due to the material size of the CIC turnover, the Council has produced Group Accounts for 2018/19. Please see pages 176 to 194 for the core group statements and relevant disclosure notes. A similar CIC, called Trust Youth Trafford was also established on 11th March 2016 for the provision of Youth Services, however is not materially significant to include in group accounts. On 20th March 2018 the Council entered into a joint venture, Trafford Bruntwood, a limited liability partnership. From 2018/19 the entity forms part of the Council's group accounts and will be treated as a Joint Venture and consolidated on an equity basis.
- Transfer of Schools to Academy Schools - When a school that is held on the Council's balance sheet transfers to Academy status the Council accounts for this as a disposal for nil consideration, on the date that the school converts to Academy status, rather than as an impairment on the date approval was granted. Where the Council has entered into construction contracts for replacement schools on behalf of an Academy, the Council charges the cost of construction against Revenue Financed from Capital Under Statute (REFCUS) in the year in which costs are incurred.
- Component assets - where an asset value exceeds £1m a review is undertaken to determine whether any major components comprising plant, equipment and services exist and these components are depreciated separately.
- Accounting for Schools – Balance Sheet Recognition of Schools - The Council recognises schools in line with the provisions of 'the Code'. It states that property used by local authority maintained schools should be recognised in accordance with the asset recognition tests relevant to the arrangements that prevail for the property. The Council recognises the

schools land and buildings on its Balance Sheet where it directly owns the assets, the school or school Governing Body own the assets or rights to use the assets have been transferred from another entity.

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

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

Type	**Number**
Community schools	37
Voluntary Controlled (VC) schools	1
Voluntary Aided (VA) schools	23
Foundation schools	3
Sub-Total Maintained Schools	**64**
Academies	25
Total Number of Schools	**89**

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

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

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

- Accounting for Schools Consolidation – Recognition of Income and Expenditure, Current Assets, Current Liabilities and Reserves – all maintained schools (Community schools, Voluntary Controlled, Voluntary Aided and Foundation schools) are all funded by the DSG and fall under the umbrella of Trafford's Scheme for Financing Schools in the same way. The financial relationship between the Council and these schools is the same across all types. Transactions for all of these schools are recorded in the Income and Expenditure Account in line with the Council's Accounting Policies applied to other service areas. Year end balances for current assets, liabilities and revenue reserves are also recorded on the Council's Balance Sheet.
- Investment properties have been assessed using the identifiable criteria under the international accounting standards and are being held for rental income or for capital appreciation. Properties have been assessed using these criteria, which is subject to interpretation to determine if there is an operational reason for holding the property such as regeneration.
- Airport Investment - The Council has a 3.22% shareholding in Manchester Airport Holdings Limited and up to 31 March 2018 the shareholding was held as an 'Available for Sale

Financial Asset' and measured at fair value each year. Any change in fair value was posted to Other Comprehensive Income and Expenditure and accumulated gains and losses have been held in an Available-for-Sale Financial Instruments Reserve. With the adoption of accounting standard IFRS 9 Financial Instruments, the 'Available for Sale Financial Asset' category is no longer available. The new standard sets out that investments in equity should be classified as fair value through profit and loss unless there is an irrevocable election to designate the asset as fair value through other comprehensive income. The investment in Manchester Airport Holdings Limited is an equity instrument and as such, gains and losses on changes in fair value would be recognised through profit and loss. Classifying the shareholding as fair value through profit and loss would mean that changes in valuation are immediately recognised within the Council's Cost of Services. This would mean that the Council's revenue budget is susceptible to increased risk from volatility in the share valuations. Any major fluctuations in the valuation of the shareholding would have a significant impact on the General Fund balance. The shareholding is a strategic investment and not held for trading and therefore the Council has the option to designate it as fair value through other comprehensive income. This would mean that there is no impact on the revenue budget. However once made this decision is irrevocable. After consultation with officers, external treasury advisors, other Greater Manchester Authorities and the Accounts and Audit Committee and, having considered the impact that future share valuations could have on the Council's revenue budget, the Council has determined that the more prudent approach is to designate the shareholding as a strategic investment with changes in fair value treated as Other Comprehensive Income. This means that any gains or losses on the valuation of the shareholding will be transferred to a Financial Instruments Revaluation Reserve.

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, 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 53.

There are no items in the Council's Balance Sheet at 31 March 2019 for which there is considered a significant risk of material adjustment in the forthcoming financial year. The following items are considered in further detail as potential risk:-

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Business Rates	Following the introduction of the Business Rate Retention Scheme in April 2013, the Council is now responsible for a share of the cost of successful appeals by businesses against their rateable value. A provision has therefore been included for the cost of appeals as at 31 March 2019 of £39.172m (of which the Council's share is £38.78m) based on VOA office data on appeals.	If the cost of appeals settled exceeds the provision then this will be charged against future business rate income and the cost of which will be financed, in part, 99% by the Council.
Provisions	**Insurance Claims:** Annually the Council reassesses the amount to be set aside to cover the cost of outstanding liability claims. As at 31 March 2019 the provision	In the event that the cost of insurance claims exceeds this amount then the excess will be met from the insurance reserve.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
	stands at £3.030m.	
Pensions liability	The pensions liability is based on assumptions relating to discount rates used, future changes in salaries, changes in retirement ages, mortality rates and expected returns on pension fund assets. These assumptions are reviewed regularly. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	Changes in liability are actuarially measured every three years, and increases in contributions spread over the following three years. The pension contribution is a key financial assumption in the medium term financial plan.
Pension Guarantees	The Council is guarantor for a number of admitted bodies in the Greater Manchester Pension Fund. An assessment has been undertaken of the surplus/deficit position for those bodies together with their risk of default. This has identified a minimal level of exposure as at 31/3/19.	The position is assessed annually and if material would lead to a liability being recognised on the balance sheet.
Long Term Assets – Manchester Airport Group	The Council's shareholding in Manchester Airport Group is 3.22% as at 31 March 2019. The asset is valued using the earnings based method resulting in the asset being valued at fair value rather than historic cost, therefore requiring an annual valuation. A firm of financial experts and valuers have been engaged by the Council to provide an independent valuation which includes reviewing the financial performance, stability and business assumptions of the Manchester Airport Group.	The valuation provided is based on estimations and assumptions and therefore should the Council sell its shareholding the value held in these statements may not be realised. As at 31 March 2019 the Council's valuers advised of an increase of £0.8m in the fair value Council share from £51.9m to £52.7m which has been reflected in the financial statements.
Property, Plant & Equipment – Funding implications	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance bringing into doubt the useful lives assigned to assets. If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase in these circumstances.	If funding streams were reduced, in so far that it results in the reduction of service delivery or closure of facilities, this could result in the impairment of assets due to obsolescence. However, the Council has determined that the level of uncertainty at this time is not sufficient to indicate this course of action.
PFI Arrangements	PFI and similar arrangements have been considered to have an implied finance lease within the agreement. In reassessing the leases the Council has estimated the	The Council has one PFI scheme and the impact is not material.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
	implied interest rate within the leases to calculate interest and principal payments. In addition, the future RPI increase within the contracts has been estimated as remaining constant throughout the remaining period of the contract.	
Arrears	At 31 March 2019, the Council had a balance on trade debtors of £6.2m. 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 £0.3m

7. Material Items of Income and Expense (Comprehensive Income & Expenditure Statement page 19)

This note identifies material items of income and expenditure that are not disclosed on the face of the Comprehensive Income and Expenditure Statement. The Comprehensive Income and Expenditure Statement includes a net loss of £8.993m on the sale of assets. Included in this figure is a loss of £5.619m relating to the disposal of a school that transferred to academy status during the year.

There are some significant items in the Comprehensive Income and Expenditure Statement related to revenue expenditure funded from capital under statute (REFCUS); these items are detailed within Note 43 Capital Expenditure and Capital Financing.

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

8. Events After the reporting Period

There were no events that have a material impact on the 2018/19 financial statements.

9. Adjustments between Accounting Basis and Funding Basis under Regulations

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

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

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

		Usable Reserves 2018/19 (continued)							2018/19
2018/19	General Fund Balance £000	Earmarked General Fund Reserves £000	Total General Fund Balance £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Revenue Grants Unapplied £000	Capital Grants Unapplied £000	Movements in Unusable Reserves £000
Adjustments primarily involving the Capital Grants Unapplied Account:								
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement.	14,712	0	14,712	0	0	0	(14,712)	**0**
Application of grants to capital financing transferred to the Capital Adjustment Account.	0	0	0	0	0	216	13,612	**13,828**
Adjustments primarily involving the Capital Receipts Reserve:								
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement.	0	0	0	0	0	0	0	**0**
Use of the Capital Receipts Reserve to finance new capital expenditure.	0	0	0	6,120	0	0	0	**6,120**
Use of the Capital Receipts Reserve to repay Debt.	(237)	0	(237)	237	0	0	0	**0**
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals.	0	0	0	0	0	0	0	**0**
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	0	0	0	0	0	0	0	**0**
Transfer from Deferred Capital Receipts Reserve upon receipt of cash.	0	0	0	0	0	0	0	**0**
Adjustments primarily involving the Deferred Capital Receipts Reserve:								
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement.	0	0	0	0	0	0	0	**0**

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

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

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

		Usable Reserves 2018/19 (continued)						2018/19
2018/19	**General Fund Balance £000**	**Earmarked General Fund Reserves £000**	**Total General Fund Balance £000**	**Capital Receipts Reserve £000**	**Major Repairs Reserve £000**	**Revenue Grants Unapplied £000**	**Capital Grants Unapplied £000**	**Movements in Unusable Reserves £000**
ADJUSTMENTS PRIMARILY INVOLVING THE EQUAL PAY ADJUSTMENT ACCOUNT:								
Amount by which amounts charged for Equal Pay claims to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements.	0	0	0	0	0	0	0	**0**
ADJUSTMENTS PRIMARILY INVOLVING THE ACCUMULATED ABSENCES ACCOUNT:								
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements.	(152)	0	(152)	0	0	0	0	**(152)**
Total Adjustments	**(20,221)**	**0**	**(20,221)**	**5,901**	**0**	**216**	**(1,100)**	**(15,204)**

9. Adjustments between Accounting Basis and Funding Basis under Regulations

		Usable Reserves 2017/18						2017/18
2017/18	**General Fund Balance £000**	**Earmarked General Fund Reserves £000**	**Total General Fund Balance £000**	**Capital Receipts Reserve £000**	**Major Repairs Reserve £000**	**Revenue Grants Unapplied £000**	**Capital Grants Unapplied £000**	**Movements in Unusable Reserves £000**
ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL ADJUSTMENT ACCOUNT:								
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:								
Charges for depreciation, impairment and downward revaluations of non-current assets.	(14,210)	-	(14,210)	-	-	-	-	**(14,210)**
Revaluation losses on Property, Plant & Equipment.	(3,998)	-	(3,998)	-	-	-	-	**(3,998)**
Movements in the fair value of Investment Properties.	(3,510)	-	(3,510)	-	-	-	-	**(3,510)**
Amortisation of intangible assets.	(641)	-	(641)	-	-	-	-	**(641)**
Capital grants and contributions applied.	-	-	-	-	-	-	-	**-**
Movement in the Donated Assets Account.	-	-	-	-	-	-	-	**-**
Revenue expenditure funded from capital under statute.	(1,120)	-	(1,120)	-	-	-	-	**(1,120)**
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement.	(9,156)	-	(9,156)	(4,269)	-	-	-	**(13,425)**
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:								
Statutory provision for the financing of capital investment.	1,986	-	1,986	-	-	-	-	**1,986**
Voluntary provision above MRP	-	-	-	-	-	-	-	**-**
Capital expenditure charged against the General Fund balance.	4,003	-	4,003	-	-	-	-	**4,003**

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

		Usable Reserves 2017/18 (continued)						2017/18
2017/18	**General Fund Balance £000**	**Earmarked General Fund Reserves £000**	**Total General Fund Balance £000**	**Capital Receipts Reserve £000**	**Major Repairs Reserve £000**	**Revenue Grants Unapplied £000**	**Capital Grants Unapplied £000**	**Movements in Unusable Reserves £000**
Adjustments primarily involving the Capital Grants Unapplied Account:								
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement.	11,253	-	11,253	-	-	-	(11,253)	**-**
Application of grants to capital financing transferred to the Capital Adjustment Account.	-	-	-	-	-	(120)	12,361	**12,241**
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.	-	-	-	-	-	-	-	**-**
Use of the Capital Receipts Reserve to finance new capital expenditure.	-	-	-	6,189	-	-	-	**6,189**
Use of the Capital Receipts Reserve to repay Debt.	-	-	-	-	-	-	-	**-**
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals.	-	-	-	-	-	-	-	**-**
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	-	-	-	-	-	-	-	**-**
Transfer from Deferred Capital Receipts Reserve upon receipt of cash.	-	-	-	-	-	-	-	**-**
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.	-	-	-	-	-	-	-	**-**

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

		Usable Reserves 2017/18 (continued)						2017/18
2017/18	**General Fund Balance £000**	**Earmarked General Fund Reserves £000**	**Total General Fund Balance £000**	**Capital Receipts Reserve £000**	**Major Repairs Reserve £000**	**Revenue Grants Unapplied £000**	**Capital Grants Unapplied £000**	**Movements in Unusable Reserves £000**
ADJUSTMENT PRIMARILY INVOLVING THE MAJOR REPAIRS RESERVE:								
Reversal of Notional Major Repairs Allowance credited to the HRA.	-	-	-	-	-	-	-	**-**
Use of the Major Repairs Reserve to finance new capital expenditure.	-	-	-	-	-	-	-	**-**
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.	269	-	269	-	-	-	-	**269**
ADJUSTMENTS PRIMARILY INVOLVING THE PENSION RESERVE:								
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see note 50).	(34,028)	-	(34,028)	-	-	-	-	**(34,028)**
Employer's pension contributions and direct payments to pensioners payable in the year.	15,200	-	15,200	-	-	-	-	**15,200**
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	(314)	-	(314)	-	-	-	-	**(314)**
NDR	(3,538)	-	(3,538)	-	-	-	-	**(3,538)**

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

		Usable Reserves 2017/18 (continued)							2017/18
2017/18	**General Fund Balance £000**	**Earmarked General Fund Reserves £000**	**Total General Fund Balance £000**	**Capital Receipts Reserve £000**	**Major Repairs Reserve £000**	**Revenue Grants Unapplied £000**	**Capital Grants Unapplied £000**		**Movements in Unusable Reserves £000**
ADJUSTMENTS PRIMARILY INVOLVING THE EQUAL PAY ADJUSTMENT ACCOUNT:									
Amount by which amounts charged for Equal Pay claims to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements.	-	-	-	-	-	-	-		**-**
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.	365	-	365	-	-	-	-		**365**
Total Adjustments	**(37,439)**	**-**	**(37,439)**	**1,920**	**-**	**(120)**	**1,108**		**34,531**

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10. Transfers to/from Earmarked Reserves (Balance Sheet page 21)

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 2018/19.

	Balance as at 1 April 2017 £000	Movements Out 2017/18 £000	Movements In 2017/18 £000	Balance at 31 March 2018 £000	Movements Out 2018/19 £000	Movements In 2018/19 £000	Balance at 31 March 2019 £000
General Fund	**(6,000)**	-	-	**(6,000)**		(1,000)	**(7,000)**
Earmarked Reserves:							
Balances held by schools under a scheme of delegation	**(7,450)**	7,633	(7,514)	**(7,331)**	7,383	(8,306)	**(8,254)**
Other Earmarked Reserves:							
Synthetic Pitch Replacement Reserve							
This will be used towards replacing one synthetic pitch within the Borough.	**(33)**	-	(15)	**(48)**	-	(15)	**(63)**
Training Reserve							
To undertake corporate training across the Council.	**(5)**	5	-	**-**	-	-	**-**
Insurance Reserve							
Funds earmarked for future claims and to carry out various risk management initiatives.	**(2,139)**	481	(1,024)	**(2,682)**	1,000	(188)	**(1,870)**
Delegated Service Budgets							
Revenue budget under/overspends to be carried forward as part of the Council's Medium Term Financial Plans.	**(4,113)**	2,767	(2,534)	**(3,880)**	2,128	(1,095)	**(2,847)**
ICT Development							
Investment in new ICT to improve efficiency Council-wide.	**(692)**	692	(180)	**(180)**	-	(118)	**(298)**
Dedicated Schools Grant (DSG)							
Government grant specifically for the funding of schools and schools' related services.	**(724)**	724	(929)	**(929)**	-	(1,376)	**(2,305)**

10. Transfers to/from Earmarked Reserves (continued)

	Balance as at 1 April 2017 £000	Movements Out 2017/18 £000	Movements In 2017/18 £000	Balance at 31 March 2018 £000	Movements Out 2018/19 £000	Movements In 2018/19 £000	Balance at 31 March 2019 £000
Elections Reserve							
To smooth the elections budget across the 4 year Municipal cycle.	**(166)**	70	(228)	**(324)**	100	(23)	**(247)**
Transformation Reserve							
Money set aside to pump prime the achievement of the next stage of efficiencies through the Transformation Programme.	**(146)**	556	(607)	**(197)**	237	(40)	**0**
Interest Rate Reserve							
To smooth the effect on the Council's budget of volatile movements in interest rates.	**(342)**	138	(107)	**(311)**	-	(980)	**(1,290)**
Waste Levy Reserve							
To smooth the effects on the Council's budget of movements in the waste levy over the medium term.	**(2,139)**	1,146	(477)	**(1,470)**	395	-	**(1,075)**
Long Term Accommodation Decant Reserve							
To cover the cost of accommodation changes arising from the Long Term Accommodation Project.	**(470)**	-	-	**(470)**	10	-	**(460)**
Employment Rationalisation Reserve							
To cover the cost of rationalising the employment of staff by the Council.	**(1,896)**	284	-	**(1,612)**	168	-	**(1,444)**

10. Transfers to/from Earmarked Reserves (continued)

	Balance as at 1 April 2017 £000	Movements Out 2017/18 £000	Movements In 2017/18 £000	Balance at 31 March 2018 £000	Movements Out 2018/19 £000	Movements In 2018/19 £000	Balance at 31 March 2019 £000
Capital Reserve							
Investment in disabled facility schemes.	**(10)**	1,730	(2,000)	**(280)**	280	-	**0**
LAA Performance Reward Grant Reserve							
Revenue element of grant to be allocated to schemes via the Trafford Partnership.	**(167)**	55	-	**(112)**	22	(25)	**(115)**
Prepaid Revenue Grants Reserve							
To hold revenue grants included in the Comprehensive Income and Expenditure Statement which are paid in advance and which no conditions exist.	**(87)**	-	(67)	**(154)**	154	-	**0**
Winter Maintenance Reserve							
To provide emergency funds to cover the costs of highway & footway maintenance during periods of adverse weather conditions.	**(120)**	-	-	**(120)**	-	-	**(120)**
NDR Deficit Reserve							
Reserve established towards meeting Trafford's share of the NDR Deficit.	**(6,640)**	1,384	-	**(5,256)**	5,256	(1,040)	**(1,040)**
NDR Levy Reserve							
Reserve established to manage the timing differences between accounting for and payment of NDR Levy on business rates growth (Levy is payable immediately, however growth is only released based on prior year estimate) and also holds the national levy rebate.	**376**	-	(376)	**-**	-	(550)	**(550)**

10. Transfers to/from Earmarked Reserves (continued)

	Balance as at 1 April 2017 £000	Movements Out 2017/18 £000	Movements In 2017/18 £000	Balance at 31 March 2018 £000	Movements Out 2018/19 £000	Movements In 2018/19 £000	Balance at 31 March 2019 £000
Economic Development Reserve							
Reserve set aside to earmarked grant specifically for economic development related projects (previously held within Service Earmarked Reserve).	**(975)**	46	(113)	**(1,042)**	299	(101)	**(844)**
Troubled Families Reserve							
Reserve set aside to strengthen the team and provide an opportunity for Partner agencies to develop integrated services.	**(164)**	164	-	**-**	-	-	**-**
Manchester Airport Dividend Smoothing Reserve							
Dividends received above budget to be used to support future years' Revenue Budgets.	**(1,245)**	-	-	**(1,245)**	-	(2,038)	**(3,283)**
Budget Support Reserve							
To smooth out potential volatility in Revenue Budget funding and the significant level of savings required over the medium term.	**(5,642)**	3,058	(2,747)	**(5,331)**	1,630	(1,783)	**(5,484)**
Airport Investment Reserve							
To be used on measures that provide sustainable benefits to the budget in future years. Fully utilised in 2018/19 as part of the MAG investment.	**(2,481)**	-	(2,481)	**(4,962)**	8,951	(3,989)	**0**
Business Rates Reserve							
The business rate risk reserve was established to be used to offset any fluctuation in the significant level of business rate income that will be supporting the budget in 2018/19 and later years.	**-**	-	(6,689)	**(6,689)**	413	(2,500)	**(8,776)**

	Balance as at 1 April 2017 £000	Movements Out 2017/18 £000	Movements In 2017/18 £000	Balance at 31 March 2018 £000	Movements Out 2018/19 £000	Movements In 2018/19 £000	Balance at 31 March 2019 £000
Transformation Fund Reserves							
Monies allocated from Greater Manchester Health and Social Care Partnership for the transforming of health and social care services, in addition to monies set aside by the Council to match fund expenditure in the Transformation Fund.	-	-	(2,885)	**(2,885)**	231	(2,443)	**(5,097)**
Other Reserves							
Other amounts earmarked for specific purposes.	**(2,155)**	213	(3,007)	**(4,949)**	2,167	(5,570)	**(8,352)**
Total Earmarked Reserves (incl. Schools)	**(39,625)**	**21,146**	**(33,980)**	**(52,459)**	**30,824**	**(32,180)**	**(53,814)**
Total Reserves	**(45,625)**	**21,146**	**(33,980)**	**(58,459)**	**30,824**	**(33,180)**	**(60,814)**

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11. Other Operating Expenditure (Comprehensive Income & Expenditure Statement page 19)

2017/18 £000		2018/19 £000
84	Parish council precepts (i)	66
32,613	Levies (ii)	32,535
5,197	Amount written off on disposal of non-current assets	3,767
(2,269)	Sale proceeds from disposal of non-current assets	(456)
2,000	Amount written out on repayment of ST Debt (Local Authority Mortgage Scheme Loan and LCCC)	5,000
(2,000)	Proceeds from the repayment of Short Term Loan (Local Authorty Mortgage Scheme and LCCC)	(5,000)
35,625	**Total**	**35,912**

(i) Partington Town Council at its meeting on 13 November 2017 elected to keep the level of Band D Council Tax at £42.50, the same as in 2017/18. With a 2018/19 Parish Tax Base of 1,550 (1,517 in 2017/18) the precept was £65,875 (£64,473 in 2017/18). The Council also agreed to provide grant of £10,000 to support the 2018/19 precept, the same as in 2017/18, in addition to the Parish Council grant of £26,569 (£26,048 in 2017/18), both of which are contained within the Cost of Services.

