AGENDA PAPERS MARKED 'TO FOLLOW' FOR

ACCOUNTS AND AUDIT COMMITTEE

Date: Thursday, 27 June 2013

Time: 6.30 p.m.

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

THERESA GRANT
Chief Executive

Membership of the Committee

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

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

Ian Cockill, Democratic Services Officer
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This agenda was issued on **Thursday, 20 June 2013** by the Legal and Democratic Services Section, Trafford Council, Quay West, Trafford Wharf Road, Trafford Park, Manchester, M17 1HH.

TRAFFORD METROPOLITAN BOROUGH COUNCIL

Report to:	**Accounts & Audit Committee**
Date:	**27 June 2013**
Report for:	**Information**
Report of:	**Director of Finance**

Report Title

Accounts 2013 – Statutory Financial Accounts for the year 2012/13 (pre-audit)

Summary

Attached at agenda Item 5(a) is the full pre-audited Statement of Accounts for the year ended 31 March 2013, "Accounts 2013".

Related reports on this agenda are :

- **the Revenue Budget Monitoring 2012/13 Outturn report (Item 5(b));**
- **the Capital Investment Programme 2012/13 Outturn report (Item 5(c)).**

The Accounts and Audit (England) Regulations 2011 require approval of the Statement of Accounts by the relevant Committee after the audit has been completed, and in any event not later than 30 September 2013.

In accordance with the Regulations, the accounts are required by 30 June 2013 to be certified by the Chief Financial Officer that they are a true and fair view of the financial position of the Council at 31 March 2013, and its income and expenditure for the year ended 31 March 2013. This is prior to public inspection and review by the appointed external auditor.

These accounts are presented so that Committee can review the full financial results of the Council for 2012/13 at the earliest opportunity, before external audit and public inspection, and in accordance with best practice.

Recommendation(s)

The Committee is requested to note the Accounts 2013, prior to submission to the external auditor and public inspection.

Contact person for access to background papers and further information:

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

Background Information

- Service Reporting Code of Practice (SeRCOP) 2012/13, CIPFA;
- Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 ("The Code");
- Accounts and Audit Regulations (1996 & 2003 as amended);
- The Accounts and Audit (England) Regulations 2011
- Local Government Finance Acts (various).

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

1. The Council, or delegated Committee (Accounts & Audit Committee), is required by regulation to approve the Financial Accounts drawn up in a format defined by regulation and best practice (which has the weight of law) by 30 September 2013, after submission to the Council's external auditor, the Audit Commission, and public inspection.

2. The Chief Financial Officer is required by the Regulations, to certify by 30 June 2013 that the accounts are a true and fair view of the financial position of the Council at 31 March 2013, and its income and expenditure for the year ended 31 March 2013. This is prior to public inspection and review by the appointed external auditor.

3. The Accounts 2013 are reported so that Committee can review the full financial results of the Council for the 2012/13 financial year at the earliest opportunity, before audit and public inspection, and in accordance with best practice.

4. The Committee may wish to raise questions with the Director of Finance (4238), Head of Financial Management (4302) or the Finance Manager Financial Accounting (4534) prior to the meeting.

5. A copy of the Council's out-turn position reports to the Executive for both revenue and capital are included at items 5(b) and 5(c) respectively for further information. Committee will be verbally briefed on the Accounts 2013 and related reports, covering an analysis of the accounts, with attention drawn to significant matters, changes and variances, and explanations provided.

Recommendation

6. Committee is requested to note the Statement of Accounts for the year ended 31 March 2013, prior to submission to the external auditor and public inspection.

TRAFFORD
COUNCIL

ACCOUNTS
2013

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foreword by the director of finance

Introduction

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

The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011. The regulations require the accounts to be prepared in accordance with proper accounting practices and these primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom in 2012/13 (the Code) and the Service Reporting Code of Practice (SeRCOP) 2012/13, supported by International Financial Reporting Standards (IFRS).

Major Changes Reflected in the Accounts

Changes affecting the Primary Statements:

- None.