In 2017/18 two other Parish Councils agreed to set a precept for the first time as follows. Dunham Massey at its meeting on 10 January 2017 set a Band D Council Tax at £50.00, which with a Tax Base of 228 generated a precept of £11,400. Warburton at its meeting on 17 January 2017 also set a Band D Council Tax at £50.00 and with a Tax Base of 162 raised a precept of £8,100. No precepts were set in 2018/19.

No other Parish Councils set a precept for 2018/19.

(ii) Included are levies as follows:

2017/18 Expenditure £000		2018/19 Expenditure £000
139	Flood Defence	142
23,682	Waste Disposal Authority	8,737
8,792	GM Combined Authority	23,656
32,613	**Total**	**32,535**

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

In 2018/19 the funding switch was reversed with a one-off adjustment to reinstate the GMCA transport reserves, resulting in a net movement from the Waste Disposal levy to the Transport levy for Trafford of £14.8m.

12. Financing and Investment Income and Expenditure (Comprehensive Income & Expenditure Statement page 19)

2017/18 £000		2018/19 £000
6,404	Interest payable and similar charges	5,696
(16,915)	Interest income on plan assets (pensions)	(18,608)
23,249	Interest cost on defined benefit obligation (pensions)	24,475
(1,931)	Interest receivable and similar income (i)	(2,767)
1,715	Income and expenditure in relation to investment properties and changes in their fair value (ii)	(1,468)
	Gains and losses arising from the revaluation of financial assets measured at fair value through profit and loss	(77)
31	Residual (Surplus)/deficit on trading undertakings (iii)	43
	Other charges (iv)	11,671
(4,815)	Other investment income (v)	(8,024)
6,228	(Profit)/Loss on Disposal of Academy non-current assets (vi)	5,619
13,966	**Total**	**16,560**

(i) During 2018/19 the average amount invested in the money market was £86.7m, at an average interest rate of 1.06%. Investment interest generated for the year was £2.767m, including £1.632m of interest receivable from Manchester International Airport following the renegotiation of loan debt held by each of the Greater Manchester Authorities in February 2010 and additional loan debt issued in 2018. For 2017/18 the average amount invested was £77.6m at an average rate of 0.82%, producing £1.931m of investment interest, including £1.043m from the Airport.

(ii) Includes increase/(decrease) in the fair value of investment properties £1.369m (£3.510m in 2017/18). Net expenditure/(income) on investment properties is £(2.837)m, (£(1.795)m in 2017/18), also included in note 16.

(iii) Details on the financial activity of trading operations are included in note 32.

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

(v) During 2018/19 a share dividend of £5.635m was received from Manchester International Airport (£4.813m in 2017/18). In addition to this £2.39m was received with regard to the Investment Strategy.

(vi) During 2018/19 a net loss on the disposal of assets was realised of £5.619m (£6.228m loss in 2017/18). This arises where the value of proceeds received, which is zero in the case of school academy transfers, is less than the value of those assets held on the balance sheet.

13. Taxation and Non-Specific Grant Income (Comprehensive Income & Expenditure Statement page 19)

2017/18 £000		2018/19 £000
(89,700)	Council Tax income	(95,039)
(70,970)	Non domestic rates*	(77,652)
(5,172)	Non ring-fenced government grants*	(2,943)
(11,253)	Capital grants and contributions*	(14,712)
(177,095)	**Total**	**(190,346)**

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

14. Property, Plant and Equipment (Balance Sheet page 21) Movements on Balances 2018/19:

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

14. Property, Plant and Equipment (continued):

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

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

Movement in PFI Asset Value	£000
Opening Value 1 April 2018	**11,923**
Additions	1,423
Less Depreciation	(225)
Less Impairment	
Closing Value 31 March 2019	**13,121**

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

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

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

Asset Category	Useful Life
Vehicles, plant and equipment	Between 3 and 8 years
Intangibles	Between 5 and 20 years
Infrastructure and Community assets	Between 10 and 40 years
Buildings	Between 15 and 60 years

There are no changes to depreciation methods used between 2017/18 and 2018/19.

Comparative Movements in 2017/18:

	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 2017	**301,636**	**21,161**	**217,594**	**22,489**	**9,767**	**2,799**	**575,446**
Additions	9,375	933	9,743	504	28	6,425	**27,008**
Disposals (incl. adj. for academy school transfers)	(12,316)						**(12,316)**
Reclassification to Assets Held for Sale					1,115		**1,115**
Other Reclassifications	(1,600)		34	9	1,400	(464)	**(621)**
Accumulated depreciation and impairment written out on revaluation adjustment	(7,206)						**(7,206)**
Revaluation increases/(decreases) recognised in the revaluation reserve	14,417				970		**15,387**
Revaluation increases/(decreases) recognised in the surplus/deficit on the provision of services							
As at 31 March 2018	**304,306**	**22,094**	**227,371**	**23,001**	**13,280**	**8,760**	**598,813**

Comparative Movements in 2017/18 (Continued):

	Other land & buildings £000	Vehicles, plant & equipment assets £000	Infrastructure assets £000	Community assets £000	Surplus assets £000	Assets under construction £000	Total £000
DEPRECIATION AND IMPAIRMENTS:							
As at 1 April 2017	**(45,247)**	**(18,909)**	**(59,473)**	**(5,042)**	**(1,427)**		**(130,098)**
Depreciation charged to CIES (ii)	(8,979)	(528)	(4,223)	(474)			**(14,204)**
Revaluation downwards charged to CIES	(3,995)				(4)		**(3,999)**
Impairment written off to Revaluation Reserve							
Revaluation Reserve							
Disposals	2,935						**2,935**
Reclassifications							
Accumulated depreciation and impairment written out on revaluation adj.	7,206						**7,206**
Revaluations							
As at 31 March 2018	**(48,080)**	**(19,437)**	**(63,696)**	**(5,516)**	**(1,431)**	**-**	**(138,160)**
NET BOOK VALUE:							
Balance Sheet amount as at 31 March 2018	**256,226**	**2,657**	**163,675**	**17,486**	**11,849**	**8,760**	**460,653**
Nature of Asset Holding							
Owned	244,303	**2,657**	**163,675**	**17,486**	**11,849**	**8,760**	**448,730**
Finance Lease							
PFI (i)	11,923						**11,923**
Total	**256,226**	**2,657**	**163,675**	**17,486**	**11,849**	**8,760**	**460,653**

Valuation of Non-Current Assets held at current value

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

	Other land & buildings £000	Vehicles, plant & equipment £000	Surplus assets £000	Total £000
Held at historic cost		**2,813**		**2,813**
Current Year (1 April 2018)	215,378	0	11,690	**227,068**
Previous year (1 April 2017)	29,270			**29,270**
Two years ago (1 April 2016)	16,805			**16,805**
Three years ago (1 April 2015)	3,959			**3,959**
Four years ago (1 April 2014)	8,428			**8,428**
Total	**273,840**	**2,813**	**11,690**	**288,343**

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

Significant commitments under capital contracts as at 31 March 2019

As at 31 March 2019 the Council was contractually committed to capital expenditure relating to Property Plant and Equipment which amounted to approximately £22.88m. Major contracts included the following schemes:

	£000
Asset Investment Fund	6,300
Metrolink extension into Trafford Park	8,000
Gorse Hill Primary School, Stretford	1,249
Brooklands Primary School, Sale	1,167
Urmston Leisure Centre	6,165
Total at 31 March 2019	**22,881**

15. Heritage Assets (Balance Sheet page 21)

The Council is required to recognise and measure Heritage Assets at current valuation. Heritage assets are assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical value.

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

Movement in Heritage Asset Value	2017/18 £000	2018/19 £000
Opening Value 1 April	1,008	1,002
Additions		
Reclassifications		
Disposals		
Less Depreciation	(6)	(6)
Less Impairment		
Closing Value 31 March	**1,002**	**996**

16. Investment Properties (Balance Sheet page 21)

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

	2017/18 £000	2018/19 £000
Balance at start of year	**34,399**	**72,200**
Additions:		
Purchases	40,950	39,533
Construction		
Subsequent expenditure		
Disposals		
Net gains/(losses) from fair value adjustments	(3,510)	(1,369)
Transfers:		
to/from Inventories		
to/from Property, Plant & Equipment	361	
Other changes		
Balance at end of year	**72,200**	**110,364**

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

The Council's 4.64% interest in land held at Manchester airport has been valued at £9.51m and has also been assessed as Level 1 in the fair value hierarchy.

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

	2017/18 £000	2018/19 £000
Rental income from investment property	(3,210)	(4,833)
Direct operating expenses arising from investment	1,415	1,996
Net (gain)/loss	**(1,795)**	**(2,837)**

17. Intangible Assets (Balance Sheet page 21)

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

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

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

None of the software are internally generated.

The carrying amounts of intangible assets is amortised on a straight-line basis. The amortisation of £0.532m charged to revenue in 2018/19 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:

	2017/18			2018/19		
	Internally Generated Assets £000	**Other Assets £000**	**Total £000**	**Internally Generated Assets £000**	**Other Assets £000**	**Total £000**
Balance at start of year:						
Gross carrying amounts		5,312	5,312		5,989	5,989
Accumulated amortisation		(2,255)	(2,255)		(2,896)	(2,896)
Net carrying amount at start of year		**3,057**	**3,057**		**3,093**	**3,093**
Additions:						
Internal development						
Purchases		416	416		273	273
Transfer from Assets under Construction		261	261		1,859	1,859
Acquired through business combinations						
Assets reclassified as held for sale						
Other disposals						
Revaluations increases or decreases						
Impairment losses recognised or reversed directly in the Revaluation Reserve						
Impairment losses recognised in the Surplus/Deficit on the Provision of Services						
Amortisation for the period		(641)	(641)		(532)	(532)
Other changes						
Net carrying amount at end of year		**3,093**	**3,093**		**4,693**	**4,693**
Comprising:						
Gross carrying amounts		5,989	5,989		8,121	8,121
Accumulated amortisation		(2,896)	(2,896)		(3,428)	(3,428)
Balance at the end of the year		**3,093**	**3,093**		**4,693**	**4,693**

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

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

18. Financial Instruments

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

Financial Assets

	Long Term				Short Term				
	Investments		Debtors		Investments		Debtors		Total
	31 March 2018 £000	31 March 2019 £000	31 March 2018 £000	31 March 2019 £000	31 March 2018 £000	31 March 2019 £000	31 March 2018 £000	31 March 2019 £000	31 March 2019 £000
Fair value through profit and loss									
Church Commissioner Local Authority Fund - Principal	4,965	5,042	0	0	0	0	0	0	5,042
Sub-total – Fair value through profit and loss	**4,965**	**5,042**	**0**	**0**	**0**	**0**	**0**	**0**	**5,042**
Amortised Cost									
Other Investments									
Principal (i)	2,500	0	0	0	35,098	50,570	0	0	50,570
Accrued Interest (i)	0	0	0	0	85	145	0	0	145
Cash and cash equivalent:									
Cash at Bank	0	0	0	0	10,825	10,655	0	0	10,655
Principal	0	0	0	0	30,280	22,280	0	0	22,280
Accrued interest	0	0	0	0	5	14	0	0	14
Other Financial Instruments									
MAG Loans (included within Long term debtors)	0	0	8,693	19,971	0	0	0	0	19,971
Homestep Loans (included within Long term debtors)	0	0	996	827	0	0	0	0	827
Capital Loans (included within Long term debtors)	0	0	3,944	9,103	0	0	5,302	0	9,103
Trade Debtors (included within Short term debtors)	0	0	0	0	0	0	8,541	6,237	6,237
Church Commissioner Local Authority Fund – Accrued Interest (i)	0	0	0	0	60	62	0	0	62
Sub-total – amortised cost	**2,500**	**0**	**13,633**	**29,901**	**76,353**	**83,726**	**15,827**	**8,234**	**121,861**

	Long Term				Short Term				
	Investments		Debtors		Investments		Debtors		Total
	31 March 2018 £000	31 March 2019 £000	31 March 2018 £000	31 March 2019 £000	31 March 2018 £000	31 March 2019 £000	31 March 2018 £000	31 March 2019 £000	31 March 2019 £000
Fair value through other comprehensive income –designated equity instruments									
Manchester Airport Group (MAG) Shareholding (See note on "Interest in Companies" on page 47	51,900	52,700	0	0	0	0	0	0	52,700
Sub-total – Fair value through other comprehensive income	**51,900**	**52,700**	**0**	**0**	**0**	**0**	**0**	**0**	**52,700**
Total financial Instruments (included in Financial Assets)	**59,365**	**57,742**	**13,633**	**29,901**	**76,353**	**83,726**	**13,843**	**6,237**	**172,564**
Other Financial Assets:									
Investments included in Group Accounts (ii)									
Equity - Trafford Bruntwood LLP	0	9,041	0	0	0	0	0	0	9,041
Other (ii)									
Section 106 debtors (included within Short term debtors)	0	0	0	0	0	0	1,984	1,997	1,997
Total Financial Assets	**59,365**	**66,783**	**13,633**	**29,901**	**76,353**	**83,726**	**15,827**	**8,234**	**188,644**

(i) The sum Short Term Investment Principal (£50,570k), Accrued Interest (£145k) and Church Commissioner Local Authority Fund – Accrued Interest (£62k) equals Short Term Investments as per the balance sheet (£50,777k).

(ii) The Equity Investment in Trafford Bruntwood LLP is not classified as a financial instrument under IFRS9 on the basis that the investment is included in the authority' group accounts. In addition Section 106 debtors are not classified as financial instruments. However, both have been included in this note for information purposes only to allow a reconciliation back to the balance sheet line for Financial Assets.

Financial Liabilities

	Long Term				Short Term				
	Borrowings		Creditors		Borrowings		Creditors		Total
	31 March 2018 £000	31 March 2019 £000	31 March 2018 £000	31 March 2019 £000	31 March 2018 £000	31 March 2019 £000	31 March 2018 £000	31 March 2019 £000	31 March 2019 £000
Amortised Cost									
Principal	(160,254)	(215,874)	0	0	(4,178)*	(4,792)	0	0	(220,666)
Accrued Interest	0	0	0	0	(1,316)	(1,493)	0	0	(1,493)
Market loans EIR adjustments	(2,351)	(816)	0	0	0	0	0	0	(816)
Trade Creditors (included within short term creditors)	0	0	0	0	0	0	(3,268)	(4,485)	(4,485)
Sub-total amortised cost - (per balance sheet)	**(162,605)**	**(216,690)**	**0**	**0**	**(5,494)**	**(6,285)**	**(3,268)**	**(4,485)**	**(227,460)**
PFI and finance lease liabilities	(5,319)	(5,066)	0	0	(237)	(252)	0	0	(5,318)
Sub-total – Other (included in long term liabilities and short term creditors)	**(5,319)**	**(5,066)**	**0**	**0**	**(237)**	**(252)**	**0**	**0**	**(5,318)**
Total financial liabilities	**(167,924)**	**(221,756)**	**0**	**0**	**(5,731)**	**(6,537)**	**(3,268)**	**(4,485)**	**(232,778)**
Non-financial liabilities	0	0	0	0	0	0	0	0	0
Total	**(167,924)**	**(221,756)**	**0**	**0**	**(5,731)**	**(6,537)**	**(3,268)**	**(4,485)**	**(232,778)**

*Includes a £158k Public Works Loan Board loan maturing on 30th March 2018 but due to this date being a bank holiday funds were not paid until 3rd April 2018.

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

During 2018/19, the Council advanced £73k of soft loans in accordance with its Town Centre Regeneration scheme at an interest rate of 0% repayable over a maximum period of 3 years. In addition to this the Council had £3.64m of loans as at 31 March 2019 which are repayable over four years commencing in 2017/18 from Salix Finance at a rate of interest of 0% in respect to its Street Lighting Replacement Programme. These types of loans, which have been undertaken at rates of interest below market levels, are deemed to be soft loans and an accounting adjustment in the Comprehensive Income and Expenditure Statement for the present value of the interest should be carried out. Calculations have been undertaken to determine this position and for the loans outstanding of £3.64m, this would reduce the balance sheet value marginally by £60k to £3.58m. Due to the low value of this transaction and in accordance with the CIPFA Code of Practice regarding materiality, no adjustment to the Council's accounts has been undertaken to reflect either the Salix or Town Centre Regeneration financial instruments.

Reclassification and re-measurement of financial instruments at 1 April 2018

This note shows the effect of reclassification of financial assets following the adoption of IFRS 9 Financial Instruments by the Code of Practice on Local Authority Accounting and the re-measurements of carrying amounts then required.

	Previous classifications	**New Classifications at 1 April 2018**		
	Carrying amount brought forward at 1 April £000	**Amortised cost £000**	**Fair value through other comprehensive income £000**	**Fair value through profit and loss £000**
Loans and receivables				
Other Investments				
Principal	37,598	37,598	0	0
Accrued Interest	85	85	0	0
Sub Total – Loans and Receivables	**37,683**	**37,683**	**0**	**0**
Cash and cash equivalent:				
Cash at Bank	10,825	10,825	0	0
Principal	30,280	30,280	0	0
Accrued interest	5	5	0	0
Sub Total –Cash and Cash Equivalents	**41,110**	**41,110**	**0**	**0**
Other Financial Instruments				
MAG Loans (included within Long term debtors)	8,693	8,693	0	0
Homestep Loans	996	996	0	0

(included within Long term debtors)				
Capital Loans(included within Long term debtors	9,246	9,246	0	0
Trade Debtors (included within Short term debtors)	8,541	8,541	0	0
Sub Total – other Financial Instruments	**27,476**	**27,476**	**0**	**0**
Other Investments				
Manchester Airport Group (MAG) Shareholding (See note on "Interest in Companies" on page 47	51,900	0	51,900	0
Church Commissioner Local Authority Fund:				
Principal	4,965	0	0	4,965
Accrued Interest	60	60	0	0
Sub Total – Other Investments	**56,925**	**60**	**51,900**	**4,965**
Reclassified amounts at 1 April 2018	**163,194**	**106,329**	**51,900**	**4,965**
Remeasurements at 1 April 2018	0	0	0	0
Remeasured carrying amounts at 1 April 2018	**0**	**0**	**0**	**0**
Impact on General Fund Balance				0
Impact on Financial Instruments Revaluation Reserve				0

Effect of Asset Remeasurement on the Balance Sheet

There has been no remeasurement of the Council's assets during 2018/19

Application of Reclassification requirements at 1 April 2018

The following judgements were made in reclassifying financial instruments at 1 April 2018:

- The CCLA property fund with a carrying amount of £5.04m was reclassified from available for sale to fair value through profit and loss amortised cost due to the potential for the value of the investment to fluctuate.
- MAG shares with a carrying amount of £52.70m were reclassified from available for sale to fair value through other comprehensive income as the objective is to hold a financial asset in order to collect contractual cash flows in the form of share dividends.

Description	Nominal £000	Fair Value through Profit and Loss £000	Fair Value through Comprehensive Income £000	Change in fair value during 2018/19 £000	Dividends £000
Manchester Airport Group Shares	51,900	0	52,700	800	5,635
Church Commissioners Local Authority Property Fund	4,965	5,042	0	77	246

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

	2018/19		2017/18	
	Surplus or Deficit on the Provision of Services £000	**Other Comprehensive Income and Expenditure £000**	**Surplus or Deficit on the Provision of Services £000**	**Other Comprehensive Income and Expenditure £000**
Net gains/losses on:				
Financial assets measured at fair value through profit or loss - CCLA share revaluation - CCLA Interest	 (77) (246)	 0 0	 0 (255)	 (225) 0
Investments in equity instruments designated at fair value through other comprehensive income - MAG Share revaluation - MAG Share dividend	 0 (5,635)	 (800) 0	 0 (4,813)	 (8,200) 0
Total net (gains)/losses	**(5,958)**	**(800)**	**(5,068)**	**(8,425)**
Interest revenue:				
Financial assets measured at amortised cost - Investment interest	 (670)	 0	 (372)	 0
Total interest revenue	**(670)**	**0**	**(372)**	**0**
Interest expense				
Financial assets measured at amortised cost - Loan interest payable	 5,697	 0	 6,404	 0
Total interest expense	**5,697**	**0**	**6,404**	**0**

Fair values

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

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

Level 2 Inputs – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3 Inputs – unobservable inputs for the asset or liability.

Fair Value of Financial Assets

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

Financial assets measured at fair value				
Recurring fair value measurements	**Input level in fair value hierarchy**	**Valuation technique used to measure fair value**	**As at 31/3/19 £000**	**As at 31/3/18 £000**
Church Commissioners Local Authority Property Fund	Level 1	Unadjusted quoted prices in active markets for identical shares	5,042	4,965
Manchester Airport Group	Level 2	Earning Based	52,700	51,900
Total			**57,742**	**56,865**

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

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

Comparator year

31 March 2018	Quoted prices in active markets for identical assets (Level 1) £000	Other significant observable inputs (Level 2) £000	Significant observable inputs (Level 3) £000	Total £000
Financial liabilities				
Financial liabilities held at amortised cost:				
- PWLB	0	138,966	0	138,966
- Non-PWLB	0	120,625	0	120,625
- Trade creditors	0	3,268	0	3,268
PFI and finance lease liability	0	7,414	0	7,414
Total	**0**	**270,273**	**0**	**270,273**
Financial assets				
Financial assets held at amortised Cost				
- Investments	0	68,028	0	68,028
- Cash at Bank	0	10,825	0	10,825
MAG loans	0	8,693	0	8,693
Homestep loans	0	996	0	996
Capital Loans	0	9,246	0	9,246
Trade debtors	0	8,541	0	8,541
Total	**0**	**106,329**	**0**	**106,329**

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

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

Equity shareholding

Church Commissioners Local Authority Property fund;- on 29 September 2015 the Council placed £5m into this fund for an expected minimum period of 5 years and after entry costs enabled 1,643,872 of units to be purchased worth £4.73m. Updated market unit prices are produced on a monthly basis and as at 31 March 2019 the value of the Council's shareholding was £5.04m.

Manchester Airport Group;- the shares in this company are not traded in an active market and the fair value of the shares of £52.7m has been calculated by an independent external expert. The method involves the application of a price earnings ratio to maintainable or prospective earnings or post tax profits and draws on data from comparable quoted companies. The data is then adjusted by discount factors to allow for the fact that the shares are not publically traded and that the Council holds a minority interest with no voting rights. These unobservable inputs have been developed using the best information about the assumptions that the market participants would use when pricing the asset.

The valuation has been made using annual audited accounts of Manchester Airport Group for 2016,2017 and 2018 along with interim 6 month reports for the period ending 30 September 2018. These shares are subject to an annual valuation and in 2018/19 increased in value by £0.8m.

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.