Changes affecting disclosures/notes:

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

Business changes:

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

- Upon the Manchester Airport Group acquiring Stansted Airport, the Council's holdings in MAG were restructured such that its shareholding has reduced to 3.22% from 5%, however, there has been a valuation increase in this holding of £19.1m (see note 5, page 31).
- During the year 7 schools transferred to Academy status.
- The Balance Sheet has been restated to accommodate £0.5m of assets that were disposed of as part of a town centre regeneration scheme but not written out of the books in previous years (see note 53, page 116).
- The overspend position on the Learning Disability Pool of £1.5m has been brought forward as a debtor as at 1 April 2012, which upon reversal had the effect of inflating in-year expenditure. This is incorrect and the practice discontinued for 2012/13, and the balance is carried forward alongside other service earmarked reserves.

Brief Guide to Accounts Contents:

Please note that a glossary of terms can be found on page 120.

A description of the responsibilities of the Council regarding the Accounts 2013 is provided at page 9, and the Audit certificate can be found on page 10.
The Accounts are drawn from systems which in themselves must operate satisfactorily in order for the figures to be true and dependable. More information on the effective operation of the Council's

systems, governance arrangements and control environment can be found in the Annual Governance Statement (AGS). The AGS does not form part of the Accounts, but it is published alongside so that it can be read in conjunction.

There can be choices in accounting conventions and/or treatment that would be more practical for a given organisation in order for it to show a truer reflection of economic activity or value. The Council's choices are outlined in detail in the Accounting Policies (note 1) on pages 18 to 28.

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

The Comprehensive Income and Expenditure Statement (page 11-12) shows the Council's financial performance for the year, measured in terms of the resources consumed and generated, as defined in the Code, over the period 1 April 2012 to 31 March 2013. However, the Council is required to set its budget and raise Council Tax on a different accounting basis than the Code, the main differences being:

- Capital investment is accounted for as it is financed, rather than when the assets are consumed (e.g. cash is paid out when an asset is purchased, however it is charged to CIES as it depreciates);
- The law and the Council's management accounts make distinction between capital and revenue income. Under the Code all income is treated the same and is accounted for in the CIES where required;

- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned and become committed.

The variations in accounting treatment between the Council's management accounts and (financial) Accounts 2013 are adjusted for within the Movement in Reserves Statement on pages 15 to 16, with more detail in note 7 on pages 32 to 40. A summary reconciliation between the CIES net gain and the management accounts net declared underspend position is provided later on in the foreword.

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

The total net worth of the Council, total assets less total liabilities, as a statement of value is listed on the Balance Sheet on pages 13 to14.

The Cash Flow statement (page 17) provides summary figures on the total movements in cash for the year.

Explanatory notes to the primary statements are provided on pages 18 to 116. These notes expand on the figures, providing greater detail and information as prescribed or as necessary. Included within these notes is a statement on 2012/13 capital expenditure and how this was funded and can be found on pages 93 to 95.

The Council has the responsibility for collecting all Council Tax due in the Borough on behalf of itself, the Greater Manchester Police Authority, the GM Fire and Rescue Authority and Partington Town Council. It also has the responsibility for collecting all of the National Non-Domestic Rates (Business Rates) on behalf of the Government. The financial activity relating to local taxation is contained in the Collection Fund statement, pages 117 to 119.

Key Features in the Accounts

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

Comprehensive Income & Expenditure Statement (CIES):

- the (surplus)/deficit on the provision of services on the CIES is £21.9m (2011/12 £(12.2)m. However, the management accounts declare an outturn underspend of £(2.5)m (2011/12 £(4.8)m), and a carry forward overspend on the Learning Disability Pool fund of £1.5m (2011/12 £1.4m). The differences between these two statements of financial performance relate to the differences in accounting practices applied, which are adjusted for in the MiRS, and a summary reconciliation between the two outturns is provided later in the foreword.
- the total balance on the CIES has reduced from a £54.4m to a £45.1m deficit. The movement in the CIES primarily relates to; a reduction in the sale of assets, £26.1m, a revaluation of assets £(14.7)m, reduction in Government grants adjusted for increase in retained business rates, £3.3m, and changes in the valuation of net pension liability and net interest costs £(24.8)m.

Balance Sheet:

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

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

Collection Fund:

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

General Fund

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

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

Outturn of Financial Performance

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

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

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

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

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

The major variations from the budget are:

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

Reconciliation between Statutory Accounts and Management Accounts

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

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

The increase in General Fund Balance is £(0.8)m, as detailed below, and also contained in the Revenue Budget Outturn report available on the Council's website.

CIES account reconciled to outturn	**£m**
CIES Account Deficit on Service Provision	**21.9**
Accounting adjustments in MiRS:	
- Capital charges	(33.7)
- Capital Grants	21.0
- Pensions	(4.5)
- Net transfers to earmarked reserves	(1.0)
- Net transfer (from) schools reserves	(4.4)
- Other	(0.1)
Total adjustments	**(22.7)**
Increase in GF Balance	**(0.8)**
Add back:	
Budgeted support for GF	(1.0)
Additional spend from GF	0.8
Transfer from service reserves*	(1.5)
Outturn Variance	**(2.5)**

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

General Reserve

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

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

On 20 February 2013 the Council agreed to maintain a minimum reserve of £6m for the year 2013/14, and of the brought forward balance £1.015m is planned to support the 2013/14 base budget, and additional project expenditure in the year of a further £0.799m. The balance to the year ending 31 March 2014 as projected in June 2013 is £8.8m.

Trading Organisations

The Council maintains a number of trading operations (see note 31 page 79), which made a surplus in the year on normal activity of £(0.306)m.

Capital Investment

Capital expenditure for the year amounted to £58.0m, details of which can be found on pages 93 to 95:

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

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

The expenditure was financed by:

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

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

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

Treasury Management

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

Throughout 2012/13 the Council complied with its legislative and regulatory requirements, including compliance with all treasury management prudential indicators.

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

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

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

Further details can be found in note 51 on page 107.

Investments Summary

The Council operates its own trading function for the investment of surplus cash deposits. The Council's investments totalled £52.2m as at 31 March 2013 and this compares to £76.6m as at 31 March 2012. For reference the total number of investments undertaken in 2012/13 was 302, totalling £570m in 24 institutions and this compares to 2011/12 when 395 investments were placed totalling £570m in 29 institutions. In 2012/13 an average investment rate of 0.88%, 0.49% above the market benchmark (London Inter-bank BID rate), was achieved. This compares with the rate above LIBID for 2011/12 of 1.11%. Further details can be found in note 16 page 55.

Collection of Council Tax and Business Rates

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

A total of £90m of Council Tax was collected in respect of 2012/13, a performance of 98.1% (97.8% in 2011/12). Details of the Collection Fund can be found on page 117, which shows an overall surplus of £(0.006)m. This surplus is apportioned to the Council, the Greater Manchester Police Authority and the GM Fire and Rescue Authority on a proportionate basis. Trafford's share of the surplus is £(0.005)m which is shown in the Balance Sheet (page 14).

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

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

Net Pensions Asset / Liability

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

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

Further details on the Council's overall net pensions asset/liability are included in notes 47 and 48 on pages 98 to 99.

Provisions and write-offs

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

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

There has been an increase of £0.667m in the provision set aside to meet the costs of claims arising from Equal Pay legislation. This increase reflects negotiations on settlement with claimants' legal representatives (see note 23 on page 66).

Contingent Liabilities

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

- Municipal Mutual Insurance potential claw back has now been realised and become a provision
- The Planning Appeal against the Council's decision not to grant planning permission for a Biomass Plant in Davyhulme has been heard and found in favour of the Appellant, and all known costs have been settled as part of the 2012/13 accounts.
- The Council has underwritten an element of the costs associated with the major refurbishment of Altrincham Interchange in the event that developer contributions are not forthcoming.

Events after the Balance Sheet Date

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

At the time of the draft report, potential changes include for:

- A major settlement of the majority of Equal Pay claims is expected before the publication of the audited version of the accounts.
- Updated figures on the extent of the MMI claw back liability could be released.

There has been a negotiated settlement on a business disruption claim made against the Council which was determined in June 2013. This has been included in the accounts as a contingent liability (note 49, page 104), but has now been settled and charged to the 2013/14 revenue account.