Trafford Bruntwood LLP ;- Trafford Council has a 50% equity shareholding in Trafford Bruntwood LLP with the remaining 50% being held by Bruntwood (K Site Ltd). The entity holds assets in the form of the former Kellogs headquarters site at Talbot Road, which was purchased in April 2018 for £11.9m. The site is in the process of being redeveloped in line with the Civic Quarter Masterplan and will host the University of Lancaster and Eduction 92 Limited (UA92). The shares in this company are not traded in an active market and for the financial year 2018/19 the fair value of the shares at £9.041m has been calculated base on the initial price of the land and building plus an uplift based on the expenditure incurred on the building refurbishment up to 31st March 2019. Once the building is complete, which is expected to be in September 2019, a formal professional valuation exercise will be undertaken.

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

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

Fair value of Assets and Liabilities carried at Amortised Cost

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

- For loans from the PWLB and other loans payable, premature repayment rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures as these are considered the most appropriate basis. As the Debt Management Office provides a transparent approach allowing the exit cost to be calculated without undertaking a repayment or transfer it is appropriate to disclose the exit price.
- For investments the prevailing benchmark market rates have been used to provide the fair value;
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the principal outstanding or the billed amount;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount;
- Valuation for Financial Instruments - As at 31st March 2019 the Council held £83.7m financial assets and £221.5m financial liabilities for which Level 2 valuations will apply. All the financial assets are classed as Loans and Receivables and held with Term Deposits, Money Market Funds and Notice Accounts. The financial liabilities are held with PWLB and Market lenders. All of these investments and borrowings were not quoted on an active market and a Level 1 valuation is not available. To provide a fair value which provides a comparison to the carrying amount, the financial model valuation provided by Link Asset Services has been used. This valuation applies the Net Present Value approach, which provides an estimate of the value of payments in the future in today's terms as at the balance sheet date. This is a widely accepted valuation technique commonly used by the private sector. The Council's accounting policy uses early repayment rates to discount the future cash flows.

The fair values calculated are as follows:

Liabilities							
	31 March 2018		31 March 2019				
	Carrying Amount £000	Fair Value £000	Principal £000	Add EIR adjustment £000	Add accrued Interest £000	Carrying Amount £000	Fair Value £000
Financial Liabilities (Long and Short Term) – Measured at amortised cost							
PWLB	104,294*	138,966*	181,013	0	1,254	182,267	248,078
Market	63,805	120,625	39,640	830	239	40,709	66,044
Trade creditors (included within short term creditors)	3,268	3,268	4,485	0	0	4,485	4,485
Sub total	**171,367**	**262,859**	**225,138**	**830**	**1,493**	**227,461**	**318,607**
PFI & finance lease	5,556	7,414	5,319	0	0	5,319	7,061
Sub total	**5,556**	**7,414**	**5,319**	**0**	**0**	**5,319**	**7,061**
Total	**176,923**	**270,273**	**230,457**	**830**	**1,493**	**232,780**	**325,668**

- *Includes a £158k Public Works Loan Board loan maturing on 30th March 2018 but due to this date being a bank holiday funds were not paid until 3rd April 2018.

Assets						
	31 March 2018		31 March 2019			
	Carrying Amount £000	Fair Value £000	Principal £000	Add accrued Interest £000	Carrying Amount £000	Fair Value £000
Loans & Receivables						
Cash & Cash equivalents						
- Cash at bank	10,825	10,825	10,655	0	10,655	10,655
- Deposits	30,285	30,285	22,280	14	22,294	22,294
Sub total	**41,110**	**41,110**	**32,935**	**14**	**32,949**	**32,949**
Financial Instruments						
Deposits over 1 year	2,500	2,500	0	0	0	0
Deposits under 1 year	35,243	35,245	50,570	145	50,715	50,715
CCLA Property Fund	4,965	4,965	5,042	62	5,104	5,104
MAG Loans (included within Long term debtors)	8,693	8,693	19,971	0	19,971	19,971
Homestep Loans (included within Long term debtors)	996	996	827	0	827	827
Capital Loans(included within Long term debtors	9,246	9,246	9,103	0	9,103	9,103
Trade Debtors (included within Short term debtors)	8,541	8,541	6,237	0	6,237	6,237
Sub total	**70,184**	**70,186**	**91,750**	**207**	**91,957**	**91,957**
Other Financial Instruments						
MAG Shareholding	51,900	51,900	52,700	0	52,700	52,700
Sub total	**51,900**	**51,900**	**52,700**	**0**	**52,700**	**52,700**
Total	**163,194**	**163,196**	**177,385**	**221**	**177,606**	**177,606**

The fair value is greater than the carrying amount because the Council's portfolio of liabilities and assets includes a number of fixed rate instruments where the interest rate payable and receivable are higher than the rates available for similar transactions in the market at the balance sheet date. This shows a notional future loss (based on economic conditions at 31 March 2019) arising from a commitment to pay interest to lenders above current market rates.

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

However, the authority has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets. A supplementary measure of the additional interest that the authority will pay as a result of its liabilities commitments for fixed rate loans is to compare the terms of these loans with the new borrowing rates available from the PWLB. If a value is calculated on this basis, the principal amount for PWLB loans of £181.0m and Market loans of £39.6m would be valued at £201.3m and £57.0m respectively. But, if the authority were to seek to avoid the projected loss by repaying the loans, a charge for early redemption in respect of the interest that will not now be paid will be incurred. The exit price including principal, accrued interest and the penalty charge for PWLB loans would be £248.1 and for Market loans £66.0m.

The Council's shareholding in the Churches Commission Local Authority Property fund of £5.04m are tradeable in an active market and the fair value of £5.04m has been based on the funds valuation as at 31 March 2019.

The Council's shareholding in Manchester Airport Group are not traded in an active market and fair value of £52.7m has been made on an analysis of the assets and liabilities in the Company's latest audited accounts by an independent accountancy firm BDO.

19. Inventories (Balance Sheet page 21)

The Council held the following inventories at 31 March 2018 and 2019. All are related to consumable stores.

Consumable Stores		
	31.3.18 £000	**31.3.19 £000**
Balance outstanding at start of year	**92**	**83**
Purchases	2,682	2,676
Recognised as an expense in the year	(2,691)	(2,685)
Written off balances	-	-
Balance outstanding at year-end	**83**	**74**

20. Work in Progress (Construction Contracts)

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

21. Debtors (Balance Sheet page 21)

Long Term Debtors & Prepayments

31.3.18 £000		31.3.19 £000
18	Council Houses (Mortgages)	0
723	Probation Service (i)	657
8,693	Manchester Airport Plc. (ii)	19,970
527	Sale PFI – lifecycle replacement (iii)	596
996	Homestep Loans (iv)	827
3,944	Capital Loans (v)	9,103
10	Town Centre Loans (vi)	0
14,911	**Total**	**31,153**

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

(ii) The Council together with the other nine Greater Manchester authorities is a shareholder in Manchester Airport plc. During 2009/10, in exchange for a greater level of coupon rate receivable, all ten councils agreed to restructure the long term loans that had previously been made to the Airport to finance capital expenditure. As a result of this, these loans which were previously classed as secure loans have become unsecured loans. The revised loan agreement is due to expire in 2055. In 2018/19 a further advance of £11.3m was made by each of the Greater Manchester authorities to the Airport.

(iii) Private Finance Initiative (PFI) – The Council has a PFI scheme for the provision of new office and community facilities in Sale Town Centre. Amounts payable under the arrangement to the PFI operator in respect of lifecycle costs are included as prepayments. These amounts will be written down to the asset when lifecycle works are undertaken.

(iv) Homestep Loans – these are loans provided to first time buyers to assist key workers to purchase a home. The amount advanced has been included as a long term debtor and is repayable when the property is sold.

(v) Capital loans – this includes the developer loan to Bruntwood Development Holdings LTD of £9.04m to assist in partly financing the redevelopment of the K site. The balance of capital loans in 2017/18 included the loan to Lancashire Cricket club which was not due to be repaid until 2027 however has now been settled in full.

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

Short Term Debtors and Payments in Advance		
31st March 2018 £000	**Amounts falling due within one year**	**31st March 2019 £000**
6,860	Council Tax	6,950
11,987	Business Rates	9,668
11,104	Other Government Departments	8,305
3,519	Payments in advance	2,751
1,000	Local Authority Mortgage Scheme	0
4,285	Capital loans (i)	0
24,265	Other (ii)	28,380
63,020	**Sub Total**	**56,054**
(24,580)	Less Provision for Bad and Doubtful Debts	(23,739)
38,440	**Total**	**32,315**

(i) Capital Loans – the 2017/18 balance includes deposit for purchase of K Site £1.2m and Developer Loan for £3.1m related to No. 1 Old Trafford and both of these amounts were repaid in 2018/19.

(ii) Other Debtors – Includes Debtors relating to Housing Benefit Overpayment £5.3m, Adults Social Care Debtors £2.9m, General System Debtors £4.4m and Manual Accruals £11.3m, Capital Debtors and Section 106 of £3.3m. The following significant balances are included within Manual Accruals, Trafford’s share of Business Rates Growth Pilot of £3.3m, £2.9m relating to the Working Well Programme and £2.3m Transformation Fund monies.

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

Short Term Debtors and Payments in Advance by Party		
31st March 2018 £000		**31st March 2019 £000**
8,149	Central Government Bodies	2,844
3,405	Other Local Authorities	6,784
2,955	National Health Service Bodies	5,461
23,931	Bodies External to General Government	17,226
38,440	**Total**	**32,315**

22. Cash and Cash Equivalents (Balance Sheet page 21)

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

31st March 2018 £000		31st March 2019 £000
10,825	Cash held by the Council/Bank current accounts	10,656
30,285	Short-term deposits	22,294
41,110	**Total Cash and Cash Equivalents**	**32,950**

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

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

	Current assets	
	2017/18 £000	2018/19 £000
Balance at start of year	**8,521**	**5,713**
Assets newly classified as held for sale:		
Property, Plant and Equipment	351	2,018
Intangible Assets		
Other assets/liabilities in disposal group		
Revaluation losses		
Revaluation gains		866
Impairment losses		
Assets held as declassified for sale:		
Property, Plant and Equipment		
Intangible Assets		
Other assets/liabilities in disposal group		
Assets sold	(2,044)	(1,063)
Transfers from Assets Held for Sale to Surplus Assets (i)	(1,115)	
(Other movements)		
Balance at year-end	**5,713**	**7,534**

Strict criteria restricts what assets can be classed as held for sale and the Council's surplus property included within Property, Plant and Equipment (note 14) has been reviewed by the Council's valuers and reclassified where necessary to this category.

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

24. Creditors and Receipts in Advance (Balance Sheet page 21)

Long Term Creditors

This includes £(0.036)m (£(0.036)m in 2017/18) for the maintenance of graves at cemeteries.

Long-Term Liabilities – Deferred		
31 March 2018 £000		**31 March 2019 £000**
(5,319)	Sale PFI – Finance Lease liability (i)	(5,067)
(1,746)	Sale PFI liability (ii)	(1,795)
(522)	Environmental Surcharge Crematoria (iii)	(607)
(433)	Greater Manchester Debt Administration Fund – MIA (iv)	(296)
(9)	Council house mortgages (v)	-
(86)	Trafford Park Development Corporation (vi)	(79)
(1,313)	Commuted sums/S106 agreements (vii)	(1,313)
(9,427)	**Total**	**(9,157)**

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

(ii) Sale PFI liability – amount set aside to cover the final bullet payments due at the end of the PFI contract (note 45).

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

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

(v) £0.009m is due from the sale of council houses and other dwellings where buyers have entered into a mortgage agreement with the Council. Therefore the repayments will be received in instalments over a number of years. This balance has now been repaid.

(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 £0.079m as at 31 March 2019.

(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.

31st March 2018 £000	Short Term Creditors	31st March 2019 £000
(3,089)	HM Revenue and Customs	(3,070)
(10,831)	Other Government Departments	(5,650)
(25,644)	Sundry Creditors	(26,111)
(3,635)	Employees – accumulated absences	(3,787)
(3,881)	Receipts in Advance – Council Tax	(4,039)
(6,671)	Receipts in Advance – NDR	(10,107)
(1,297)	Other Receipts in Advance	(2,061)
(55,048)	**Total**	**(54,825)**

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

31st March 2018 £000	Short Term Creditors by Party	31st March 2019 £000
(5,021)	Central Government Bodies	(3,863)
(11,149)	Other Local Authorities	(7,049)
(17)	National Health Service Bodies	(256)
-	Public Corporations and Trading Funds	-
(38,861)	Bodies External to General Government	(43,657)
(55,048)	**Total**	**(54,825)**

25. Provisions (Balance Sheet page 21)

The Council has the following total provisions at 31 March 2019:

Total Provision	Balance 1 April 2017 £000	Net Movement in Year £000	Balance 1 April 2018 £000	Net Movement in Year £000	Balance 31 March 2019 £000
Insurance (i)	(3,439)	481	(2,958)	(72)	(3,030)
Equal Pay (ii)	(244)	19	(225)	3	(222)
VAT on DFG Admin fees (iii)	(14)	(106)	(120)	(54)	(174)
Employment Rationalisation (iv)	(110)	101	(9)	6	(3)
MMI Clawback (v)	(92)	-	(92)		(92)
NDR Appeals (vi)	(19,590)	(19,369)	(38,959)	179	(38,780)
Land charges litigation costs (vii)	(34)	-	(34)		(34)
Ordinary Residence Cases (viii)	(1,060)	1,060	-	(206)	(206)
Schools with deficit cash balances (ix)	-	(196)	(196)	154	(42)
Planning Inquiry (x)				(123)	(123)
Total	**(24,583)**	**(18,010)**	**(42,593)**	**(113)**	**(42,706)**

(i) Insurance £3.030m – 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 2018/19 was primarily Zurich Municipal. The Council is therefore obliged to make a provision each year in respect of potential claims, most of which are received in future years. The level of provision is assessed annually. In 2018/19, from a starting balance of £2.958m net contributions of £0.706m were made to the provision, £0.634m of claims were paid, leaving a balance on the provision of £3.030m which is deemed an appropriate balance to cover any outstanding liabilities. This balance includes the outstanding claims estimate under Municipal Mutual Insurance Scheme of Arrangement, as shown in note 51(a).

(ii) Liabilities arising from claims under Equal Pay legislation from employees who may have been disadvantaged under the Council's previous pay scheme operating up to 31 December 2008 have been estimated at £0.222m. The movements in year of £0.003m are in respect of 11 settled claims. The Council is actively engaged in trying to settle the final claims in the next period.

(iii) VAT on DFG Admin fees of £0.174m. These monies are held pending the outcome of a Tax Tribunal case.

(iv) Employment Rationalisation – the Council has severance agreements with a number of staff which may or may not be taken up pending the rationalisation of employment within the Council. The estimated cost of these agreements is £0.003m (£0.009m in 2017/18).

(v) MMI Clawback - In January 1994 the Council's former insurer, Municipal Mutual Insurance, made a scheme of agreement with its creditors. Under this scheme, claims are initially paid out in full, but if the eventual winding up of the company results in insufficient assets to meet all liabilities a clawback clause will be triggered which could affect claims already paid. The scheme of arrangement was triggered during 2012/13 and there are no financial obligations currently outstanding.

(vi) In 2013/14, the administration of NDR changed following the introduction of a business rates retention scheme which aims to give Councils a greater incentive to grow businesses but also increases the financial risk due to volatility, caused by for example new appeals and changes in reliefs, and non-collection of rates. Authorities are expected to finance an element of appeals made in respect of rateable values as defined by VOA as at 31 March 2019. As such, authorities are required to make a provision for these amounts. Appeals are charged and provided for in proportion of the precepting shares. The total provision charged/(credited) to the collection fund for 2018/19 has been calculated at £(0.181)m, of which Trafford's share at 99% is £(0.179)m

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

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

(ix) Schools with deficit cash balances - are monies set aside to cover estimated deficits on schools in special measures transferring to academy status in 2018/2019.

(x) Planning Inquiry – in respect of aappeal to the Planning Inspectorate

Movement in provisions at 31 March 2019 is summarised as follows:

	Outstanding Legal Cases £000	Injury and Damage Compensation Claims £000	Business Rates Appeals £000	Other Provisions £000	Total £000
Balance at 1 April 2018	**(345)**	**(3,084)**	**(38,959)**	**(205)**	**(42,593)**
Additional provisions made	(125)	(206)	(2)	(8)	(341)
Amounts used	(49)	(72)	181	168	228
Balance as at 31 March 2019	**(519)**	**(3,362)**	**(38,780)**	**(45)**	**(42,706)**

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 2018 £000	Provisions	Balance 31 March 2019 £000
(724)	Insurance	(712)
(225)	Equal Pay	(222)
(9)	Employee Rationalisation	(3)
(92)	MMI Clawback	(92)
(29,219)	NDR Appeals	(29,085)
(34)	Land charges litigation costs	(34)
-	Ordinary Residence Cases	(206)
(196)	Schools with deficit cash balances	(42)
(30,499)	**Total Short Term**	**(30,396)**
(2,234)	Insurance	(2,318)
(9,740)	NDR Appeals	(9,695)
(120)	VAT on DFG Admin fees	(174)
	Planning Inquiry	(123)
(12,094)	**Total Long Term**	**(12,310)**
(42,593)	**Total**	**(42,706)**

26. Usable Reserves (Balance Sheet page 21)

Movement in the Council's usable reserves are detailed in the Movement in Reserves Statement and in note 9. The following additional information is provided relating to reserves held by schools.

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

In accordance with the Council's approved scheme for delegating budgets to schools, the amount of any budget not spent in the year is carried forward. These reserves are not available to the Council for general use, it is for each school to determine how they are spent. The net surplus revenue balances at 31 March 2019 were £(8.217)m (£(7.383)m at 31 March 2018).

At 31 March 2019 there were 4 schools with a deficit balance on their revenue reserves, amounting to £0.492m, whilst 60 schools had surplus balances amounting to £(8.709)m.

In addition, there are unspent devolved formula capital balances of £(0.953)m, which are included within Capital Grants and Contributions on the balance sheet (note 41).

(ii) Capital Receipts Reserve

The balance is held in the Capital Receipts Reserve to meet new capital expenditure, debts or other liabilities.

2018 £000	Capital Receipts Reserve	2019 £000
(8,523)	**Balance carried forward at 1 April**	**(6,603)**
(4,269)	Capital receipts in the year from sale of assets(net of disposal costs)	(5,220)
(12,792)	**Sub-total**	**(11,823)**
6,189	Amount used to finance capital expenditure in year	6,120
-	Amount used to repay debt	5,000
(6,603)	**Balance carried forward at 31 March**	**(703)**

27. Unusable Reserves (Balance Sheet page 21)

Total unusable reserves balances and movements are shown in the Movement in Reserves Statement and in note 9. The following notes give an explanation by individual reserve.

31 March 2018 £000	Unusable Reserves	31 March 2019 £000
(55,427)	Revaluation Reserve (i)	(67,878)
(41,651)	Available for Sale Financial Instruments Reserve (ii)	-
-	Financial Instruments Revaluation Reserve (ii)	(42,528)
(313,473)	Capital Adjustment Account (iii)	(329,357)
4,864	Financial Instruments Adjustment Account (iv)	16,164
229,512	Pensions Reserve (v)	287,765
7,604	Collection Fund Adjustment Account (vi)	(1,941)
3,635	Accumulated Absences Account (vii)	3,787
(164,936)	**Total Unusable Reserves**	**(133,988)**

(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

2017/18 £000	Revaluation Reserve	2018/19 £000
(45,267)	**Balance as at 1 April**	**(55,427)**
	Adjustment for prior years accumulated impairment *	6,940
	Sub-Total	**(48,487)**
(20,514)	Upward revaluation of assets	(25,220)
5,127	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	712
(60,654)		**(72,995)**
-	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	-
2,287	Difference between fair value depreciation and historical cost depreciation	3,224
2,940	Accumulated gains on assets sold or scrapped	1,893
5,227	**Amount written off to the Capital Adjustment Account**	**5,117**
(55,427)	**Balance as at 31 March**	**(67,878)**

* This relates to revaluation gains which had not been offset against previous impairments between 2014 and 2017

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

(ii) Available for sale/Financial Instruments Revaluation Reserve

The financial instruments revaluation reserve now includes the balances previously held under the Available for Sale Financial Instruments Reserve and 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 2018/19 the Council revalued its shareholding in Manchester Airport which resulted in an increase in value from £51.9m to £52.7m and the original investment of £10.214m forms part of the Capital Adjustment Account balance.

The Council during 2015/16 invested £5m in the Church Commissioners Local Authority Property fund and this enabled 1,643,872 units to be purchased. The value of these units decreased from an opening position of £4.97m at 1 April 2018 to close at £5.04m at 31 March 2019 and it is expected that this investment will be in place for a minimum period of 5 years.

2017/18 £000	Available for Sale Financial Instruments Reserve	2018/19 £000
(33,225)	**Balance as at 1 April**	**(41,651)**
-	Transferred to Financial Instruments Revaluation Reserve	41,651
(8,200)	Downward / (Upward) revaluation of investment - Airport	-
(225)	Downward / (Upward) revaluation of investment - CCLA	-
(41,651)	**Balance as at 31 March**	**0**

2017/18 £000	Financial Instruments Revaluation Reserve	2018/19 £000
-	**Balance as at 1 April**	**-**
-	Transferred from Financial Instruments Revaluation Reserve	(41,651)
-	Downward / (Upward) revaluation of investment - Airport	(800)
-	Downward / (Upward) revaluation of investment - CCLA	(77)
-	**Balance as at 31 March**	**(42,528)**

(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.

2017/18 £000	Capital Adjustment Account	2018/19 £000
(320,730)	**Balance as at 1 April**	**(313,474)**
	Adjustment for prior years accumulated impairment	**(6,940)**
(320,730)	**Sub-Total**	**(320,414)**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
14,210	- Charges for depreciation and impairment of non-current assets	15,255
3,998	- Revaluation losses on Property, Plant and Equipment	2,038
641	- Amortisation of intangible assets	532
1,119	- Revenue expenditure funded from capital under statute	939
11,426	- Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	9,387
2,000	- Amounts of Long Term Debt repaid as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement (re Local Authority Mortgage Scheme)	
33,394		**28,151**
(5,227)	Adjusting amounts written out of the Revaluation Reserve	(5,117)
28,167	**Net written out amount of the cost of non-current assets consumed in the year**	**23,034**
	Capital financing applied in the year:	
(6,189)	- Use of the Capital Receipts Reserve to finance new capital expenditure	(6,120)
(12,241)	- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(13,828)
(1,986)	- Statutory provision for the financing of capital investment charged against the General Fund Balance	(3,212)
(4,003)	- Capital expenditure charged against the General Fund Balance	(10,186)
(24,419)		**(33,346)**
3,510	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	1,369
(313,473)	**Balance as at 31 March**	**(329,357)**

(iv) Financial Instruments Adjustment Account

2017/18 £000	Financial Instruments Adjustment Account	2018/19 £000
5,134	**Balance as at 1 April**	**4,864**
-	Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	11,672
-	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with Statutory requirements	-
(270)	Less annual charge for premiums incurred in previous financial years and stepped loan EIR adjustment	(372)
-	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	-
4,864	**Balance at 31 March**	**16,164**

The above table details the transactions generated in accordance with the Code and includes outstanding premium incurred from debt restructuring exercises undertaken previously and premium incurred in 2018/19 totalling £11.7m. The replacement loans do not meet the following criteria;

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

In addition to this, the equalisation of interest on the two stepped interest rate market loans calculated over their full life was transferred into this account with the annual recharge to the Comprehensive Income & Expenditure Statement changing from that actually incurred to one calculated on an Effective Interest Rate basis. The balance on the account at 31 March 2019 will be charged to the General Fund in accordance with statutory arrangements over the next 24 years.