Future Budgets

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

Future Developments

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

- The economic climate and continued Government austerity budgets which may continue to 2017/18 or beyond reducing funding will have significant impacts on the size and style of the Council as an organisation and the extent of service provision.
- The availability of capital resources is expected to be constrained in future years and be limited to the capital grants from Government or from internal resources in the form of capital receipts from the disposal of surplus assets. There will be pressure on the latter due to the finite nature of such assets. This will place an even greater emphasis on asset rationalisation programmes, agile working and a partnership approach for the provision of capital assets.
- Business Rate retention changes that came into force on 1 April 2013 have made a significant change to the potential revenues and financial liability risks to the Council (discussed further in note 6 on page 32).
- The change from the Council Tax Benefit to the reduced funded Council Tax Support Scheme, and the transfer of the Social Care Fund from the Department of Work and Pensions to the Council which both took place on 1 April 2013, and further changes under Welfare Reform, such as benefit capping and the introduction of Universal Credit, will have significant impact on the residents and businesses of the Borough.
- The Greater Manchester County area is a Government pilot for Community

Budgets. As a consequence there could be further major changes to how public services in the area are funded through both the 2013 Comprehensive Spending Review and the possibility of a 'Place Based Settlement'. Certainly many 'people-facing' services are undertaking service changes as part of the Greater Manchester Public Service Reform that supports the Community Budget Pilot.

- The Government continues to encourage schools to become academies, after which such schools become independent of the Council. Furthermore, Schools funding is also more restricted than it has been in the past causing schools to identify cost saving measures. A mix of Academies and a harder trading market with schools could have a consequential impact on service delivery and the recovery of overheads with non-schools trading services, as well as changes to funding distribution.
- As Government Departments respond to the higher austerity targets, there may be further changes to services and funding, which will not become clear until after the Comprehensive Spending Review, and potentially not until much later in 2013 or even 2014.
- In response to these many changes to services, funding, and overarching environment, and the requirements of the Localism Act 2011, the Council is also reviewing how it will organise itself and how it will work with partners and all relevant agencies to commission and deliver public services into the future.
- The code will change to accommodate IAS 19 Pension Benefit changes next year. In simple terms, how the rate of return on future investments is calculated will change. Should such changes have occurred this year, an additional £3.6m of expense would have been charged to the CIES, though this would have been mitigated by a transfer to the Pension Reserve such that there would have been no overall effect on the Council's funding.
- Other changes are; IAS1 Presentation to Financial Statements, IAS 12 Income Taxes and IFRS 7 Financial Instruments. These are briefly discussed in note 2, page 29, but it is not expected that these changes will have an effect on the primary statements or disclosure notes.

Ian Duncan CPFA
Director of Finance
20 June 2013

statement of responsibilities for the statement of accounts

The Council's Responsibilities

The Council is required to:

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

Responsibilities of the Director of Finance

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

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

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

The Director of Finance has also:

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

Certification

By the Director of Finance

I certify that the Statement of Accounts set out on the following pages gives a true and fair view of the financial position of Trafford Borough Council at 31 March 2013, and its income and expenditure for the year ended 31 March 2013.

Ian Duncan CPFA
Director of Finance
20 June 2013

audit opinion

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

comprehensive income and expenditure statement

About this Statement

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

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

comprehensive income and expenditure statement (continued)

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

balance sheet

About this Statement

The Balance Sheet shows the net value of all assets and liabilities recognised by the Council at a specific date, 31 March 2013, being the last day of the relevant accounting period for the financial year 2012/13. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories; usable or "cash-backed" reserves, and unusable which are accounting adjustment reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

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

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

balance sheet (continued)

31 March 2012 Restated £000		Notes	31 March 2013 £000
(36)	Long Term Creditors	22	(36)
(2,971)	Provisions	23	(2,544)
(101,901)	Long Term Borrowing	16	(99,330)
(2,754)	Revenue Grants & Contributions – Long-Term Receipts in Advance (REFFCUS)	39	(2,754)
(6,492)	Grants Receipts in Advance (Capital)	39	(7,095)
(179,947)	Other Long Term Liabilities – Pensions	25/48	(222,381)
(10,408)	Other long-term liabilities – Deferred	22	(10,214)
(304,509)	**Long Term Liabilities**		**(344,354)**
221,402	**Net assets**		**176,281**
(9,802)	General Fund Balance	7/8	(10,644)
(37,322)	Earmarked General Fund Reserves	7/8/24	(32,580)
(23,273)	Capital Receipts Reserve	7/24	(10,011)
(479)	Revenue Grants Unapplied (REFFCUS)	7	(271)
(15,586)	Capital Grants Unapplied	7	(24,916)
(86,462)	**Usable Reserves**	24	**(78,422)**
(27,077)	Revaluation Reserve	25	(20,701)
0	Available For Sale Financial Instruments Reserve	16	(19,086)
(297,516)	Capital Adjustment Account	25/53	(290,015)
6,411	Financial Instruments Adjustment Account	25	6,180
179,947	Pensions Reserve	25/48	222,381
(294)	Collection Fund Adjustment Account	25	(5)
0	Equal Pay Adjustment Account	25	0
3,589	Accumulated Absences Account	25	3,387
(134,940)	**Unusable Reserves**		**(97,859)**
(221,402)	**Total Reserves**		**(176,281)**

Ian Duncan CPFA
Director of Finance
20 June 2013

movement in reserves statement

About this Statement

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

Movement in Reserves during 2012/13

	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Revenue Grants Unapplied £000	Capital Grants unapplied £000	**Total Usable Reserves £000**	**Unusable Reserves £000**	**Total Council Reserves £000**
Balance as at 31 March 2012	**9,802**	**37,322**	**23,273**	**479**	**15,586**	**86,462**	**134,941**	**221,403**
Movement in reserves during 2012/13								
Surplus or (deficit) on the provision of services	(21,896)	0	0	0	0	**(21,896)**	**0**	**(21,896)**
Other Comprehensive Income and Expenditure	0	0	0	0	0	**0**	**(23,224)**	**(23,224)**
Total Comprehensive Income and Expenditure	**(21,896)**	**0**	**0**	**0**	**0**	**(21,896)**	**(23,224)**	**(45,120)**
Adjustments between accounting basis & funding basis under regulations (note 7) *	17,328	667	(13,261)	(208)	9,331	**13,857**	**(13,857)**	**0**
Net Increase/(Decrease) before transfers to Earmarked Reserves	**(4,569)**	**667**	**(13,261)**	**(208)**	**9,331**	**(8,040)**	**(37,080)**	**(45,120)**
Transfers to/(from) Earmarked Reserves (note 8)	5,410	(5,410)	0	0	0	**0**	**0**	**0**
Increase/(Decrease) in 2012/13	**841**	**(4,743)**	**(13,261)**	**(208)**	**9,331**	**(8,040)**	**(37,080)**	**(45,120)**
Balance as at 31 March 2013	**10,644**	**32,580**	**10,011**	**271**	**24,917**	**78,423**	**97,861**	**176,284**

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

movement in reserves statement (continued)

Movement in Reserves during 2011/12 - Comparative Statement

	General Fund Balance £000	Earmarked General Fund Reserves £000	Capital Receipts Reserve £000	Revenue Grants Unapplied £000	Capital Grants unapplied £000	**Total Usable Reserves £000**	**Unusable Reserves £000**	**Total Council Reserves £000**
Balance as at 31 March 2011	**8,022**	**38,595**	**10,085**	**500**	**5,377**	**62,579**	**213,706**	**276,285**
Movement in reserves during 2011/12								
Surplus or (deficit) on the provision of services	12,156	0	0	0	0	**12,156**	**0**	**12,156**
Other Comprehensive Income and Expenditure	0	0	0	0	0	**0**	**(66,553)**	**(66,553)**
Total Comprehensive Income and Expenditure	**12,156**	**0**	**0**	**0**	**0**	12,156	(66,553)	(54,397)
Adjustments between accounting basis & funding basis under regulations (note 7) *	(11,647)	0	13,188	(21)	10,209	**11,729**	**(11,729)**	**0**
Net Increase/(Decrease) before transfers to Earmarked Reserves	**509**	**0**	**13,188**	**(21)**	**10,209**	23,885	(78,282)	(54,397)
Transfers to/(from) Earmarked Reserves (note 8)	1,271	(1,271)	0	0	0	**0**	**0**	**0**
Increase/(Decrease) in 2011/12	**1,780**	**(1,271)**	**13,188**	**(21)**	**10,209**	23,885	(78,282)	(54,397)
Balance as at 31 March 2012	**9,802**	**37,322**	**23,273**	**479**	**15,586**	86,462	135,429	221,891