(v) Pensions Reserve/Liability

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

Any difference between the IAS19 values and the statutory pension fund contributions is accounted for in the Movement in Reserves Statement via a transfer to the Pensions Reserve. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2017/18 £000	Pensions Reserve	2018/19 £000
(231,355)	**Balance as at 1 April**	**(229,512)**
20,672	Re-measurements of the net defined benefit (liability)/asset	(41,051)
(34,028)	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	(33,162)
15,200	Employer's pension contributions and direct payments to pensioners payable in the year	15,960
(229,512)	**Balance as at 31 March ***	**(287,765)**

* The balance on Pension Reserve is £287.765m, the balance on the Pension Liability is £275.655 and includes £12.11m relating to the Advance Pension Contribution.

In previous years the Pension Reserve and Pension Liability have reflected the equal and opposite movements in the year and the year end balances have therefore been equal and opposite. However as a result of the accounting treatment of the Advanced Pension payment this has meant that the pension reserve does not equal the pension liability. This is a natural consequence of three year's payment being made and accounted for as a reduction of the Pension Liability but only one year being charged to the general fund. The difference in the Pension Liability and Pension Reserve is represented by a figure of £12.11m relating to the balance of the three year advanced pension contribution yet to be utilised.

(vi) Collection Fund Adjustment Account

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

2017/18 £000	Collection Fund Adjustment Account	2018/19 £000
3,752	**Balance as at 1 April**	**7,604**
314	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	24
3,538	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	(9,569)
7,604	**Balance as at 31 March**	**(1,941)**

(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.

2017/18 £000	Accumulated Absences Account	2018/19 £000
4,000	**Balance as at 1 April**	**3,635**
(4,000)	Settlement or cancellation of accrual made at the end of the preceding year	(3,635)
3,635	Amounts accrued at the end of the current year	3,787
(365)	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	152
3,635	**Balance as at 31 March**	**3,787**

28. Cash Flow Statement – Operating Activities (page 25)

The cash flow from Operating Activities includes the following:

28a - Adjustments to net surplus or deficit on the provision of services for non-cash movements		
2017/18 £000		**2018/19 £000**
(18,208)	Depreciation/Impairment charged to I and E	(17,293)
(641)	Amortisation of Intangible Assets	(532)
(5,260)	(Increase)/Decrease in Creditors	(85)
14,461	Increase/(Decrease) in Debtors	(6,056)
(9)	Increase/(Decrease) in Inventories	(9)
(18,828)	Pensions Liability	(17,202)
24,192	Advance Pension Payment	-
(18,011)	Contributions to/(from) Provisions	(113)
-	Revaluation Losses	-
(11,426)	Carrying value on disposal of Property, Plant and Equipment, Investment Property and Intangible Assets	(9,387)
(3,509)	Investment Properties Losses (Gains)	(1,369)
26	Other non-cash adjustments	1,522
(61,405)		**(50,524)**

28b - Adjustments for items included in the net surplus or deficit on the provision of services that are investing or financing activities		
2017/18 £000		**2018/19 £000**
(23,303)	Proceeds from short-term and long-term investments	0
11,545	Capital Grants credited to the surplus or deficit on the provisions of services	15,276
2,270	Proceeds from the sale of non-current assets	5,456
(9,488)		**20,732**

28c - The cash flows for operating activities include the following items:		
2017/18 £000		**2018/19 £000**
(2,131)	Interest received	(2,760)
5,571	Interest paid	6,772
(4,813)	Dividends received	(5,635)

28d - The cash flows relating to the Advanced Pension Contribution		
2017/18 £000		**2018/19 £000**
(36,288)	Pension Advance Payment covering 3 years (17/18, 18,19 and 19/20)	24,192
12,096	1/3 Drawn down	(12,111)
24,192		**12,081**

29. Cash Flow Statement – Investing Activities (page 25)

The cash flows for investing activities include the following items:

2017/18 £000		2018/19 £000
65,501	Purchase of property, plant and equipment, investment property and intangible assets	68,311
2,500	Purchase / (proceeds) of short-term and long-term investments	22,013
149	Other payments for investing activities	16,236
(2,269)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(5,456)
(11,514)	Other receipts from investing activities – Capital Grants Received	(13,555)
54,367	**Net cash flows from investing activities**	**87,549**

30. Cash Flow Statement – Financing Activities (page 25)

The cash flows for financing activities include the following items:

2017/18 £000		2018/19 £000
(62,914)	Cash receipts of short and long-term borrowing	(80,400)
-	Other receipts from financing activities	-
222	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	237
3,716	Repayments of short and long-term borrowing	24,179
15,533	Other payments for financing activities – Net Cash inflow from NDR Agency arrangements	603
(43,443)	**Net cash flows from investing activities**	**(55,381)**

31. Reconciliation of liabilities arising from financing activities

			Non-cash Changes		
	BALANCE AT 1ST APRIL 2018	Financing Cash Flows	Acquisition	Other non-cash changes	BALANCE AT 31ST MARCH 2019
	£000s	£000s	£000s	£000s	£000s
Long Term Borrowing	162,605	54,085			216,690
Short term borrowing	5,494	791			6,285
Deferred Liabilities:					
Sale PFI – Finance Lease liability	(5,318)	251			(5,067)
Sale PFI liability	(1,746)	(49)			(1,795)
Environmental Surcharge Crematoria	(522)	(85)			(607)
Greater Manchester Debt Administration Fund – MIA	(433)	137			(296)
Council house mortgages	(9)	9			0
Trafford Park Development Corporation	(86)	7			(79)
Commuted sums/S106 agreements	(1,313)	0			(1,313)
Total liabilities from financing activities	**158,672**	**55,146**	**0**	**0**	**213,818**

32. Acquired and Discontinued Operations

None to report.

33. Trading Operations (See also note 12)

		2016/17 £000	2017/18 £000	2018/19 £000
Building Cleaning	Turnover	(2,062)	(2,145)	(2,106)
	Expenditure	2.110	2,149	2,171
	(Surplus)/Deficit	**48**	**4**	**65**
Cumulative (Surplus)/Deficit over last three financial years was £117k				
Education Catering	Turnover	(7,317)	(7,575)	(7,869)
	Expenditure	7,298	7,602	7,847
	(Surplus)/Deficit	**(19)**	**27**	**(22)**
Cumulative (Surplus)/Deficit over last three financial years was £(14)k				
Net (surplus)/deficit on trading operations		**29**	**31**	**43**

All the above figures are inclusive of depreciation.

Trading operations are incorporated into the Comprehensive Income and Expenditure Statement. Some are an integral part of one of the Council's services to the public whilst others are support services to the Council's services to the public (e.g. Schools Catering and Cleaning). The expenditure of these operations is allocated or recharged to headings in the Net Operating Expenditure of Continuing Operations. Only a residual amount of the net surplus on trading operations is charged as Financing and Investment Income and Expenditure (see note 12):

	2017/18 £000	2018/19 £000
Net (surplus)/deficit on trading operations	**31**	**43**
Services to the public included in Expenditure of Continuing Operations	-	-
Support services recharged to Expenditure of Continuing Operations	-	-
Net (surplus)/deficit credited to Other Operating Expenditure	**31**	**43**

34. Agency Services

Council Tax and NDR

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

- Council tax – the billing authority acts as the agent of its major preceptors when collecting council tax on their behalf. In Trafford, the two major preceptors are the GMCA Mayoral Police and Cime Commissioner and the Mayoral General Precept (including Fire Services) . No fee is chargeable for this service;

- Non-Domestic Rates (NDR) – the billing authority acts as agent for Central Government and Greater Manchester Fire and Rescue Authority in collecting NDR. The Government paid Trafford an allowance for the cost of this collection in 2018/19 of £0.443m (£0.461m in 2017/18).

Greater Manchester Combined Authority

The Council is acting as the lead authority on behalf of the Greater Manchester Combined Authority providing the Working Well Expansion Programme. The full costs of this are met from grants received from the Mental Health Trailblazer and the Transformation Challenge Award, and performance related funding from the Department of Work and Pensions and the European Social Fund. The Council charges a management fee of £0.011m per annum, starting in the 2016/17 financial year. This income and expenditure does not form part of the Council's Income and Expenditure Account, however any funds not spent or any accumulated deficit are carried forward and included within the Council's balance sheet under short term liabilities or short term debtors to be repaid to/from GMCA when the agency arrangements finish. Details of the Income and Expenditure are shown below:

	2017/18 £000	2018/19 £000
Expenditure Incurred on Working Well and Talking Therapies	6,337	3,054
Total Expenditure	**6,337**	**3,054**
Income Received from grants	(3,500)	(1,100)
Net (Surplus)/Deficit for the year	**2,837**	**1,954**
Balance b/fwd	**(1,248)**	**1,589**
Balance c/fwd	**1,589**	**3,543**

The Council has not acted in an agency capacity for any other external bodies in the 2018/19 financial year.

35. Road Charging Schemes

The Council does not operate any such schemes.

36. Pooled Budgets

Learning Disability Pooled Budget

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

The gross 2018/19 budget was £25.037m, which after grant income and fees of £1.839m left net planned expenditure of £23.198m to be funded jointly by the Council and the CCG. The net budget was overspent by £0.840m in year and is included in the Adults Services outturn figure.

As the Council acts as the lead role in making the key decisions regarding commissioning and service delivery, with minimal operational input from the CCG, the Council's accounts reflect the total pool expenditure with the contribution from Trafford CCG shown as income.

	2017/18 £000	2018/19 £000
Funding provided to the pooled budgets:		
the Council	(19,091)	(21,177)
Trafford CCG	(2,121)	(2,021)
	(21,212)	**(23,198)**
Expenditure met from the pooled budget:	21,510	22,358
Net (surplus)/deficit arising on the pooled budget during the year	**298**	**(840)**
Contribution (to)/from Service Outturn	(298)	840
Previous year's (surplus)/deficit carried forward	-	-
Contribution to Reserve	-	-
Balance to be carried forward	**-**	**-**

Better Care Pooled Fund Account

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

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

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

Financial performance in the year to 31st March 2019 was as follows:

	2017/18 £000	2018/19 £000
Total Allocation	(20,769)	(22,683)
Less Performance Adjustment	-	-
Final Allocation	**(20,769)**	**(22,683)**
Funding provided to the pooled budgets:		
Trafford Council	(6,107)	(7,743)
Trafford CCG	(14,662)	(14,940)
Total Funding	**(20,769)**	**(22,683)**
Expenditure met from the pooled budget:		
Trafford Council	11,753	13,495
Trafford CCG	9,016	9,188
Total Expenditure	**20,769**	**22,683**
Net (surplus)/deficit arising on the pooled budget during the year	**-**	**-**

37. Members' Allowances

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

	2017/18 £000	2018/19 £000
Basic Allowances	406	412
Special Responsibility Allowances	298	305
Expenses	5	2
Total	**709**	**719**

The Council consists of 63 elected Members (Councillors) and 10 co-opted/independent Members to whom £0.719m was paid in allowances in the year (£0.709m in 2017/18).

38. Officers' Remuneration

The number of employees whose remuneration, excluding employer's pension contributions, was £50,000 or more in bands of £5,000 in 2017/18 and 2018/19 was:

2017/18		Remuneration Band	2018/19	
Schools Staff	Other Staff		Schools Staff	Other Staff
-	1	£165,000 - £169,999	-	-
-	-	£160,000 - £164,999	-	-
-	-	£155,000 - £159,999	-	1 (1)
-	-	£150,000 - £154,999	-	-
-	-	£145,000 - £149,999	-	-
-	-	£140,000 - £144,999	-	-
-	-	£135,000 - £139,999	-	-
-	-	£130,000 - £134,999	-	-
-	-	£125,000 - £129,999	-	-
-	-	£120,000 - £124,999	-	-
-	1	£115,000 - £119,999	-	1
-	1	£110,000 - £114,999	-	1
-	-	£105,000 - £109,999	-	1
-	-	£100,000 - £104,999	1	-
1	-	£95,000 - £99,999	-	4 (2)
-	-	£90,000 - £94,999	1	1
1	2 (1)	£85,000 - £89,999	-	2
-	9 (1)	£80,000 - £84,999	1	1
2	-	£75,000 - £79,999	4	2
7	1	£70,000 - £74,999	5	1
6 (1)	7 (1)	£65,000 - £69,999	11	8
15	10	£60,000 - £64,999	10	8 (1)
8	11	£55,000 - £59,999	12	15 (1)
28	20	£50,000 - £54,999	25	18 (1)
68 (1)	**63 (3)**	**Total**	**70**	**64 (6)**

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.

38. Officers' Remuneration (Continued)

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

(a) R&ER package cost band (including special payments)	(b) Number of compulsory redundancies		(c) Number of other departures agreed		(d) Total number of R&ER packages by cost band [(b) + (c)]		(e) Total cost of R&ER packages in each band £		(f) Number of pension strain costs agreed		(g) Total cost of pension strain in each band £	
	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19
£0 - £20,000	3	12	74	23	77	35	366,950	197,952	14	2	123,842	13,196
£20,001 - £40,000	1	0	7	4	8	4	242,684	133,045	4	5	92,032	121,293
£40,001 - £60,000	1	0	-	0	1	0	43,387	0	3	0	143,707	0
£60,001 - £80,000	-	0	-	0	-	0	-	0	-	0	-	0
£80,001 - £100,000	-	0	-	0	-	0	-	0	2	0	186,855	0
£100,001 - £120,000	-	0	-	0	-	0	-	0	-	0	-	0
£120,001 - £140,000	-	0	-	0	-	0	-	0	-	0	-	0
Total	**5**	**12**	**81**	**27**	**86**	**39**	**653,021**	**330,997**	**23**	**7**	**546,436**	**134,489**

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

Senior Officers Remuneration

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

(i) £150,000 per year or more; or

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

- statutory chief officers (per section 2(6) of the Local Government and Housing Act 1989 as amended), e.g. head of paid service, director of children's services, section 151 officer etc.
- a person who has responsibility for the management of the authority, to the extent that the person has power to plan, direct or control the major activities of the authority (in particular activities involving expenditure of money), whether solely or collectively, in accordance with accounting regulations.

38. Officers' Remuneration (Continued)

Senior Officers Salary 2018/19 Postholder	Note	Salary. fees & allowances	Compen-sation for loss of office	Bonuses	Expense allowances	Benefits in kind (e.g. Car allowance)	Pension contributions	Total
		£	£	£	£	£	£	£
Chief Executive	1	126,127	30,000	0	569	0	7,085	**163,781**
Interim Chief Executive	2	75,799	0	0	0	0	0	**75,799**
Chief Executive	3	15,714	0	0	0	0	3,206	**18,920**
Chief Finance Officer/Corporate Director of Finance and Systems (Joint CFO and Section 151 Officer)	4	113,139	0	0	445	0	23,080	**136,665**
Director of Legal & Democratic Services/Corporate Director of Governance & Community Strategy (Monitoring Officer)	5	105,328	0	0	0	0	21,594	**126,922**
Interim Director of Public Health		86,640	0	0	0	0	17,352	**103,992**
Corporate Director (Transformation & Resources)	6	63,123	34,930	0	0	0	5,322	**103,776**
Corporate Director of People	7	77,307	0	0	358	0	0	**77,665**
Corporate Director (Children, Families & Wellbeing Services)	8	37,849	0	0	594	0	7,307	**46,163**
Acting Corporate Director Children's Services	9	75,223	0	0	0	0	15,345	**90,568**
Acting Corporate Director Adult Services	10	72,407	0	0	30	0	14,771	**87,208**
Acting Corporate Director (Economic Growth, Environment & Infrastructure)/Corporate Director of Place	11	116,420	0	0	300	0	23,349	**140,069**
Director of Commissioning NHS Trafford CCG	12	91,808	0	0	0	0	13,202	**105,010**

Notes :

(1) The Chief Executive left the authority on 30/6/18. They were also paid £5,040 Returning Officer fees for the 5 May 2018 local election.
(2) The Interim Chief Executive was appointed on a secondment basis from Salford City Council for 2.5 days per week from 25/7/18 and an amount of £75,799 was recharged accordingly. They left the Authority on 22/2/19.
(3) The current Chief Executive was appointed on 25/2/19.
(4) The Chief Finance Officer was appointed to the new Joint Chief Finance Officer and Statutory S151 Officer post, titled Director of Finance and Systems on 25/7/18. The remuneration figure for the Corporate Director of Finance and Systems includes an amount of 50% which has been recharged in relation to their element of employment on behalf of NHS Trafford CCG. They were also paid supervision duty fees of £280 for the 5 May 2018 local election.
(5) The Director of Legal & Democratic Services was appointed to the new Corporate Director of Governance and Community Strategy post on 25/7/18. They were also paid Deputy Returning Officer fees of £2,520 for the 5 May 2018 local elections.
(6) The Corporate Director (Transformation & Resources) left the authority on 30 June 2018. They were also paid Deputy Returning Officer fees of £2,520 for the 5 May 2018 local elections. The post was disestablished on 25/7/18.
(7) The Director of HR was appointed to the new re-designated post of Corporate Director of People on 25/7/18.
(8) The Corporate Director of Children, Families and Wellbeing left the authority on 22 July 2018. The post was disestablished on 25/7/18.
(9) The Director of Safeguarding and Professional Development was appointed to the new Acting Corporate Director of Children's Services position on 25/7/18.
(10) The Director of Integrated Services was appointed to the new Acting Corporate Director of Adult Services position on 25/7/18. They were also paid £120 supervision duty fees for the 5 May 2018 local election.
(11) The Acting Corporate Director (Economic Growth, Environment & Infrastructure) was appointed to the new re-designated post of Corporate Director of Place on 25/7/18.
(12) The remuneration for the Director of Commissioning of NHS Trafford CCG was £105,010 and 25% has been recharged in relation to their element of employment on behalf of Trafford Council.

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

38. Officers' Remuneration (Continued)

Senior Officers Salary 2017/18 Postholder	Note	Salary. fees & allowances	Compen-sation for loss of office	Bonuses	Expense allowances	Benefits in kind (e.g. Car allowance)	Pension contributions	Total
		£	£	£	£	£	£	£
Chief Executive	1	164,195	-	-	1,327	-	28,536	**194,058**
Deputy Chief Executive	2	18,771	-	-	25	-	4,520	**23,316**
Corporate Director (Children, Families & Wellbeing)	3	115,962	-	-	1,089	-	23,853	**140,904**
Corporate Director (Economic Growth, Environment & Infrastructure)	4	81,888	-	-	9,415	-	9,422	**100,725**
Acting Corporate Director (Economic Growth, Environment & Infrastructure)	5	7,809	-	-	-	-	1,593	**9,402**
Corporate Director (Transformation & Resources)	6	111,565	-	-	-	-	22,893	**134,458**
Chief Finance Officer (Section 151 Officer)	7	82,373	-	-	13	-	16,804	**99,190**
Director of Legal & Democratic Services (Monitoring Officer)	8	86,068	-	-	-	-	17,761	**103,829**
Interim Director of Public Health	9	81,153	-	-	-	-	16,555	**97,708**

Notes :

(1) The Chief Executive was also paid Returning Officer fees for the May 2017 Greater Manchester Mayoral Election of £8,240 and the June 2017 General Election of £6,829.
(2) The Deputy Chief Executive left the Authority on 31/5/17. They were also paid supervision duty fees for the May 2017 Greater Manchester Mayoral Election of £350.
(3) The Corporate Director (Children, Families & Wellbeing) was also paid supervision duty fees for the May 2017 Greater Manchester Mayoral Election of £225, the June 2017 General Election of £160 and the September 2017 Bucklow St. Martins by-election of £70.
(4) The new Corporate Director (Economic Growth, Environment & Infrastructure) was appointed on 2/10/17 and later left the Authority on 28/2/18. The figure includes 'pay in lieu of notice' paid in April and May 2018.
(5) The Director of Growth & Regulatory Services was appointed as Acting Corporate Director (Economic Growth, Environment & Infrastructure) on 6/3/18. The Acting up allowance and associated employer pension contributions for the period 6/3/18 to 31/3/18 included in these figures were paid in arrears in April 2018.
(6) The Corporate Director (Transformation & Resources) was also paid Deputy Returning Officer fees for the June 2017 General Election of £3,414, the September 2017 Bucklow St. Martins by-election of £120 and the October 2017 Altrincham Neighbourhood Plan Residential Referendum of £360.
(7) The Chief Finance Officer was also paid supervision duty fees for the May 2017 Greater Manchester Mayoral Election of £350 and the June 2017 General Election of £280.
(8) The Director of Legal & Democratic Services was also paid Deputy Returning Officer fees for the May 2017 Greater Manchester Mayoral Election of £2,620, the June 2017 General Election of £3,414, the September 2017 Bucklow St. Martins by-election of £120 and the October 2017 Altrincham Neighbourhood Plan Residential Referendum of £120.
(9) The Interim Director of Public Health was also paid supervision duty fees for the May 2017 Greater Manchester Mayoral Election of £100 and the June 2017 General Election of £160.

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

39. External Audit Costs

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

	2017/18 £000	2018/19 £000
Fees payable to Grant Thornton (17/18)/Mazars (18/19) with regard to external audit services carried out by the appointed auditor *	118	95
Fees payable to Grant Thornton for the certification of grant claims and returns	19 **	20 ***
Fees payable to Grant Thornton in respect of VAT advice other services provided during the year ****	2	-
Fees payable to Grant Thornton in respect of CFO Insights Software	13	13
Fees payable to the Cabinet Office in respect of other services provided during the year	-	-
Total	**152**	**128**

* The Council's external auditors changed from Grant Thornton to Mazars in 2018/19 in relation to standard audit fee work.

** This relates to work by Grant Thornton on the 2016/17 Housing Benefit Subsidy claim and the 2016/17 Teachers' Pensions return.

*** This relates to work by Grant Thornton on the 2017/18 Housing Benefit Subsidy claim and the 2017/18 Teachers' Pensions return.

**** The fees for other services payable to Grant Thornton in 2017/18 related to specialist advice provided in 2016/17 on a number of claims to HM Revenue & Customs for the refund of VAT.

40. Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education (DfE), the Dedicated Schools Grant (DSG). An element of DSG is recouped by the DfE to fund academy schools in the Council's area. DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2018. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2018/19 are as follows:

	Central Expenditure £000	ISB £000	Total £000
Final DSG 2018/19 before Academy recoupment			(196,266)
Academy figure recouped for 2018/19			67,642
Total DSG 2018/19 after Academy recoupment			(128,624)
Brought forward from 2017/18	(929)		(929)
Carry forward to 2019/20 agreed in advance			-
Agreed initial budgeted distribution in 2018/19	**(26,540)**	**(103,013)**	**(129,553)**
In year adjustments	2,502	(2,502)	-
Final budgeted distribution for 2018/19	(24,038)	(105,515)	(129,553)
Less actual central expenditure	22,662	-	22,662
Less actual ISB deployed to schools	-	105,515	105,515
Local authority contribution for 2018/19	-	-	-
Carry forward to 2019/20	**(1,376)**	**-**	**(1,376)**

41. Grant and Other Income (Comprehensive Income & Expenditure Statement page 19, Balance sheet page 21)

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

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

2017/18 £000	Grants	2018/19 £000
	Credited to Taxation and Non Specific Grant Income	
	Council Tax	
(89,700)	**Council Tax Income**	**(95,039)**

	Non Domestic Rates	
(150,657)	Non Domestic Rates Income	(152,522)
78,258	NDR Tariff Payment	86,751
12,204	GM Pool No Detriment Payment	9,203
(6,102)	No detriment Rebate from GM Pool	(4,602)
-	NDR National Levy Rebate	(550)
(7,008)	Section 31 Compensation Grants	(8,163)
(1,689)	Growth Pilot Income	(3,308)
(82)	Renewable Energy Disregard	(81)
3,548	NDR Collection Fund (Surplus)/Deficit	(9,579)
1,384	Local Share Contribution to Accumulated Deficit	5,256
(750)	Local Share of Collection Fund Surplus	0
(76)	Growth Pilot Section 31 Grants	(57)
(70,970)	**Non-Domestic Rates Sub-total**	**(77,652)**

	Revenue Grants:	
(2,338)	New Homes Bonus	(1,635)
(633)	Housing Benefit Admin Grant	(573)
(681)	Education Services Grant	-
(131)	Local Reform & Community Voices Grant	(133)
(443)	NDR Cost of Collection Grant	(444)
(134)	DWP Housing Welfare Reform Grant	(59)
(458)	Transitional Protection Grant	-
(354)	Other Grants	(99)
(5,172)	**Revenue Grants Sub-total**	**(2,943)**

2017/18 £000	Grants	2018/19 £000
	Capital Grants :	
(3,311)	Schools Primary Capital Programme	(3,980)
(323)	Schools Devolved Formula Capital Grant	(346)
(1,802)	Schools Condition and Modernisation	(1,751)
(317)	Schools Early Years Grant	0
	Schools – Send and Healthy Pupils Grants	(478)
(55)	Social Care Grants	0
(2,483)	Highway Structural Maintenance	(3,659)
(1,244)	Integrated Transport Grant – TfGM	(1,367)
(1,718)	Other Grants and Contributions	(3,131)
(11,253)	**Capital Grants Sub-total**	**(14,712)**
(87,395)	**Total Credited to Taxation & Non Specific Grant Income**	**(95,307)**

Contributions and Donations

Large items of Income included in Other Contributions and Donations

2017/18 £000		2018/19 £000
(6,151)	Contribution from CCG – Better Care Fund	(5,753)
(2,122)	Contribution from CCG – Learning Disability Pooled Fund	(2,022)

2017/18 £000		2018/19 £000
	Grants Credited to Services	
	Revenue Grants Credited to services:-	
(124,213)	Dedicated School Grant (DSG) incl. EY allocation	(128,624)
(55,902)	Rent Allowances, Rent Rebates and Council Tax Benefit Subsidy	(49,319)
(5,980)	Other Education Grants	(5,965)
(164)	Send Pathfinder Grant	(191)
(1,473)	Learning Skills Council Grant	(1,722)
(658)	Sale PFI Grant	(658)
(963)	Tackling Troubled Families Grant	(386)
(41)	Section 106 Other Capital Maintenance Grants	(223)
(950)	Adult Social Care Grant	(591)
(73)	Individual Electoral Registration Grant	(44)
(887)	PE & Sport Grant	(1,061)
(228)	Local Council Tax support Admin Grant	(214)
(3,042)	Universal Infants Free School Grant	(2,912)
(385)	Independent Living Fund Grant	(373)
(3,749)	Improved better care fund	(5,725)
(997)	Other Grants	(3,265)
(199,705)	**Revenue Grants Credited to Services Sub-total**	**(201,273)**

	Capital Grants Credited to services (REFCUS):-	
(1,371)	Schools Primary Capital Programme	(72)
(2,044)	Disabled Facilities	(2,474)
(31)	Devolved Formula Capital	(55)
(10)	TfGM – City Cycle Ambition Grant	(67)
(7,000)	Metrolink Extension contributions	(5,000)
-	Schools Maintenance, SEND & Healthy Pupils Grants (DfE)	(37)
(227)	Schools – Early Years Grant (DfE)	-
(300)	Other	(275)
(10,983)	**Capital Grants Credited to services (REFCUS) Sub-total**	**(7,980)**
(210,688)	**Total Grants Credited to Services**	**(209,253)**

(i) Grant Income included in the Balance Sheet

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

2017/18 £000		2018/19 £000
	Short Term Liabilities:-	
	Capital Grants & Contributions Receipts in Advance:-	
(328)	Devolved Formula Capital	(953)
(112)	Personal Social Care Grant	(113)
(281)	Highways – Altrincham & Stretford Town Centres	(63)
(621)	S106 & S278 Contributions	(107)
(148)	Other Grants and Contributions	(12)
(1,491)	**Total**	**(1,248)**

2017/18 £000		2018/19 £000
	Revenue Grants & Contributions Receipts in Advance (REFCUS):-	
(496)	Schools Primary Capital Programme	(423)
(68)	Other Grants and Contributions	(64)
(564)	**Total REFCUS**	**(487)**
(2,055)	**Total Capital Grants Receipts in Advance**	**(1,735)**

2017/18 £000		2018/19 £000
	Other Revenue Grants Receipts in Advance:-	
(18)	NCB Independent Support Phase 1 & 2	
(65)	DSG Grant	(141)
-	Heat Network Delivery Grant	(18)
-	SDL Housing	(4)
(8)	DEFRA New Burden funding for compliance with INSPI	-
-	Community Clean Up Fund	(13)
-	Parks Improvement	(41)
-	NAAS Grant	(129)
(38)	ASF Grant	(39)
-	Homeless Prevention	(25)
(45)	Self & Custom House Build Grant	(75)
-	Land Charges New Burdens	(43)
-	Pocket Parks Plus Grant	(41)
(8)	KS2 Moderation & Phonics Grant – academic year 2017/18	-
(58)	Childcare & Early Years Grant	-
(191)	SEND Pathfinder	-
(36)	Homelessness Reduction Act Grant	(36)
(186)	Flexible Homelessness Support Grant	(195)
(38)	Heat Networks Delivery Unit Grant	-
(6)	New Burdens Brownfields Register Grant	(5)
(697)	**Total Short Term Grants Receipts in Advance (Revenue)**	**(805)**

2017/18 £000		2018/19 £000
	Long Term Liabilities	
	Capital Grants & Contributions Receipts in Advance:-	
(8,483)	Section 106 and S278 Contributions	(7,352)
(8,483)	**Total Capital Grants**	**(7,352)**
	Revenue Grants & Contributions Receipts in Advance (REFCUS):-	
(113)	S106 & S111 Contributions	(113)
(113)	**Total REFCUS**	**(113)**
-	**Other Revenue Grants & Contributions Receipts in Advance (Long Term) : -**	-
-	**Total Other**	**-**
(8,595)	**Total Long Term Grants Receipts in Advance**	**(7,465)**

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 £5.36m 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 2018 £000	Receivable in year £000	Contributions applied £000	Balance at 31 March 2019 £000
Open Space schemes	2,065	60	(334)	1,791
Education Schemes	5			5
Affordable Housing schemes	1,816	289	(244)	1,861
Highways/Transport schemes	2,308	5,347	(5,949)	1,706
Total	**6,194**	**5,696**	**(6,527)**	**5,363**

42. Related Parties

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

Central Government has effective control over the general operations of the Council. Details of transactions with Government departments are set out in note 41, with outstanding government debtors and creditors included in notes 21 and 24.

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

During the year a number of transactions were made to other local authorities. Payments to Tameside MBC in respect of pension contributions are disclosed in the notes to the accounts (notes 49 & 50) and precept payments are shown in the collection fund accounts.

The Council also has pooled budget arrangements with Trafford CCG in relation to Learning Disability Services and the Better Care Fund (BCF). Transactions are detailed in Note 36.

A transport levy of £23.656m (£8.792m in 2017/18) and a waste levy of £8.737m (£23.682m in 2017/18) were paid to the Greater Manchester Combined Authority (GMCA).

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

In 2018/19 the funding switch was reversed with a one-off adjustment to reinstate the GMCA transport reserves, resulting in a net movement from the Waste Disposal levy to the Transport levy for Trafford of £14.8m.

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

The Council no longer provides services directly through its leisure centres. These leisure centres were leased to Trafford Community Leisure Trust (TCLT) who provided relevant leisure services direct to the public until September 2015. The Council made payments to the Trust to help ensure the provision of some services at a discounted rate to particular population demographics of the community. From October 2015 the services provided by TCLT were transferred into a Community Interest Company (CIC), Trafford Leisure CIC Ltd, wholly owned by the Council. For the year 2018/19, the Council made no payments to the CIC.

A similar CIC, called Trust Youth Trafford was also established on 11th March 2016 for the provision of Youth Services. The Council is now the single share holder and in 2019/20 the Council will transfer an annual commissioning fund of circa £280,000 to the Trust to support youth provision across the borough and to leverage in other external investments to the Trust. There are now only two Board members, both Trafford Council Corporate Directors.

The Council made payments to the Youth CIC in 2018/19 totalling £0.280m (£0.280m in 2017/18).

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

Whilst Trust Youth Trafford is still considered as immaterial in terms of transaction value Trafford Leisure CIC Ltd. has been included in group accounts in 2018/19.

The Council has paid grants to voluntary organisations for 2018/19 as follows:

2017/18 £	Organisation	2018/19 £
2,057	Carrington Parish Council	2,098
5,730	Dunham Massey Parish Council	5,845
26,048	Partington Town Council	26,569
2,057	Warburton Parish Council	2,098
35,892	**Total Grants**	**36,610**

In addition to the above grants, as detailed in Note 11, the Council also collected and paid over Parish precepts for Partington TC of £65,875 (£64,473 in 2017/18), Dunham Massey PC £nil (£11,400 in 2017/18) and Warburton PC £nil (£8,100 2017/18). The Council also agreed to provide grant of £10,000 to Partington Town Council to support the 2018/19 precept, the same as in 2017/18, in addition to the Parish Council grant of £26,569 above. There are no debtors or creditors relating to these transactions at year end or income received from these bodies by the Council.

In 2018/19 Trafford Council altered the way it administered its main Voluntary Sector Grant scheme, launching a new Inclusive Neighbourhoods Fund which makes up to £20,000 available to support community projects and events 5 times per year. The new fund did not launch until the end of 2018 so only £40,000 was distributed through this fund. 33 community projects were supported.

In addition to this a separate grant fund of £40,000 was targeted at Community Cohesion and was distributed during the summer of 2018. £20,000 of this funding came from the Council and the remainder from the GMCA. It supported 10 community projects which brought different faiths and communities together, supported young people, single adults and families from being isolated, built pride and strengthened communities by residents working together, and created opportunities for people to engage with each other to enable understanding of differences and build positive relationships

The Council also made payments totalling £0.179m to Trafford Centre for Independent Living, under a Service Level Agreement within Adult Social Services, for an advocacy service.

Shareholdings

Manchester Airport Group plc.

31.03.18 £m	*Manchester Airport Consolidated Profit and Loss Account and Balance Sheet (Extract)*	31.03.19 £m
157.9	Profit/(Loss) before Tax	189.9
109.7	Profit/(Loss) after Tax	143.4
1,520.6	Net Assets	1,492.7

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

Manchester Airport Group Plc owns Manchester, London Stansted and East Midlands airports. Until 4 December 2017 it also owned Bournemouth Airport. This was sold to RCA, part of the Rigby Group.

Dividends of £5,635m were received in the year 2018/19 (£4.813m in 2017/18). Further information on these accounts can be obtained from the Head of Financial Accounting, Manchester Airport Group plc., 6th Floor Olympic House, Manchester Airport, Manchester M90 1QX (telephone no. 0161 489 2766).

MaST LIFTCo Ltd

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

43. Capital Expenditure and Capital Financing

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

	2017/18 £000	2018/19 £000
Opening Capital Financing Requirement Capital Investment	**143,977**	**195,084**
Capital Investment:-		
Property, Plant and Equipment	27,008	29,246
Assets Held for Sale	351	
Investment Properties	40,951	39,533
Intangible Assets	416	273
Capital Debtors	5,746	16,152
Equiity Shareholding		9,040
Revenue Expenditure Funded from Capital under Statute	12,102	8,920
Sources of finance		
Capital receipts	(6,189)	(6,120)
Government Grants and other Contributions	(23,224)	(21,809)
Sums set aside from revenue:		
Direct revenue contributions	(4,003)	(10,186)
MRP/loans fund principal	(1,986)	(2,975)
Other Adjustments (including Probation)	(65)	(5,603)
Closing Capital Financing Requirement	**195,084**	**251,555**
Explanations of movement in the year		
Increase in underlying need for borrowing (supported by government financial assistance)		
Increase in underlying need for borrowing	51,107	56,471
Assets acquired under finance leases		
Assets acquired under PFI/PPP contracts		
Increase/(decrease) in Capital Financing Requirement	**51,107**	**56,471**

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

Year ended 31 March	2017/18 £000	2018/19 £000
SERVICE: (SEE FOOTNOTE I)		
Childrens' Services	8,566	6,648
Adult Care Services	3,385	2,697
Place	28,306	34,568
Governance & Community Strategy	578	832
Finance & Systems	963	338
Asset Investment Fund	44,776	58,081
Total	**86,574**	**103,164**
The main items of capital expenditure during the year included:		
Asset Investment Fund	44,776	58,081
Strategic Investment - Manchester Airport		11,278
Highways Structural Maintenance (incl bridges & S.278 schemes)	4,702	9,196
Contribution to Metrolink Extension	7,000	5,000
Schools - Places Expansion Programme (* in part)	6,362	4,036
Relocation of Depo Facilities	6,500	
Housing Grants (Disabled Facility, Owner Occupier & Housing Standards Grants) (*)	2,582	2,549
Town Centre Regeneration Initiatives	4,622	2,318
Traffic & Transport Schemes (inc.Integrated Transport & Parking)	1,106	2,082
Schools - Capital Maintenance Programme (* in part)	1,254	1,759
Public Buildings - DDA Compliance, Repairs & Refurbishments	919	1,669
Leisure Strategy - "Increasing Physical Activity"	450	1,033
Flixton House, Flixton : Refurbishment		757
Altrincham Interchange - contribution to TfGM		650
Street Lighting Programme	2,210	548
Schools - SEND and Healthy Pupul Fund (* in part)	543	433
Schools - Devolved Formula Capital (* in part)	354	401
Additional Burial Land	0	367
ICT Initiatives	1,683	338
Parks, Playgrounds & Greenspace improvements	520	268
Other General Infrastructure Investment	991	401
Total	**86,574**	**103,164**
(*) REFCUS		

(i) The Service split reflects the revised directorate structure in 2018/19, the 2017/18 figures have also subsequently been adjusted.

The type of capital expenditure in the year and how it was financed was as follows:			
	£000		**£000**
Fixed and Intangible Assets	69,052	Borrowing	65,049
Revenue Expenditure Funded from Capital under Statute (i)	8,920	Grants and Contributions	21,809
Debtors	16,152	Revenue Contributions & Reserves	10,186
Equity Shareholding	9,040	Capital Receipts	6,120
Total Capital Expenditure on an accruals basis	**103.164**		**103,164**

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

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

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

The deficit on the Comprehensive Income and Expenditure Statement includes revenue costs of £8.920m under this category, offset by £7.981m of Government grants applied. This amounts to a net cost of £0.939m, offset by a corresponding credit entry in the MIRS. These amounts are still treated as capital for control purposes and are hence included in the Capital Expenditure Statement above.

44. Leases

a) Council as Lessee – Finance Leases

The Council does not have any finance lease arrangements.

Operating Leases

Vehicles, Plant, Furniture and Equipment - the Council uses vehicles financed under the terms of an operating lease. The amount charged under these arrangements in 2018/19 was £26,211 (£209,654 in 2017/18).

Land and Buildings - the Council leases numerous buildings which have been accounted for as operating leases. The rentals payable in 2018/19 were £63,092 (£167,503 in 2017/18).

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

	31 March 2018 £000	31 March 2019 £000
Not later than one year	124	82
Later than one year and not later than five years	209	136
Later than five years	455	445
	788	**663 ***

* The Council's grounds maintenance, highways and street cleaning services were transferred to Amey on 4th July 2015 as part of the One Trafford Partnership. As an interim measure, the Council continued to lease vehicles to maintain service provision until such point Amey had completed the implementation of their own fleet solution. Costs are recoverable from Amey and it is expected that the final remaining vehicle leased by the Council associated with the One Trafford Partnership will have terminated by the end of July 2019. Only a small number of vehicles are now leased for use directly by the Council.

Council as Lessor – Finance Leases

The Council does not have any finance lease arrangements.

Operating Leases

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

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

The Council also has six lease agreements for commercial development schemes under which a "participation" rent is payable to the Council, determined annually by reference to the profitability of the investment asset. These rents are classed as contingent rents and are not included in the minimum lease payments receivable. In 2018/19 these rents were £0.499m (£0.509m in 2017/18). The Council also receives rent in respect of its joint ownership of Manchester International Airport of £0.483m (£0.449m in 2017/18).

Total rents receivable in 2018/19 were £2.421m (£2.392m in 2017/18).

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

	31 March 2018 £000	31 March 2019 £000
Not later than one year	1,434	1,438
Later than one year and not later than five years	5,487	5,442
Later than five years	101,137	99,931
	108,058	**106,811**

45. PFI and Similar Contracts

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

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

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

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

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

	Payment for services £000	**Reimbursement of Capital Expenditure £000**	**Interest £000**	**Total £000**
Payable in 2019/20	805	252	342	**1,399**
Payable within two to five years	3,463	1,180	1,197	**5,840**
Payable within six to ten years	4,421	3,887	1,015	**9,323**
Total	**8,689**	**5,319**	**2,554**	**16,562**

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 £16.56m. 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 ENGIE for an extension to the contract.

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

	2017/18 £000	**2018/19 £000**
Balance outstanding as at start of year	5,777	5,556
Payments during the year	(221)	(237)
Capital expenditure incurred in the year		
Balance outstanding at year-end	**5,556**	**5,319**
Split on Balance Sheet (see also note 24):		
Short term liability (creditor)	237	252
Long term liability – deferred	5,319	5,067

The fair value of the PFI liability is shown in note 18.

46. Impairment Losses

These are disclosed in note 14.

47. Capitalisation of Borrowing Costs

The Council capitalised no borrowing costs in 2018/19.

48. Termination Benefits

The Council has terminated the contracts of a number of employees in 2018/19. These are included in the Comprehensive Income and Expenditure Statement as paid, or accrued where appropriate. Provision has been made for outstanding payments to employees where agreed but subject to final payment.

49. Pension Schemes Accounted for as Defined Contribution Schemes

Pension costs included in the Income & Expenditure Account

Teachers' Pensions Scheme

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

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

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

In 2018/19 the Council paid £7.598m (£7.485m in 2017/18) in respect of teachers' retirement benefits. This was based on 16.48% of the teachers' pensionable pay (16.48% in 2017/18).

In addition, the Council is responsible for added years and premature enhancement benefits which it has awarded to teachers at its discretion, together with the related annual increases. In 2018/19, these amounted to £1.344m, representing 2.92% of pensionable pay (£1.356m or 2.98% in 2017/18). These benefits are fully accrued in the pension liability described below.

50. Defined Benefit Pension Schemes

Other Employees

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

The actual contribution rates to maintain the solvency of the fund vary by employing authority, reflecting the differing profiles of members, and in Trafford's case are phased in over the three years the actuarial valuation relates to. The Council's employer's contribution rate was 19.2% in 2018/19, reflecting the advance payment to cover three years of pension contributions and will be 19.2% in 2019/20. In 2018/19, the Council paid an employer's contribution of £13.656m (£12.895m in 2017/18) into the Greater Manchester Pension Fund, representing 19.2% of pensionable pay (19.2% in 2017/18). `The Council is also responsible for pension payments relating to the historic award of added years, together with related increases. In 2018/19 these amounted to £0.960m, which is 1.3% of pensionable pay (£0.949m or 1.3% in 2017/18).