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

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cash flow statement

About this Statement

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

2011/12 **£000**	**Year Ended 31 March**	**2012/13** **£000**
(12,156)	Net (surplus) or deficit on the provision of services	21,897
(17,026)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(20,791)
49,113	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	24,069
19,931	**Net cash flows from Operating Activities (note 26)**	**25,175**
(29,897)	Investing Activities (note 27)	(11,774)
352	Financing Activities (note 28)	362
(9,614)	**Net increase or decrease in cash and cash equivalents**	**13,763**
(32,500)	Cash and cash equivalents at the beginning of the reporting period	(42,114)
(42,114)	**Cash & cash equivalents at the end of reporting period (note 20)**	**(28,351)**

notes to the accounts

1. Accounting Policies

(a) General Principles

The Statement of Accounts summarises the Council's transactions for the 2012/13 financial year and its position at the year-end of 31 March 2013. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011, and those regulations require them to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom in 2012/13 (the Code) and the Service Reporting Code of Practice (SeRCOP) for Local Authorities 2012/13, supported by International Financial Reporting Standards (IFRS).

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

(b) Accruals of Income and Expenditure

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

- revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council;
- revenue from the provision of services is recognised when the Council can measure reliably the percentage of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council;
- supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet;
- expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made;
- interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

(c) Acquisitions and Discontinued Operations

There are no acquisitions or discontinued operations to report.

(d) Cash and Cash Equivalents

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

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

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

(e) Exceptional Items

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

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

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

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

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

(g) Charges to Revenue for Non-Current Assets

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

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

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

(h) Employee Benefits

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

Termination Benefits
Termination benefits are benefits payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept

voluntary redundancy. Termination Benefits are charged on an accrual's basis to the appropriate service line within Cost of Services in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

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

Post Employment Benefits
Employees of the Council are members of two separate pension schemes:

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

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

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

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

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

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

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

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

(i) Events After the reporting Period

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

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

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

(j) Financial Instruments

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

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

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

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

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

Financial Assets (Investments and Interest Receivable)
Financial Assets are classified into three types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market;

- Available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments;
- Unquoted Equity Investments at cost less impairments.

Major investments are measured at fair value and carried at their amortised cost.

All interest received on investments is accrued to the Comprehensive Income and Expenditure Statement and accounted for in the period to which it relates, based on the carrying amount of the asset multiplied by the Effective Interest Rate (EIR). For fixed rate investments this will be the coupon rate.

(k) Foreign Currency Translation

Where the Council has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective.

(l) Government Grants and Contributions

Government grants and other contributions are accounted for on an accruals basis and are recognised when there is reasonable assurance that;
- the Council will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

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

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

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

(m) Heritage Assets

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

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

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

Trafford Town Hall Collection

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

Historic Buildings

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

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

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

Heritage Assets not reported on the balance sheet

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

(n) Intangible Assets

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

(o) Interests in Companies and Other Entities

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

(p) Inventories and Long-Term Contracts

Inventories are included in the Balance Sheet at the lower of cost or net realisable value. The cost of inventories is assigned using the weighted average costing formula.
Work in progress on capital projects is included in the Balance Sheet within Assets Under Construction at historic cost.

(q) Investment Property

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

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

(r) Jointly Controlled Operations and Jointly Controlled Assets

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

(s) Leases

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

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

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

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

The Council as Lessee

Operating Leases

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

The Council as Lessor

Operating Leases

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

(t) Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Service Reporting Code of Practice 2012/13* (SeRCOP). The main basis of apportionment is by estimation of time spent on the various services. The cost of administrative buildings has been recharged on the basis of floor area occupied. The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multi-functional, democratic organisation;
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

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

(u) Property, Plant and Equipment (PPE)

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

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

Measurement
Assets are initially measured at cost comprising:

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

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

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

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

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

Assets are revalued on a five-year rolling programme, or where there has been a material change in value and any resulting change in value is debited or credited to the Revaluation Reserve as appropriate, to recognise losses or unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement for a particular asset where the Comprehensive Income and Expenditure Statement have previously been charged with an impairment loss for that asset. Losses on revaluation are written off to the Revaluation Reserve, or if no Revaluation Reserve exists for that asset, charged to the Comprehensive Income and Expenditure Account.