Further information regarding the Pension Fund and its accounts can be obtained from the Pensions Office, Guardsman Tony Downes House, 5 Manchester Road, Droylsden , M43 6SF (Helpline: 0161 301 7000). www.gmpf.org.uk

Transactions Relating to Retirement benefits

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

2017/18 £000		2018/19 £000
	COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT	
	Cost of Services:	
	Service Cost comprising:	
26,971	• current service cost	26,505
546	• past service costs	236
-	• (gain)/loss from settlements	-
	Financing and Investment Income and Expenditure:	
6,334	• net interest cost	5,867
33,851	***Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services***	**32,608**
-	*Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement*	-
	Re-measurement of the net defined benefit liability comprising:	
(3,911)	• Return on plan assets (excluding the amount included in the net interest cost)	(32,646)
-	• Actuarial gains and losses arising on changes in demographic assumptions	-
(16,484)	• Actuarial gains and losses arising on changes in financial assumptions	72,934
(277)	• Other	765
13,179	**Total Post Employment Benefit Charged to the Comprehensive Income & Expenditure Statement**	**73,661**
	Movement in Reserve Statement	
(18,828)	• reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(17,202)
	Actual amount charged against the General Fund Balance for pensions in the year:	
12,895	• employers' contributions payable to scheme	13,656
2,305	• retirement benefits payable to pensioners	2,304

Pensions Assets and Liabilities Recognised in the Balance Sheet

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

2017/18 £000		2018/19 £000
(904,547)	Present value of the defined benefit obligation	(1,007,918)
699,228	Fair value of plan assets	732,263
(205,319)	**Net Liability arising from defined benefit obligation**	**(275,655)**

Reconciliation of the Movements in the Fair Value of Scheme Assets

2017/18 £000		2018/19 £000
660,230	Opening fair value of scheme assets	699,228
-	Effect of Settlements	-
16,915	Interest income	18,608
	Re-measurement gain/(loss):	
3,911	• The return on plan assets, excluding the amount included in the net interest expense	32,646
-	• Other	-
39,215	Contributions from employer	3,325
4,165	Contributions from employees into the scheme	4,416
(25,208)	Benefits paid	(25,960)
699,228	**Closing fair value of scheme assets**	**732,263**

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

2017/18 £000		2018/19 £000
891,585	Opening present value of scheme liabilities	904,547
26,971	Current service costs	26,505
-	Effect of Settlements	-
23,249	Interest costs	24,475
4,165	Contributions from scheme participants	4,416
	Re-measurement (gains) and losses:	
-	• Actuarial gains/losses arising from changes in demographic assumptions	-
(16,484)	• Actuarial gains/losses arising from changes in financial assumptions	72,934
(277)	• Other	765
546	Past service cost	236
(25,208)	Benefits paid	(25,960)
904,547	**Closing present value of scheme liabilities**	**1,007,918**

Pension Scheme Assets comprised:

	Period ended 31 March 2019				Period ended 31 March 2018			
Asset category	Quoted prices in active markets £000	Scheme Asset Values not from quoted active markets £000	Total £000	Per-centage of total asset %	Quoted prices in active markets £000	Scheme Asset Values not from quoted active markets £000	Total £000	Per-centage of total asset %
Equity Securities:								
Consumer	40,446	-	40,446	6%	39,899	-	39,899	6%
Manufacturing	42,317	-	42,317	6%	47,864	-	47,864	7%
Energy & Utilities	41,150	-	41,150	6%	37,900	-	37,900	5%
Financial Institutions	57,952	-	57,952	8%	57,589	-	57,589	8%
Health & Care Information	21,623	-	21,623	3%	17,871	-	17,871	3%
Technology	13,073	-	13,073	2%	11,207	-	11,207	2%
Other	8,023	-	8,023	1%	6,839	-	6,839	1%
Debt Securities:								
Corporate Bonds (investment grade)	27,390	-	27,390	4%	25,919	-	25,919	4%
Corporate Bonds (non-investment grade)	-	-	-	0%	-	-	-	0%
UK Government	4,822	-	4,822	1%	6,059	-	6,059	1%
Other	18,573	-	18,573	3%	19,458	-	19,458	3%
Private Equity:								
All	-	34,294	34,294	5%	-	23,399	23,399	3%
Real Estate:								
UK Property	-	34,780	34,780	5%	-	23,939	23,939	3%
Overseas Property	-	-	-	0%	-	-	-	0%
Investment Funds and Unit Trusts:								
Equities	165,535	-	165,535	23%	189,205	-	189,205	27%
Bonds	91,087	-	91,087	12%	90,663	-	90,663	13%
Hedge Funds	-	-	-	0%	-	-	-	0%
Commodities	-	-	-	0%	-	-	-	0%
Infrastructure	-	35,106	35,106	5%	-	18,104	18,104	3%
Other	14,269	63,162	77,431	11%	18,414	39,323	57,737	8%
Derivatives:								
Inflation	-	-	-	0%	-	-	-	0%
Interest Rate	-	-	-	0%	-	-	-	0%
Foreign Exchange	-	-	-	0%	-	-	-	0%
Other	371	-	371	0%	-	-	-	0%
Cash & Cash Equivalents:								
All	18,290	-	18,290	2%	25,575	-	25,575	4%
Totals	**564,921**	**167,342**	**732,263**	**100%**	**594,463**	**104,765**	**699,228**	**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 2019.

The significant assumptions used by the actuary have been:

2017/18	Mortality assumptions:	2018/19
	Longevity at 65 for current pensioners:	
21.5 years	• men	21.5 years
24.1 years	• women	24.1 years
	Longevity at 65 for future pensioners:	
23.7 years	• men	23.7 years
26.2 years	• women	26.2 years
2.4%	Rate of inflation	2.5%
2.5%	Rate of increase in salaries	2.6%
2.4%	Rate of increase in pensions	2.5%
2.7%	Rate for discounting scheme liabilities	2.4%

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 2019:	Approximate % increase to Employer Liability	Approximate monetary amount £000
0.5% decrease in real discount rate	10%	100,642
0.5% increase in the salary increase rate	1%	11,865
0.5% increase in the pension increase rate	9%	87,335

Pensions - Summary

The overall Pension deficit at 31 March 2019 in the Balance Sheet is £287.8m. In previous years the Pension Reserve and Pension Liability items in the Balance Sheet have been equal and opposite. However as a result of the accounting treatment of the Advanced Pension payment this has meant that the pension reserve at £275.655m does not equal the pension liability. This is a natural consequence of three year's payment being made and accounted for as a reduction of the Pension Liability but only one year being charged to the general fund. The difference in the Pension Liability and Pension Reserve is represented by a figure of £12.1m relating to the balance of the three year advanced pension contribution yet to be utilised.

Impact on the Authority's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The Council has agreed a strategy with the scheme's actuary to achieve a funding level of 90.5% over the 3 years between 2017/18 and 2019/20. Funding levels are monitored on an annual basis. The next triennial valuation is in the process of being completed for the period 2020/21 to 2022/23.

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

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The total liability of £275.7m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

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

The Council anticipates paying £13.4m contributions to the scheme in 2019/20, however as a result of applying 1/3 of the advanced cash payment, this will be reduced to a net cashflow contribution of approximately £1.3m . The weighted average duration of the defined benefit obligation for scheme members is 17.3 years.

51. Contingent Liabilities

(a) Municipal Mutual Insurance

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

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

(b) Manchester Airport

The Council has made loans to Manchester Airport plc of £8.7m as disclosed in the long term debtors note. In 2009/10 these loans, which were previously secured, were restructured. The loans are no longer secured but to compensate the Council receives a higher rate of interest. During 2018/19 the 10 Greater Manchester authorities advanced further unsecured funds for which a rate of interest is received and the Council's value of this advance was £11.3m. No provision has been made in the balance sheet to cover the total potential losses to the Council from these agreements.

(c) Trafford Housing Trust

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

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

i) Warranties of Truth; the Council has made a number of statements and assertions within the transfer agreement, such as land ownership, value of assets, and the right to exercise certain legal powers. The Council has indemnified THT against any liability should any of those statements prove to be untrue. This risk will also diminish, but over a much longer time frame.

ii) Unadopted Drains; The Council has indemnified THT for maintenance and repair works relating to unadopted drainage systems. Should a liability arise it is likely to be of small amounts and will be paid out of the Council's revenue budget in the year of occurrence.

iii) There are a number of Environmental warranties that the Council in aggregate has indemnified THT up to £90m and an unlimited indemnification to THT's funders, the Prudential Trustee Company Ltd. The risk of these warranties is partially off-set by VAT receipts from works done by THT on the Council's behalf. The liabilities and risks of the warranties will be kept under constant review.

iv) Asbestos; The Council has given THT a 30 year indemnification against any cost of works arising from asbestos above an excess in any one year of £308,500. This is a rolling excess in that should any excess in one year be unused, it will roll over into the next financial year.

v) Pollution and Contaminated Land; The Council has extended a 30 year indemnification for any pollution clear up on land transferred where the pollution occurred before the transfer date.

(d) Timperley Sports Club

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

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

(e) Section 106 Agreements

A number of agreements in accordance with Section 106 of the Town and Country Planning Act 1990 exist between the Council and developers associated with the planning conditions attached to new developments. In respect of contributions received to date, should the conditions in the agreement not be met by the Council then amounts would become repayable to developers, these total £1.77m.

(g) Local Land Charges

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

(h) AMEY Contract – Warranties, Indemnities – TUPE and Pension

A number of warranties, guarantees and indemnities are provided for within the Partnership Agreement covering the One Trafford partnership with AMEY Plc. Complete details are available from the Director of Legal and Democratic Services, however the most significant one relates to TUPE, whereby the Council has agreed to indemnify AMEY Plc against any liability which arises, partly as a result of any omission by the Council before or after the Service Commencement, in relation to any Transferring Employee who transfers in accordance with TUPE.

52. Contingent Assets

(a) Section 106 Agreements

A number of agreements in accordance with Section 106 of the Town and Country Planning Act 1990 exist between the Council and developers associated with the planning conditions attached to new developments. In respect of contributions received to date, should the conditions in the agreement not be met by the Council then amounts would become repayable to developers and these are included under contingent liabilities. Should developments proceed and conditions within agreements be met then the estimated value of contributions the Council will receive is £14.45m.

53. Nature and Extent of Risks Arising from Financial Instruments

Key Risks

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

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

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

Overall Procedures for Managing Risk

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

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

These are required to be reported and approved at or before the Council's annual Council Tax setting budget or before the start of the year to which they relate. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported 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 2018/19 was approved by Council on 21 February 2018 and is available on the Council website. A summary of the policies and key indicators together with the actual outcomes are shown in the tables below;

Approved policy	Activity undertaken
Debt	
Any new borrowing undertaken will be to (a) assist finance the Council's capital Investment programme and (b) start to replace funds previously used to finance capital spend (under borrowed position) and will be subject to favourable interest rates and budget provision being available permitting this course of action.	£60.4m of new debt was taken in accordance with the approved policy to fund new capital spend and was undertaken in accordance with information obtained from the Council's advisors.
Debt restructuring exercises to be undertaken which produce revenue savings.	An opportunity to restructure and replace £20m of market loans arose during the year which the Council took advantage of resulting in annual revenue savings being generated.
Investment	
All investments were placed in accordance with the approved practice of Security, Liquidity & Yield.	This was fully complied with.
In compliance with MHCLG Investment Guidance the maximum amount of investments which could be placed in Non-specified investments was set at £90m.	This limit was not exceeded and at 31 March 2019 Non Specific Investments totalled £57.7m, £5.0m Church Commissioners Local Authority Property Fund and £52.7m for Manchester International Airport shares.

Prudential Indicators for 2018/19

Indicator	Indicator set by Council	Actual 31.03.19
Authorised Borrowing Limit	**£m**	**£m**
Maximum level of external debt & other long term liabilities (PFI & leases) undertaken by the authority including any temporary borrowing – this is statutory limit under section 3(1) of the Local Government Act 2003.	475.5	220.6
Operational Boundary	**£m**	**£m**
Calculated on a similar basis as the Authorised limit & represents the expected level of external debt & other long term liabilities (PFI & leases) excluding any temporary borrowing - this is not a limit.	460.5	220.6
Upper limits on fixed interest rates	**£m**	**£m**
Maximum limit of fixed interest rate exposure – debt less investment	5.1	4.5
Upper limits on variable interest rates	**£m**	**£m**
Maximum limit of variable interest rate exposure – debt less investment	2.2	0.6
Gross debt and Capital Financing Requirement		
This reflects that over the medium term, debt will only be taken for capital purposes	During 2018/19 the Corporate Director of Finance and Systems can confirm that this indicator was complied with.	
Maturity structure of fixed rate borrowing	**%**	**%**
These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing – these are required for upper as shown and lower limits which were set at 0%.		
Under 1 year (this includes the next call date for Market loans)	30	9
1 year to 2 years	30	8
2 years to 5 years	30	5
5 years to 10 years	30	3
10 years to 20 years	30	4
20 years to 30 years	30	8
30 years to 40 years	30	16
40 years and above	90	47
Maximum principal funds invested exceeding 364 days	**£m**	**£m**
These limits are set to reduce the need for early sale of an investment and includes Manchester Airport shares £52.7m and Church Commissioners Local Authorities Property Investment Fund investment of £5.0m	90.0	57.7

Credit Risk

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

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

The Council uses the creditworthiness service provided by Link Asset Services which uses a sophisticated approach incorporating;

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

The Annual Investment Strategy for 2018/19 was approved by Council at its meeting on 21 February 2018 and updated at Council on 24th July 2018 and are available on the Council's website. Stated within this strategy are the maximum amounts and time limits funds can be placed with a financial institution located within each category as detailed below;

Financial Asset Category	Minimum credit rating (Fitch or equivalent)	Maximum investment	Maximum period
Banks & Building Societies	Short Term: F1	£75m	3 Years
	Long Term: AA		
Banks & Building Societies	Short Term: F1	£25m	1 Year
	Long Term: A+		
Banks & Building Societies	Short Term: F1	£10m	1 Year
	Long Term: A-		
Pooled Investment Vehicles	AAA	£100m	3 Years
UK Government including Local Authorities & Debt Management Office	N/A	£100m	3 Years
UK Banks – part nationalised	N/A	£20m	1 Year
The Council's own bank if the bank falls below the above criteria for transactional purposes only	N/A	n/a	1 Day
Church Commissioners Local Authority Property Investment Fund	N/A	£30m	10 Years

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

Deposits with banks and financial institutions	Amount at 31 March 2019 £000	Historical experience of default* %	Estimated maximum exposure to default £000	Expected Credit Losses £000
AAA rated counterparties	22,280	0.04	9	0
AA rated counterparties	23,000	0.02	5	0
A rated counterparties	27,570	0.05	14	0
Non rated counterparties	5,042	n/a	0	0
Trade debtors **	6,237	Local experience	500	0
Total	**84,129**		**528**	**0**

* The historical default rate has been calculated by using the average 1 year default rates from all three main rating agencies at March 2017. The 2018 figures will be published too late for the 2018/19 accounts.

** 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 2019.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £28k 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 2019 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 2018 £000	%	31 March 2019 £000	%
Australia	-	-	12,000	15
Singapore	-	-	3,000	4
UK	70,715	97	62,892	81
United Arab Emirates	2,500	3	0	0
Total	**73,215**	**100**	**77,892**	**100**

The Council does not generally allow credit for its trade debtors, such that £6.2m of the £84.1m balance is past its due date for payment. The past due amount can be analysed by age as follows:

	31 March 2018 £000s	31 March 2019 £000s
Less than one year	8,180	5,886
More than one year	361	351
Total	**8,541**	**6,237**

Liquidity Risk

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when it is needed.

The Council has ready access to borrowings from the Money Markets to cover any day to day cash flow need, and for longer term funds these can be accessed from both the PWLB and Money Markets. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

Refinancing & Maturity Risk

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

The approved prudential indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk.

The Council's approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of financial assets based on original principal lent is as follows, and excludes the Manchester airport loan, Section 106 debtors and sums due from customers;

Period	31 March 2018 £000	31 March 2019 £000
Instant access	30,280	22,240
Up to 3 Months	13,070	16,570
3 to 6 Months	10,900	12,000
6 to 9 Months	2,000	11,500
9 to 12 Months	9,500	10,500
Over 1 Year	7,465	5,042
Total	**73,215**	**77,892**

The analysis of financial liabilities is based on both the carrying amount and original maturity date – all trade and other payables due to be paid in less than one year are not shown in the table below:

Period	31 March 2018 £000	31 March 2019 £000
Under 1 Year	5,756*	6,551
1 year to 2 years	4,940	16,778
2 years to 5 years	24,507	12,761
5 years to 10 years	12,059	10,628
10 years to 20 years	23,673	23,018
20 years to 30 years	16,793	18,958
30 years to 40 years	22,980	34,802
40 years and above	62,942	104,811
Total	**173,650**	**228,307**

*Includes a £158k Public Works Loan Board loan maturing on 30th March 2018 but due to this date being a bank holiday funds were not paid until 3rd April 2018.

Risks associated with these different types of instruments are impacted by their maturity dates and in the case of LOBOs, the frequency of option dates.

The Council's treasury management strategy considers the whole of its borrowing and investment portfolios, not just individual transactions. At the time of entering into each subsequent new borrowing, the strategy has been for funds to be taken which offered, at the time of take up, the best financial option to the Council.

In the event of a lender exercising its option to propose an increase in the interest rate at each set date then the Council can either accept the new rate or repay the loan at no additional cost. Whilst it is unlikely lenders will exercise this option in the current low interest rate environment, there remains a possibility that this could occur. Should this situation occur and in accordance with the Council's policy the Council will exercise its borrower's option and repay the loan and make a further decision at that time as to whether it is prudent to take a replacement loan.

The following tables set out the relevant terms of the various instruments the Council holds including the carrying amounts held in the balance sheet, interest rates, maturity dates and LOBO option frequency dates:

	31 March 2019				
Type of loan	**Principal plus accrued interest**	**Current contractual interest rate (range)**	**Original maturity**	**Remaining maturity**	**Frequency of LOBO option dates**
	£000	%			
PWLB – fixed rate	153,550	0.01 – 3.00	3yrs – 50yrs	2yrs – 50yrs	N/A
	11,027	3.01 - 6.00	20yrs – 49yrs	15yrs – 37yrs	N/A
	17,690	6.01 - 9.13	20yrs – 40yrs	0.25yrs – 8yrs	N/A
Fixed interest rate LOBOs*	37,068	4.20 - 4.99	32yrs – 60yrs	17yrs – 48yrs	6mths
Inverse LOBOs -	0	7.48	49yrs	0yrs	0
Other Government	3,637	0.00	5yrs	1.5yrs – 2.5yrs	N/A

	31 March 2018				
Type of loan	**Principal plus accrued interest**	**Current contractual interest rate (range)**	**Original maturity**	**Remaining maturity**	**Frequency of LOBO option dates**
	£000	%			
PWLB– fixed rate	72,940	0.01 – 3.00	3yrs – 50yrs	3yrs – 50yrs	N/A
	13,664	3.01 - 6.00	20yrs – 49yrs	0.5yrs – 48yrs	N/A
	17,690	6.01 - 9.13	20yrs – 40yrs	1.25yrs – 8yrs	N/A
Fixed interest rate LOBOs*	38,681	4.20 - 4.99	32yrs – 60yrs	18yrs – 49yrs	6mths
Inverse LOBOs	20,124	7.48	49yrs	42yrs	5yrs**
Other Government	5,000	0.00	5yrs	2.5yrs – 3.5yrs	N/A

* Includes EIR adjustment of £0.8m

**The next review date is April 2019.

The table below shows both the Carrying and Fair values (calculation as described on page 82) of the Council's loans split between the various instruments:

	31 March 2018		31 March 2019	
Type of loan	**Carrying value**	**Fair value**	**Carrying value**	**Fair value**
	£000	£000	£000	£000
PWLB	104,294	138,966	182,267	248,078
Fixed interest rate LOBOs*	38,681	59,051	37,068	62,442
Inverse LOBOs	20,124	56,593	0	0
Other Government	5,000	4,981	3,640	3,602

Market Risk

Interest rate risk - The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise;
- borrowings at fixed rates – the fair value of the borrowing liability will fall (no impact on revenue balances);
- investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise; and
- investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances).

Maturity risk - Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the surplus or deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the surplus or deficit on the Provision of Services or Other Comprehensive Income and Expenditure and affect the General Fund Balance, subject to influences from Government grants. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in the Other Comprehensive Income and Expenditure Statement.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. The Council's treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns, similarly the drawing of longer-term fixed rates borrowing would be postponed.

If all interest rates had been 1% higher as at 31 March 2019 with all other variables held constant, the financial effect would be calculated as follows:

	£000
Increase in interest receivable on variable rate investments	(273)
Decrease in fair value of fixed rate borrowings liabilities (no impact on Comprehensive Income & Expenditure Statement)	59,916

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 £52.7m in Manchester Airport Group and £5.0m in Church Commissioners Property Fund. Whilst these holdings are generally illiquid, the Council is exposed to losses arising from movements in the price of shares.

All movements in the share values will impact on gains and losses and a general shift of 5% in the price of shares (positive or negative) would have resulted in a £2.89m gain or loss however any movements in price. This will not impact on the General Fund balance as regulations are in force to amend the impact of fair value movements.

Foreign exchange risk - The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

54. Trust Funds

The Council administers a number of Trust Funds. The values of these funds, which are not included in the Balance Sheet, were £0.405m at 31 March 2019 and are listed below.

Value of Fund 31st March 2018 £000		Value of Fund 31st March 2019 £000
2	J Birkhead Trust Fund	2
396	Del Panno Trust	373
30	Clifford Wilcox	30
428	**Total monies held in Trusts**	**405**

55. Effect of Prior Period Adjustments

Comprehensive income and expenditure statement

Prior period adjustments have been made to the Council's 2017/18 published financial statements relating to:-

(i) Information Unit expenditure and income, previously shown within Transformation and Resources Directorate was transferred to Adults Services in October 2018;

(ii) The management structure of the Transformation & Resources Directorate was divided up into three individual Directorates in July 2018.

Year ended 31 March	2017/18		
Service	**Gross Expenditure £000**	**Gross Income £000**	**Net Expenditure £000**
Adults Services	**92,509**	**(33,931)**	**58,578**
Restatement (i)	135	-	135
Restated Adults Services	**92,644**	**(33,931)**	**58,713**
Transformation & Resources	**32,946**	**(11,210)**	**21,736**
Restatement (i)	(135)	-	(135)
Sub-total	**32,811**	**(11,210)**	**21,601**
Restatement (ii)	(32,811)	11,210	(21,601)
Restated Transformation & Resources	**0**	**0**	**0**
Restatement (ii)			
Governance and Community Strategy	10,566	(2,816)	7,750
Finance and Systems	13,450	(3,399)	10,051
People and Traded Services	8,795	(4,995)	3,800
Total	**32,811**	**(11,210)**	**21,601**

Supplementary Statements

Collection fund

About this account

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers of Council Tax and Non-Domestic Rates (NDR) and its distribution to local authorities and the Government.

2017/18					2018/19		
Business Rates £000	**Council Tax £000**	**Total £000**	**Year ended 31 March**	**Notes**	**Business Rates £000**	**Council Tax £000**	**Total £000**
			INCOME				
	(107,090)	(107,090)	Income from Council Tax Payers	2		(114,143)	(114,143)
(163,634)		(163,634)	Income from Non-Domestic Rate Payers	3	(158,951)		(158,951)
			Transitional Protection Payments Receivable				
(2,825)		(2,825)	Contributions towards previous years' estimated Collection Fund Deficit	3	(10,726)		(10,726)
(166,459)	**(107,090)**	**(273,549)**	**TOTAL INCOME**		**(169,677)**	**(114,143)**	**(283,820)**
			EXPENDITURE				
			Council Tax Precept Demands :				
	88,714	88,714	- Trafford Council			94,562	**94,562**
	12,154	12,154	- Police and Crime Commissioner for GM/ GMCA Mayoral Police and Cime Commissioner			13,255	**13,255**
	4,489	4,489	- GMCA Mayoral General Precept (including Fire Services)			5,167	**5,167**
			Non-domestic Rates :				
-		-	- Payment to Central Government		-		**-**
1,522		1,522	- GMCA Mayoral General Precept (including Fire Services)		1,541		**1,541**
150,656		150,656	- Trafford Council		152,522		**152,522**

Collection fund (continued)

2017/18				2018/19			
Business Rates £000	**Council Tax £000**	**Total £000**	**Year ended 31 March**	**Notes**	**Business Rates £000**	**Council Tax £000**	**Total £000**
			Charges to Collection Fund:				
418	1,314	1,732	- Write offs of uncollectable amounts		1,402	420	1,822
1,174	(771)	403	- Increase/(Decrease) in Bad Debt Provision		237	141	378
(626)		(626)	- Increase/(Decrease) in Provision for Appeals		(181)		(181)
443		443	- Costs of Collection		444		444
82		82	- Disregarded Amounts		81		81
8,772		8,772	Transitional Protection Payments Payable		3,956		3,956
			Contributions :				
1,531	1,549	3,080	- Distribution of previous years' estimated Collection Fund Surplus	3		594	594
163,972	**107,449**	**271,421**	**TOTAL EXPENDITURE**		**160,002**	**114,139**	**274,141**
(2,487)	**359**	**(2,128)**	**(Surplus) / Deficit for year**		**(9,675)**	**(4)**	**(9,679)**
12,020	**(2,539)**	**9,481**	**Balance brought forward as 1 April**		**9,533**	**(2,180)**	**7,353**
(2,487)	359	(2,128)	Deficit/(Surplus) for the Year (as above)		(9,675)	(4)	(9,679)
9,533	**(2,180)**	**7,353**	**(Surplus) / Deficit as at 31 March**	4	**(142)**	**(2,184)**	**(2,326)**
			Allocated to:				
4,075	(1,824)	2,251	- Trafford		(141)	(1,801)	(1,942)
-	(256)	(256)	- Police and Crime Commissioner for GM/ GMCA Mayoral Police and Cime Commissioner		-	(276)	(276)
95	(100)	(5)	- GMCA Mayoral General Precept (including Fire Services)		(1)	(107)	(108)
5,363	-	5,363	- Central Government		-	-	-
9,533	**(2,180)**	**7,353**			**(142)**	**(2,184)**	**(2,326)**

Notes to the collection fund

1. General

The Council has a statutory requirement to operate a Collection Fund as a separate account to the General Fund. The purpose of the Collection Fund therefore, is to isolate the income and expenditure relating to Council Tax and Non-Domestic Business Rates. The administrative costs associated with the collection process are charged to the General Fund.

Collection Fund surpluses declared by the billing authority in relation to Council Tax are apportioned to the relevant precepting bodies in the subsequent financial year. Deficits likewise are proportionately charged to the relevant precepting bodies in the following year. For Trafford, the Council Tax precepting bodies in 2018/19 were the GMCA Mayoral Police and Cime Commissioner and the Mayoral General Precept (including Fire Services).

In 2013/14, the local government finance regime was revised with the introduction of the retained business rates scheme. The main aim of the scheme is to give Councils a greater incentive to grow businesses in the Borough. It does, however, also increase the financial risk due to non-collection and the volatility of the NDR tax base.

The scheme allows the Council to retain a proportion of the total NDR received. Up until 2016/17 Trafford's share was 49% with the remainder paid to precepting bodies. For Trafford the NDR precepting bodies were Central Government (50% share) and GMFRA (1% share).

In addition to the above, in 2015/16 and extended in 2016/17, the MHCLG awarded Greater Manchester Growth Pilot Status allowing it to retain 100% of business rates above an agreed threshold with the application of any growth including Trafford's share being decided by the combined authority.

2017/18 saw the introduction of the Greater Manchester 100% Business Rates Retention pilot, which resulted in the Government's share of business rates growth above a baseline of 50% being retained within Greater Manchester. The respective shares of the business rates income and expenditure and balance sheet items, previously allocated on a percentage split of 50/49/1 between Central Government, Trafford Council and GMFRA was updated to 99/1 between Trafford Council and GMFRA. This revised allocation has been reflected in the amount of net business rates distributed from the Collection Fund to Trafford's General Fund as well as significant changes in the Council's balance sheetin the 2017/18 financial year as a result of inheriting the Government's share of historic balances. The 100% Business Rates Retention pilot has continued to operate in the current financial year.

NDR surpluses declared by the billing authority in relation to the Collection Fund are apportioned to the relevant precepting bodies in the subsequent financial year in their respective proportions. Deficits likewise are proportionately charged to the relevant precepting bodies in the following year.

The national code of practice followed by Local Authorities in England stipulates that a Collection Fund Income and Expenditure account is included in the Council's accounts. The Collection Fund balance sheet meanwhile is incorporated into the Council's consolidated balance sheet.

Altrincham Town Centre Business Improvement District (BID)
Altincham Town Centre's BID commenced on 1 April 2016. The BID is a business led partnership by businesses within Altrincham Town Centre with the aim to deliver improvements including:

- Experience Altrincham – Giving more reasons to visit, more often; creating a strong and stylish consumer identity for Altrincham; promoting the breadth of retail.

- Business Altrincham - Improving working life for businesses in Altrincham; creating a responsible business community that is able to affect long term change in the town through proactive leadership;connecting and collaborating with local people and groups.
- Rediscover Altrincham - Putting the heart back into Altrincham to ensure that shoppers and local residents feel welcome in the town and to provide them with reasons to keep coming back.

To do this a BID levy is added to each of the participating businesses annual Business Rates bill. The income raised by the BID levy is managed by a separate and unrelated organisation to the Council, Altrincham BID Ltd. BID legislation requires the Council to collect and recover the BID Levy as part of the annual Business Rates billing process. As such the Council is acting as an agent and simply passing the income collected through the BID levy to Altrincahm BID Ltd. The collected income is not accounted for in the Council's Statement of Accounts.
The BID legislation does allow for the Council to recover administrative costs of collecting the BID Levy on behalf of Altrincham BID Ltd.

2. Council Tax

This tax was introduced on 1 April 1993 with all domestic properties placed in one of eight valuation bands. The Government has determined that the Council Tax payable in each band will be a specified fraction of the middle valuation band, known as band D.
Each year, the Council must estimate the equivalent number of band D properties, after allowing for discounts, exemptions, losses on collection etc. For 2018/19, the calculation was as follows:

	Total No. Dwellings (i)	Specified Fraction	Band 'D' Equivalent
Band A (disb)	19	X5/9	10
Band A	15,649	x6/9	10,432
Band B	19,160	x7/9	14,902
Band C	24,367	x8/9	21,660
Band D	13,678	x9/9	13,678
Band E	7,224	x11/9	8,830
Band F	4,271	x13/9	6,169
Band G	3,942	x15/9	6,570
Band H	960	x18/9	1,920
	89,270		**84,171**
Less allowance for losses on collection			(799)
Adjustment for Annexes estimate			(71)
Less cost of Council Tax Support Scheme			(7,256)
Council Tax Base			**76,045**

The actual number of properties was 99,107, after adjusting for single person discounts, empty properties etc., the notional number of dwellings is 89,270.

The Band D Council Tax levied for the year was £1,484.89 (£1,405.83 in 2017/18).

3. Non-Domestic Rates

The business rates shares payable for 2018/19 were estimated before the start of the financial year as zero to Central Government, £1.541m to GMFRA and £152.522m to Trafford Council which were in line with the revised percentage shares under the 100% Rates Retention Scheme. These sums have been paid in 2018/19 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 2018/19 to the value of £86.751m (see note 13 and 41).

The total income from business rate payers after discounts, reliefs and allowance for provisions for bad debt and appeals in 2018/19 was £153.012m (£153.371m in 2017/18). This sum includes £3.956m (£8.772m in 2017/18) of transitional protection payments from ratepayers, which under Government regulation should have a neutral impact on the business rate retention scheme. This sum has to be repaid to Central Government.

Authorities are expected to finance appeals made in respect of rateable values as defined by VOA as at 31 March 2019. As such, authorities are required to make a provision for these amounts. Appeals are charged and provided for in proportion of the precepting shares. The total provision charged/(credited) to the collection fund for 2018/19 has been calculated at £(0.181)m, (0.626)m in 2017/18.

The movement and balance c/fwd on the provision is as follows:-

Value of Provision £ 31.03.18		**Value of Provision £ 31.03.19**
39,979	Balance at 1 April	39,354
(11,496)	Amount of appeals paid during the year	(8,599)
10,871	In year contributions to the provision	8,418
(625)	**Net Increase/(Decrease)**	**(181)**
39,354	**Balance at 31 March**	**38,992**

During 2018/19 the provision for appeals has been reassessed to take into account settled appeals in addition to potential cases for major infrastructure projects. The net impact has been a reduction in the provision for appeals of £0.181m.

The overall outturn position on the Non Domestic Rates element of the Collection Fund is an in year deficit of £1.051m against a suplus of £1.193m in 2017/18. This deficit will be collected proportionately from the two precepting bodies, Trafford and Greater Manchester Fire and Rescue. Trafford's share of the in-year deficit is £1.040m

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

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

As a consequence, of the 100% Business Rates Retention Pilot introduced in 2017/18, the amount of levy Trafford would have paid to the GM Pool has been replaced with a payment designed to ensure that the Council was no better or worse off when compared with the previous sharing arrangements. Trafford has made a payment of £9.2m to Greater Manchester Combined Authority (GMCA) in 2018/2019 (£12.2m in 2017/2018), representing the overall benefit from being in the 100% Pilot and successfully negotiated the continuation of the rebate originally agreed in 2017/18 at 50% of this figure.

In addition to the above, GMCA agreed to redistribute to pilot authorties uncommitted Growth Pilot monies from 2017/18, Trafford's share of this was £3.3m and has been accrued to the 2018/19 General Fund, with a figure of £2.5m being transferred to an earmarked reserve to cusion future volatility in the business rates budget.

The total non-domestic rateable value at 31 March 2019 is £372.8m (£380.4m 2017/18 amended from incorrect figure stated in 2017/18 accounts of £367.6m), and the national multipliers applicable for 2018/19 were 48.0p for qualifying Small Businesses, and the standard multiplier being 49.0p for all other businesses (46.6p and 47.3p respectively in 2017/18).

Estimated Surplus and Deficits

Regulations require the Council to make estimates in January each year of the surplus or deficit likely to arise at the year end, and to transfer these amounts into or out of the collection fund in the following financial year.

Council Tax Estimated Surplus/Deficit

In January 2018 it was estimated that the council tax element of the collection fund would have a surplus of £0.594m (£1.549m surplus in January 2017) . This was distributed to the relevant precepting bodies as shown below, with Trafford's element utilised to support General Fund expenditure during the year.

2017/18 £000	Distribution of Council Tax (Surplus) on Collection Fund	2018/19 £000
(1,300)	Trafford	(500)
(181)	GMCA Mayoral Police and Cime Commissioner	(69)
(68)	Mayoral General Precept (including Fire Services)	(25)
(1,549)	**Estimated Collection Fund (Surplus)/Deficit**	**(594)**

NDR Estimated Surplus/Deficit

In January 2018 it was estimated that the NDR element of the collection fund would have a deficit of £10.726m (£1.531m surplus in January 2017). This was collected from the relevant precepting bodies as shown below.

2017/18 £000	Collection of NDR Deficit/Distribution of (Surplus) on Collection Fund	2018/19 £000
(766)	Trafford	5,256
(750)	Central Government	5,363
(15)	Greater Manchester Fire & Rescue Authority	107
(1,531)	**Estimated Collection Fund (Surplus)/Deficit**	**10,726**

4. Year End Surplus/Deficit 2018/19

Council Tax

The opening balance for the Collection Fund for 2018/19 regarding Council Tax was £2.180m surplus. The £2.184m surplus which had accrued at the year-end in respect of Council Tax transactions will be distributed in subsequent years to the Council's General Fund, the GMCA – Mayoral Police and Crime Commissioner and the GMCA - Mayoral General Precept (including Fire Services).

2017/18 £000	Allocation of year-end (Surplus)/Deficit on Collection Fund	2018/19 £000
(1,824)	Trafford	(1,801)
(256)	GMCA Mayoral Police and Cime Commissioner	(276)
(100)	GMCA Mayoral General Precept (including Fire Services).	(107)
(2,180)	**Estimated Collection Fund (Surplus)/Deficit**	**(2,184)**

In the Balance Sheet at 31 March 2019, the Council has included the £2.184m surplus on a disaggregated basis as a Creditor to the GMCA – Mayoral Police and Crime Commissioner and the GMCA – Mayoral General Precept (including Fire Services) to the value of £0.383m, and a £1.801m attributable surplus on the Council Tax Collection Fund balance alongside the General Fund.

Non Domestic Rates

The opening balance for the Collection Fund for 2018/19 regarding NDR was a deficit of £9.533m and is repaid in subsequent years by the Council's General Fund, the GM Fire and Rescue Authority and Central Government.

2017/18 £000	Allocation of year-end (Surplus)/Deficit on Collection Fund	2018/19 £000
4,075	Trafford	(140)
95	Mayoral General Precept (including Fire Services)	(1)
5,363	Central Government	-
9,533	**Estimated Collection Fund (Surplus)/Deficit**	**(141)**

In the Balance Sheet at 31 March 2019, the Council has included the £0.141m surplus on a disaggregated basis as a Creditor to the GM Fire & Rescue Authority to the value of £1k, and a £0.140m attributable surplus to the NDR Collection Fund balance alongside the General Fund.

Group Accounts

Introduction

The CIPFA Code of Practice requires that where an Authority has material financial interests and a significant level of control over one or more entities, it should prepare group accounts. The aim of these statements is to give an overall picture of the Council's financial activities and the resources employed in carrying out those activities.

Before group accounts can be produced, the following actions need to be carried out:

• Determine whether the Council has any form of interest in an entity

• Assess the nature of the relationship between the Council and the entity

Classification of Group Entities

The Council has relationships with a number of entities over which it has varying degrees of control or influence. The Code of Practice requires these to be classified into the categories of subsidiaries, associates and joint ventures. The meanings of these are outlined below.

Subsidiary

An entity is a subsidiary of the reporting Council, if the Council is able to exercise control over the operating and financial policies of the entity and the Council is able to gain benefits from the entity or is exposed to the risk of potential losses arising from this control

Associates

An entity is an associate of the reporting Council, if the Council has significant influence over the entity.

Joint Venture

An entity in which the reporting Council has an interest on a long term basis and which is jointly controlled by the reporting Council and one or more other entities under a contractual or other binding arrangement.

Inclusion within the Group Accounts

The following entities are classified as subsidiaries of the Council:

Trafford Leisure CIC

The Council has a business relationship with one entity over which it has significant control or influence. From October 2015 the services provided by Trafford Community Leisure Trust were transferred into a Community Interest Company (CIC), Trafford Leisure CIC Ltd., wholly owned by the Council.

One other entity called Trafford Youth Trust, which was established on 11th March 2016 for the provision of Youth Services, has been excluded from Group Accounts on the grounds of materiality.

The following entity has been deemed to be classified as a Joint Venture of the Council, as it is jointly controlled with one or more entities under a contractual or other binding agreement.

Trafford Bruntwood LLP

As part of its investment Strategy, on 20 March 2018 the Council set up a Limited Liability Partnership, joint venture with K Site Ltd called Trafford Bruntwood LLP. The entity will be responsible for the redevelopment of the former Kelloggs headquarters site at Talbot Road, Stretford in line with the Civic Quarter Masterplan for the wider area. K Site Ltd is a wholly owned subsidiary of Bruntwood Development Holdings Ltd.

On 9th April 2018, the LLP purchased the former Kelloggs site and shortly after refurbishment work commenced to transform the site into a suitable building to host the University of Lancaster and Eduction 92 Limited (UA92) university, focussing on sports, meadia and management.

Both Trafford Council and K Site Ltd were issued with 1 share each in Bruntwood LLP. Each party has a total of three directors on the management board, with resolutions requiring to be passed by a majority vote.

Group Comprehensive Income and Expenditure Statement

This statement sets out the income and expenditure relating to the Council and its subsidiary, as a whole, together with any appropriations to reserves.

2017/18 (Restated)			Year ended 31 March	2018/19			
Gross Expenditure £000	**Gross Income £000**	**Net Expenditure £000**	**Service**	**Note**	**Gross Expenditure £000**	**Gross Income £000**	**Net Expenditure £000**
197,122	(151,562)	45,560	Children's Services		198,816	(158,402)	40,414
92,644	(33,931)	58,713	Adults Services		97,923	(37,848)	60,075
50,992	(28,909)	22,083	Place		54,540	(25,829)	28,711
10,566	(2,816)	7,750	Governance and Community Strategy		11,604	(2,920)	8,684
13,450	(3,399)	10,051	Finance and Systems		13,431	(3,883)	9,548
8,795	(4,995)	3,800	People and Traded Services		8,221	(4,964)	3,257
63,645	(59,450)	4,195	Council-wide		57,330	(52,196)	5,134
437,214	**(285,062)**	**152,152**	**Cost of Services**		**441,865**	**(286,042)**	**155,823**
38,091	(2,466)	35,625	Other Operating Expenditure		41,478	(5,566)	35,912
40,961	(26,979)	13,982	Financing and Investment Income and Expenditure		51,000	(34,423)	16,577
	(177,095)	(177,095)	Taxation and Non-Specific Grant Income and Expenditure			(190,346)	(190,346)
		24,664	**(Surplus) or Deficit on Provision of Services**				**17,966**
			Share of operating results of Joint Ventures	**G4**			**117**
		50	Tax expense/(Deferred Tax) of subsidiary				**(12)**
			Tax expenses of Joint Ventures	**G4**			**0**
		24,714	**Group (Surplus) or Deficit**				**18,071**
		(15,386)	(Surplus) or Deficit on Revaluation of Property, Plant and Equipment Assets				(24,508)
		(8,425)	(Surplus) or Deficit on Revaluation of available for sale financial assets				

2017/18 (Restated)			Year ended 31 March	2018/19			
Gross Expenditure £000	**Gross Income £000**	**Net Expenditure £000**	**Service**	**Note**	**Gross Expenditure £000**	**Gross Income £000**	**Net Expenditure £000**
			(Surplus) or Deficit on Revaluation of Financial Instruments				(800)
		(20,797)	Re-measurement of Net Defined Benefit / Liability				41,248
		(44,608)	**Other Comprehensive (Income) and Expenditure**				**15,940**
		(19,894)	**Total Comprehensive (Income) and Expenditure**				**34,011**

Group Balance Sheet

The Group Balance Sheet summarises the financial position of the Council and its subsidiary as a whole. It shows the value of group assets and liabilities at the end of the financial year.

Restated 31 March 2018 £000		Note	31 March 2019 £000
460,785	Property, Plant & Equipment		484,316
1,002	Heritage Assets		996
72,201	Investment Property		110,364
3,093	Intangible Assets		4,693
59,365	Long Term Investments		57,741
	Long-term investments in Joint Ventures	G5	8,925
14,911	Long Term Debtors		31,153
611,357	**Long Term Assets**		**698,188**
35,243	Short Term Investments		50,777
5,713	Assets Held for Sale		7,534
98	Inventories		93
38,709	Short Term Debtors		32,596
42,222	Cash and Cash Equivalents		33,723
121,985	**Current Assets**		**124,723**
(5,494)	Short Term Borrowing		(6,285)
(56,404)	Short Term Creditors		(55,919)
(30,500)	Short Term Provisions		(30,396)
(697)	Grants Receipts in Advance (Revenue)		(1,292)
(2,055)	Grants Receipts in Advance (Capital)		(1,248)
(95,150)	**Current Liabilities**		**(95,140)**
(36)	Long Term Creditors		(36)
(12,093)	Provisions		(12,310)
(162,605)	Long Term Borrowing		(216,690)
(113)	Revenue Grants & Contributions – Long-Term Receipts in Advance (REFCUS)		(113)
(8,483)	Grant Receipts in Advance (Capital)		(7,352)
(205,908)	Other Long Term Liabilities – Pensions		(276,580)
(9,450)	Other long-term liabilities – Deferred		(9,194)
(398,688)	**Long Term Liabilities**		**(522,276)**
239,504	**Net assets**		**205,496**
(6,000)	General Fund Balance		(7,000)
(52,459)	Earmarked General Fund Reserves (*)		(53,814)
(6,603)	Capital Receipts Reserve		(703)
(219)	Revenue Grants Unapplied (REFCUS)		(3)
(9,727)	Capital Grants Unapplied		(10,827)
(75,008)	**Usable Reserves**		**(72,347)**
(55,427)	Revaluation Reserve		(67,879)
(41,651)	Available For Sale Financial Instruments Reserve		0
	Financial Instruments Revaluation Reserve		(42,528)

Restated 31 March 2018 £000		Note	31 March 2019 £000
(313,472)	Capital Adjustment Account		(329,357)
4,864	Financial Instruments Adjustment Account		16,164
230,100	Pensions Reserve	**G6**	288,691
7,604	Collection Fund Adjustment Account		(1,941)
3,635	Accumulated Absences Account		3,787
(149)	* Council's Share of Reserves of Subsidiary and Joint Ventures (Usable)	**G6**	(86)
(164,496)	**Unusable Reserves**		**(133,149)**
(239,504)	**Total Reserves**		**(205,496)**

* Council's share of Reserves of Subsidiary and Joint Venture (Usable) has now been shown on a separate line. See Re-statement page194.

Group Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Group, analysed into usable reserves (i.e. those that can be applied to fund expenditure) and other reserves. The 'Surplus or Deficit on the Provision of Services' line shows the true economic cost of providing the Group's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund for Council Tax setting and dwellings rent setting purposes.

	General Fund Balance £000	Earmarked General Fund Reserves £000	Total General Fund Balance £000	Capital Receipts Reserve £000	Revenue Grants Unapplied £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Council's Share of Subsidiaries and Joint Ventures £000	Total Council Reserves £000
Balance as at 31 March 2018	**(6,000)**	**(52,459)**	**(58,459)**	**(6,603)**	**(219)**	**(9,727)**	**(75,009)**	**(164,937)**	**441**	**(239,505)**
MOVEMENT IN RESERVES DURING 2018/19										
(Surplus) or deficit on the provision of services	17,866	-	17,866	-	-	-	17,866	-	204	18,070
Other Comprehensive Income and Expenditure								15,745	195	15,940
Total Comprehensive Income and Expenditure	**17,866**	**-**	**17,866**	**-**	**-**	**-**	**17,866**	**15,745**	**399**	**34,010**
Adjustments between accounting basis & funding basis under regulations	(20,221)	-	(20,221)	5,901	216	(1,100)	(15,204)	15,204	-	-
Net (Increase)/Decrease before transfers to Earmarked Reserves	**(2,355)**	**-**	**(2,355)**	**5,901**	**216**	**(1,100)**	**2,662**	**30,949**	**399**	**34,010**
Transfers (to)/from Earmarked Reserves	1,355	(1,355)	-	-	-	-	-	-	-	-
(Increase)/Decrease in 2018/19	**(1,000)**	**(1,355)**	**(2,355)**	**5,901**	**216**	**(1,100)**	**2,662**	**30,949**	**399**	**34,010**
Balance as at 31 March 2019	**(7,000)**	**(53,814)**	**(60,814)**	**(703)**	**(3)**	**(10,827)**	**(72,347)**	**(133,988)**	**840**	**(205,495)**

	General Fund Balance £000	Earmarked General Fund Reserves £000	Total General Fund Balance £000	Capital Receipts Reserve £000	Revenue Grants Unapplied £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Council's Share of Reserves of Subsidiaries and Joint Ventures £000	Total Council Reserves £000
Balance as at 31 March 2017	**(6,000)**	**(39,624)**	**(45,624)**	**(8,524)**	**(99)**	**(10,835)**	**(65,082)**	**(154,984)**	**455**	**(219,611)**
MOVEMENT IN RESERVES DURING 2017/18										
(Surplus) or deficit on the provision of services	24,604	-	24,604	-	-	-	24,604	-	111	24,715
Other Comprehensive Income and Expenditure								(44,484)	(125)	(44,609)
Total Comprehensive Income and Expenditure	**24,604**	**-**	**24,604**	**-**	**-**	**-**	**24,604**	**(44,484)**	**(14)**	**(19,894)**
Adjustments between accounting basis & funding basis under regulations	(37,439)	-	(37,439)	1,920	(120)	1,108	(34,531)	34,531	-	-
Net (Increase)/Decrease before transfers to Earmarked Reserves	**(12,835)**	**-**	**(12,835)**	**1,920**	**(120)**	**1,108**	**(9,927)**	**(9,953)**	**(14)**	**(19,894)**
Transfers (to)/from Earmarked Reserves	12,835	(12,835)	-	-	-	-	-	-	-	-
(Increase)/Decrease in 2017/18	**-**	**(12,835)**	**(12,835)**	**1,920**	**(120)**	**1,108**	**(9,927)**	**(9,953)**	**(14)**	**(19,894)**
Balance as at 31 March 2018	**(6,000)**	**(52,459)**	**(58,459)**	**(6,604)**	**(219)**	**(9,727)**	**(75,009)**	**(164,937)**	**441**	**(239,505)**

Group Cash Flow Statement

The Group Cash Flow Statement summarises the cash flows of the Council and its subsidiary during the year.

2017/18 £000	Year Ended 31 March	2018/19 £000
24,714	Net (surplus) or deficit on the provision of services	17,954
(61,941)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(50,465)
(9,488)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	20,732
(46,715)	**Net cash flows from Operating Activities**	**(11,779)**
54,430	Investing Activities	87,741
(43,443)	Financing Activities	(55,381)
24,192	Net Cash flows from Advanced Pension Contribution	(12,081)
(11,536)	**Net (increase) or decrease in cash and cash equivalents**	**8,500**
(30,687)	Cash and cash equivalents at the beginning of the reporting period	(42,223)
(42,223)	**Cash & cash equivalents at the end of reporting period**	**(33,723)**

Explanatory Notes to the Group Accounts

Where figures in the group accounts differ materially from the Council's accounts, the relevant explanatory notes have been prepared on a consolidated basis. The notes below give information on the areas that have materially changed on consolidation of the group entities into the Council's accounts.

G1. Group Accounting Policies

The Accounting Policies of the Council's subsidiary and Joint Venture companies have been aligned with the Council's Accounting Policies contained in Note 3. Any statutory adjustments between accounting basis and funding basis included in the Council's Accounting Policies do not apply to the subsidiary company or Joint Venture. Notes within the group accounts have not been provided except where there are material differences to those provided in Note 3.

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

Further information and full financial statements for Trafford Leisure CIC Ltd. can be found through the Companies House website, company registration number 9764023.

As a Joint Venture, Trafford Bruntwood LLP has been consolidated using the equity method. The investment is shown under a separate line in the group balance sheet and adjusted by the Council's share (50%) in the joint venture's net asset movement since acquisition. The Council's share of the joint venture's operating results for the year is included within the group income and expenditure account.

Further information and full financial statements for Trafford Bruntwood LLP can be found through the Companies House website, company registration number OC421552.

Trafford Bruntwood LLP operates on a financial year ending on 30th September which coincides with the reporting period of Bruntwood (K Site Ltd) and Bruntwood Development Holdings Limited who have taken the lead role in the preparation of the statutory accounts. Accounting practice dictates that where the accounting period is more than three months before or three months after 31 March, then it will be mandatory for interim statements to be prepared as a basis for the group accounts.

The consolidated group accounts have been prepared using interim accounts for the period to 31st March based on the the Statutory Accounts for the period 20th March 2018 to 30th September 2018 and updated by using the management accounts for the period up to 31st March 2019. The assets of Traffors Bruntwood have been valued using a fair value based on the initial purchase price of the land and building plus an uplift based on the expenditure incurred on the building refurbishment up to 31st March 2019. Once the building is complete, which is expected to be in September 2019, a formal professional valuation exercise will be undertaken.

G2. Bodies Not Consolidated

The following have not been consolidated into Group Accounts.

Entity	Reason
Trust Youth Trafford	Subsidiary although not material

Further details can be found in Note 42. Related Parties.

G3. Group Defined Benefit Pension Schemes

Transactions Relating to Post-employment Benefits

The following transactions have been made in the Group Comprehensive Income and Expenditure Statement and the General Fund Balance through the Group Movement in Reserves Statement during the year: Further details relating to the Council's pension schemes can be found in Note 48 and Note 50.

2017/18 £000		2018/19 £000
COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT		
	Cost of Services:	
	Service Cost comprising:	
27,218	• current service cost	26,763
546	• past service costs	236
-	• (gain)/loss from settlements	-
	Financing and Investment Income and Expenditure:	
6,351	• net interest cost	5,884
34,115	***Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services***	**32,883**
-	*Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement*	-
	Re-measurement of the net defined benefit liability comprising:	
(3,924)	• Return on plan assets (excluding the amount included in the net interest cost)	(32,843)
-	• Actuarial gains and losses arising on changes in demographic assumptions	-
(16,596)	• Actuarial gains and losses arising on changes in financial assumptions	73,326
(277)	• Other	765
13,318	**Total Post Employment Benefit Charged to the Comprehensive Income & Expenditure Statement**	**74,131**
	Movement in Reserve Statement	
(18,854)	• reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(17,202)
	Actual amount charged against the General Fund Balance for pensions in the year:	
13,026	• employers' contributions payable to scheme	13,656
2,305	• retirement benefits payable to pensioners	2,304

Pensions Assets and Liabilities Recognised in the Balance Sheet

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

2017/18 £000		2018/19 £000
(909,250)	Present value of the defined benefit obligation	(1,013,399)
703,342	Fair value of plan assets	736,819
(205,908)	**Net Liability arising from defined benefit obligation**	**(276,580)**

Reconciliation of the Movements in the Fair Value of Scheme Assets

2017/18 £000		2018/19 £000
664,085	Opening fair value of scheme assets	703,242
-	Effect of Settlements	-
17,021	Interest income	18,721
	Re-measurement gain/(loss):	
3,924	• The return on plan assets, excluding the amount included in the net interest expense	32,843
-	• Other	
39,339	Contributions from employer	3,459
4,207	Contributions from employees into the scheme	4,462
(25,234)	Benefits paid	(26,008)
703,342	**Closing fair value of scheme assets**	**736,719**

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

2017/18 £000		2018/19 £000
896,014	Opening present value of scheme liabilities	909,250
27,218	Current service costs	26,763
-	Effect of Settlements	-
23,372	Interest costs	24,605
4,207	Contributions from scheme participants	4,462
	Re-measurement (gains) and losses:	
-	• Actuarial gains/losses arising from changes in demographic assumptions	-
(16,596)	• Actuarial gains/losses arising from changes in financial assumptions	73,326
(277)	• Other	765
546	Past service cost	236
(25,234)	Benefits paid	(26,008)
909,250	**Closing present value of scheme liabilities**	**1,013,399**

Pension Scheme Assets

	31 March 2018 £000	31 March 2019 £000
Equities	66%	69%
Bonds	16%	15%
Property	7%	8%
Cash	11%	8%
Total	**100%**	**100%**

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. Both the Council and Trafford Leisure CIC Ltd. have engaged Hymans Robertson LLP, an independent firm of actuaries to assess their respective pension schemes, estimates being based on the latest full valuation of the scheme as at 31 March 2019 for both Trafford Leisure CIC Ltd. and Trafford Council.

The significant assumptions (for Trafford Leisure CIC Ltd.) used by the actuary have been:

2017/18	Trafford Leisure CIC Ltd. - Mortality assumptions:	2018/19
	Longevity at 65 for current pensioners:	
21.5 years	• men	21.5 years
24.1 years	• women	24.1 years
	Longevity at 65 for future pensioners:	
23.7 years	• men	23.7 years
26.2 years	• women	26.2 years
2.3%	Rate of inflation	2.4%
3.1%	Rate of increase in salaries	3.2%
2.3%	Rate of increase in pensions	2.4%
2.7%	Rate for discounting scheme liabilities	2.5%

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

The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit cost method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in 2018.

Trafford Leisure CIC Ltd. - Change in assumptions at 31 March 2019:	Approximate % increase to Employer Liability	Approximate monetary amount £000
0.5% decrease in real discount rate	13%	720
0.5% increase in the salary increase rate	3%	183
0.5% increase in the pension increase rate	9%	519

The significant assumptions used to assess the Council's Pension scheme assets and liabilities can be found in Note 50, along with an associated sensitivity analysis.

G4 Surplus Attributable to Joint Ventures

This figure represents the total surplus/ deficit attributable to Trafford Bruntwood LLP:

2017/18 £000 Trafford Bruntwood LLP £000	2017/18 £000 Trafford Council Share at 50% £000		2018/19 £000 Trafford Bruntwood LLP £000	2018/19 £000 Trafford Council Share at 50% £000
		Turnover	10	
		Cost of Sales	(198)	
		Gross Profit/(Loss)	(188)	
		Admininstrative Expenses	(45)	
		Other Operating Income		
		Profit/ (Loss) before Taxation	**(233)**	**(117)**
		Taxation	0	0
		Profit/ (Loss) for the Period before Taxation	**(233)**	**(117)**
		Other Comprehensive Income		
		Surplus or Deficit on revaluation of non-current assets	0	0
0	**0**	**Total Comprehensive income for the period**	**(233)**	**(117)**

G5. Investments in Joint Ventures

2017/18 £000		2018/19 £000
	Investment in Joint Ventures	
	Trafford Bruntwood LLP	9,041
	Share of Accumlated profit/(loss)	(117)
0		**8,924**

Summary balance sheet of Bruntwood LLP

2017/18 £000 Trafford Bruntwood LLP £000		2018/19 £000 Trafford Bruntwood LLP £000
	Fixed Assets	16,894
	Current Assets	2,444
	Creditors : Amounts falling due within one year	(1,490)
0	**Net Assets/ (Liabilities)**	**17,848**
	Reserves :-	
	Members Capital – K Site Ltd	9,040.5
	Members Capital – Trafford	9,040.5
	Profit /(Loss) Reserve	(233)
0	**Total Reserves**	**17,848**

G6. Group Reserves

2017/18 £000		2018/19 £000
	Usable Reserves	
(75,008)	Trafford Council (i)	(72,347)
	Unusable Reserves	
(164,936)	Trafford Council (i)	(133,988)
(239,944)	**Sub-Total Trafford Reserves**	**(206,335)**
	Group Usable Reserves	
(149)	Trafford Leisure CIC – Usable	(202)
0	Trafford Bruntwood – Usable	116
(149)	**Sub-Total Group Usable Reserves**	**(86)**
	Group Unusable Reserves	
589	Trafford Leisure CIC – Unusable (ii)	925
0	Trafford Bruntwood – Unusable	0
589	**Sub-Total Group Unusable Reserves**	925
440	**Group Income and Expenditure Reserves**	**851**
(239,504)	**Total Reserves**	**(205,496)**

This table was not shown in 2017/18 accounts as sufficient detail was shown on the face of the balance sheet. It has been added in 2018/19 to show the split of reserves across the Subsidiary and the new Joint Venture.

(i) Further detail can be found in the Council's accounts Note 27

(ii) Unusable reserves of £0.925m for Trafford Leisure CIC relates to their Pension Reserve. The consolidated balance sheet figure of £288.69m consists of Trafford Councils Pension Reserve and Trafford Leisure CIC (£287.765m + £0.925m)

Effect of Prior Period Adjustments - Group Accounts

Group Comprehensive income and expenditure statement

Prior period adjustments have been made to the Council's 2017/18 published financial statements relating to:-

(i) Information Unit expenditure and income, previously shown within Transformation and Resources Directorate was transferred to Adults Services in October 2018;
(ii) The management structure of the Transformation & Resources Directorate was divided up into three individual Directorates in July 2018.
(iii) The Leisure Services Function reporting to Place Directorate in 2018/19 (Previously People and Traded Services within Transformation and Resources)

Year ended 31 March	2017/18		
Service	**Gross Expenditure £000**	**Gross Income £000**	**Net Expenditure £000**
Adults Services	**92,509**	**(33,931)**	**58,578**
Restatement (i)	135	-	135
Restated Adults Services	**92,644**	**(33,931)**	**58,713**
Transformation & Resources	**40,760**	**(18,979)**	**21,781**
Restatement (i)	(135)	-	(135)
Sub-total	**40,625**	**(18,979)**	**21,646**
Restatement (ii)	(40,625)	18,979	(21,646)
Restated Transformation & Resources	**0**	**0**	**0**
Restatement (ii)			
Governance and Community Strategy	10,566	(2,816)	7,750
Finance and Systems	13,450	(3,399)	10,051
People and Traded Services	16,609	(12,764)	3,845
Total	**40,625**	**(18,979)**	**21,646**
Restatement (iii)			
People and Traded Services	16,609	(12,764)	3,845
Restatement (iii) Leisure CIC to Place Directorate	(7,814)	7,769	(45)
Restated People and Traded Services	**8,795**	**(4,995)**	**3,800**

Place	**43,178**	**(21,140)**	**22,038**
Restatement (iii) Leisure CIC from People and Traded Directorate	7,814	(7,769)	45
Restated Place	**50,992**	**(28,909)**	**22,083**

Group Balance Sheet

Prior period adjustments have been made to the Council's 2017/18 published financial statements relating to:-

(i) Council's Share of Reserves of Subsidiary and Joint Ventures (Usable) shown on separate line to aid reader;

Group Balance Sheet	31 March 2018 £000
Earmarked General Fund Reserves	**(52,608)**
Restatement (i)	149
Restated Earmarked General Fund Reserves	**(52,459)**
Usable Reserves	**(75,157)**
Restatement (i)	149
Restated Usable Reserves	**(75,008)**
Council's Share of Reserves of Subsidiary and Joint Ventures (Usable)	**0**
Restatement (i)	(149)
Restated Council's Share of Reserves of Subsidiary and Joint Ventures (Usable)	**(149)**

Glossary

Actuarial Gains and Losses

Over a reporting period, these consist of:
(A) Experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred, including reflection of any funding valuation which has taken place since the last report); and
(B) the effects of changes in actuarial assumptions (split between financial and demographic).

Better Care Fund

The BCF was announced by the Government in the June 2013 spending round to ensure a transformation in health and social care. The BCF creates a pooled budget between the Council and the Clinical Commissioning Group (CCG).

Capital Financing Charges

The annual charge to the revenue accounts in respect of interest and principal repayments of borrowed money together with leasing rentals.

Capital Financing Requirement

This reflects the Council's underlying need to borrow for a capital purpose. It forms a basis for calculating the minimum revenue provision (MRP), which is the amount required to be set aside as provision to repay debt.

Capital Grants

Grants received towards capital outlay on a particular service or project.

Capital Receipts

Money received from the sale of surplus assets such as land or buildings that is used for new capital expenditure or to repay debt.

Carrying Amount

This equates to the level of principal outstanding on loans and investments together with any accrued interest.

CIPFA/LASAAC

The Chartered Institute of Public Finance and Accountancy/Local Authority (Scotland) Accounts Advisory Committee is the body responsible for preparing, maintaining, developing and issuing the Code of Practice on Local Authority Accounting for the United Kingdom.

Collection Fund

The Collection Fund records transactions in respect of the council tax, community charge and non-domestic rates receipts and illustrates the way in which these have been distributed.

Community Assets

Non-current assets that an authority intends to hold in perpetuity and have no determinable useful life.

Coupon Rate
The interest rate stated, expressed as a percentage of the principal (face value).

Creditors
Amounts owed by the Council for work done, goods received or services rendered but for which payment has not been made at the date of the balance sheet.

Current Service Cost (Pensions)

The increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Curtailment

For a defined benefit scheme, an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service.

Curtailments include:

Termination of employees' service earlier than expected, for example as a result of closing a factory or discontinuing a segment of a business, and termination of, or amendment to the terms of, a defined benefit scheme so that some or all future service by current employees will no longer qualify for benefits or will qualify only for reduced benefits.

DfE (Department for Education)

This is the Government department responsible primarily for schools. It administers the majority of funding for schools including Dedicated Schools Grant, the major form of financial support.

Debtors

Sums of money due to the Council but which are unpaid at the date of the balance sheet

Deferred Debtors/Deferred Capital Receipts

Corresponding entries relating to sums due at some time in the future, for example from the sale of council houses purchased with the help of mortgages granted by the Council.

Defined Benefit Scheme

A pension or other retirement benefit scheme other than a defined contribution scheme. Usually the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).

Defined Contribution Scheme

A pension or other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Depreciation/Amortisation

An amount charged to revenue accounts to represent the wearing out of non-current assets.

Direct Service Organisation (DSO)

The in-house team which has won a contract to carry out work, or provide a service following a competitive tendering process.

Discretionary Benefits

Retirement benefits which the employer has no legal, contractual or constructive obligation to award and which are awarded under the authority's discretionary powers.

Effective Interest Rate

The rate at which debt charges are applied to the comprehensive income and expenditure statement.

Financial Instruments

The term covers both financial assets and liabilities. The borrowing, service concession arrangements (PFI & finance leases) and investment transactions are classified as financial instruments.

General Fund

The main revenue account of the Council into which the Council's precept from the Collection Fund and specific Government grants are paid and from which is met the cost of providing services.

Greater Manchester Combined Authority (GMCA)

Created by the Local Government, Economic Development and Construction Act, the Greater Manchester Combined Authority (GMCA) assumed its powers and duties on 1 April 2011. It took over the functions previously the responsibility of the Greater Manchester Integrated Transport Authority (GMITA), which it replaced. It also took over responsibility for transport planning, traffic control and wide loads, assumed responsibility for the transportation resources allocated to the Greater Manchester region and regional economic development functions.

Greater Manchester Waste Disposal Authority (GMWDA)

This is a levying Authority that provides waste disposal strategy, policy and services to nine of the AGMA Councils.

Heritage Assets

Heritage assets are assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical value.

Impairment

A reduction in the recoverable amount of a non-current asset. An impairment charge can be caused by a clear consumption of economic benefits or by a general fall in prices.

Income

Amounts which an authority receives, or expects to receive, from any source. Income includes fees, charges, sales and Government grants. The term "income" implies that the figures concerned relate to amounts due in a financial year irrespective of whether or not money was actually received during that year (i.e. on an accruals basis).

Indemnified

To protect against damage, loss or injury; insure.

Infrastructure Assets

Those non-current assets from which benefit can be obtained only by continued use of the asset created e.g. highways, footpaths and bridges.

Interest Costs (Pensions)

For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

Investments (Pension Fund)

The investments of the Pension Fund will be accounted for in the statements of that fund. However authorities (other than town parish and community councils and district councils in Northern Ireland) are also required to disclose, as part of the transitional disclosures relating to benefits, the attributable share of pension scheme assets associated with their underlying obligations.

MHCLG (Ministry of Housing, Communities & Local Government)

This is the Government department which has the main responsibility for Local Government.

NDR

The form of local taxation charged on non-residential premises at a level set by the Government. As part of the grant distribution system (the Business Rates Retention Scheme) business rates are collected and a share retained by the local authority and the balance paid to the local preceptor.

Business Rate Pool

Trafford continues to be part of the Greater Manchester & Cheshire business rates pool, consisting of the ten Greater Manchester councils plus Cheshire East, Cheshire West and Chester.

Past Service Cost

The change in present value of the defined benefit obligation for employee service in prior periods resulting from a plan amendment (the defined benefit plan) or a curtailment (a significant reduction by the entity in the number of employees covered by the plan).

Precept

The amount levied by one authority which is collected on its behalf by another.

Present value of defined benefit obligation

The present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

Private Finance Initiative

An agreement with the private sector to design, build and operate facilities specified by an authority in return for an annual payment.

Projected Unit Method

An accrued benefits valuation method in which the scheme liabilities make allowances for projected earnings. An accrued benefits valuation method is a valuation method in which the scheme liabilities at the valuation date relate to:

the benefits for pensioners and deferred pensioners (i.e. individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependants, allowing where appropriate for future increases, and the accrued benefits for members in service on the valuation date.

Provisions

Sums set aside for losses or liabilities which are certain to arise but cannot be quantified with certainty.

Reserves

Amounts set aside to meet future costs.

Retirement Benefits

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment. Retirement benefits do not include termination benefits payable as a result of either (i) an employer’s decision to terminate an employee’s employment before the normal retirement date, or (ii) an employee’s decision to accept voluntary redundancy in exchange for those benefits, because these are not given in exchange for services rendered by employees.

Revenue Expenditure Funded from Capital under Statute (REFCUS)

Capital expenditure which does not produce a tangible asset (e.g. improvement grants or other expenditure on assets the authority does not own). These are charged directly to revenue in the year expenditure is incurred but are treated as capital for control purposes.

Revenue Contributions

Refers to the financing of capital expenditure directly from revenue in one year rather than from loan or other sources.

Revenue Expenditure

Recurring expenditure on day to day expenses such as employees, running expenses of buildings, equipment and capital financing costs.

Scheme Liabilities

The liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflects the benefits that the employer is committed to provide for service up to the valuation date.

Settlement

Occurs when an entity enters into a transaction that eliminates all further legal or constructive obligation for part or all of the benefits provided under a defined benefit plan, for example, when a lump- sum cash payment is made to, or on behalf of, plan participants in exchange for their rights to receive specified post-employment benefits.

Soft Loan

This is where loan is either given to or received from an external organisation or individual at conditions which are more favourable than market rates.

Stepped Interest Rate Loans

A loan agreement where one rate of interest applies for the primary period of the loan and another rate for the remainder, or secondary period.

Trust Funds

Funds administered by the Council on behalf of others, for purposes such as prizes, charities, specific projects, and on behalf of minors.

Unsupported Borrowing

Borrowing undertaken to finance capital expenditure where the related debt costs are paid for by the authority or from other income.

Vested Rights

In relation to a defined benefit scheme, these are:

- for active members, benefits to which they would unconditionally be entitled on leaving the scheme:
- for deferred pensioners, their preserved benefits:
- for pensioners, pensions to which they are entitled.

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