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

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

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

For all other assets depreciation is calculated using the straight line method over the estimated useful life of the asset and are as follows:
- vehicles, plant and equipment between 3 and 8 years;
- all other property, including infrastructure and community assets between 10 and 55 years;
- intangible assets 20 years.

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

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

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

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

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

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

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

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

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

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

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

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

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

The original recognition of these assets was balanced by the recognition of a liability for the amounts due to the scheme operator to pay for the assets.
Assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Council.
The amounts payable to the PFI operators each year are analysed into five elements:

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

(w) Provisions, Contingent Liabilities and Contingent Assets

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

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

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

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

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

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

(x) Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. In line with the Code, expenditure is charged to revenue and not directly to any reserve.
Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

Insurance
The Council essentially self-insures on its major risk areas and operates with significant excess levels, for example liability insurance policies carry an excess of £275,000 and property insurance £250,000. A provision is maintained to cover costs for which it is responsible for liability claims and a reserve is maintained for property related costs. Further details can be found in note 8 and 23.

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

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

(z) VAT

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

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

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

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

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

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

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

3. Critical Judgements in Applying Accounting Policies

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

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

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

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

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

There are no items in the Council's Balance Sheet at 31 March 2013 for which there is considered a significant risk of material adjustment in the forthcoming financial year. The following items are considered in further detail as potential risk:

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

Pensions liability	The pensions liability is based on assumptions relating to discount rates used, future changes in salaries, changes in retirement ages, mortality rates and expected returns on pension fund assets. These assumptions are reviewed regularly. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	Changes in liability are actuarially measured every three years, and increases in contributions spread over the following three years. The pension contribution is a key financial assumption in the medium term financial plan.
Arrears	At 31 March 2012, the Council had a balance on trade debtors of £3.7m. Impairment of doubtful debts was reviewed and an appropriate provision determined.	If collection rates were to deteriorate by 5%, this would require an estimated additional provision of £0.2m

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

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

During 2012/13, Manchester Airport Group acquired Stansted Airport, resulting in a change of structure. The Council's shareholding in Manchester Airport Holdings has reduced from a 5% holding to 3.22% of the airports capital as a result of the restructure. This change in structure has enabled the shareholding to be subject to a valuation using the earnings based and discounted cash flow methods and the figure as at 31 March 2013 is shown at fair value. Valuers have confirmed that it is impracticable to provide a retrospective fair valuation and therefore the value as at 31 March 2012 is shown at historic cost. The Council at this point in time is to retain these shares. The value of the shareholding as at 31 March 2013 is £29.3m representing an increase of £19.086m and this increase is reflected in the Available for Sale Financial Instruments Reserve. The valuation provided is based on estimations and assumptions and therefore should the Council sell its shareholding, the value held in these statements may not be realised.

The Comprehensive Income and Expenditure Statement includes a net loss of £6.066m on the sale of assets; included in this figure is a loss of £4.9m relating to the disposal of two schools who transferred to academy status during the year.

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

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

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

6. Events After the reporting Period

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

Non-adjusting events after the reporting period

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

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

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

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

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

7. Adjustments between Accounting Basis and Funding Basis under Regulations

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

7. Adjustments between Accounting Basis and Funding Basis under Regulations

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

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

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

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

	Usable Reserves 2012/13 (continued)						2012/13
2012/13	**General Fund Balance £000**	**Earmarked General Fund Reserves £000**	**Capital Receipts Reserve £000**	**Major Repairs Reserve £000**	**Revenue Grants Unapplied £000**	**Capital Grants Unapplied £000**	**Movements in Unusable Reserves £000**
Adjustment primarily involving the Major Repairs Reserve:							
Reversal of Major Repairs Allowance credited to the HRA.	0	0	0	0	0	0	**0**
Use of the Major Repairs Reserve to finance new capital expenditure.	0	0	0	0	0	0	**0**
Adjustment primarily involving the Financial Instruments Adjustment Account:							
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements.	(231)	0	0	0	0	0	**231**
Adjustments primarily involving the Pension Reserve:							
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see note 48).	19,800	0	0	0	0	0	**(19,800)**
Employer's pension contributions and direct payments to pensioner's payable in the year.	(15,266)	0	0	0	0	0	**15,266**
Adjustments primarily involving the Collection Fund Adjustment Account:							
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements.	289	0	0	0	0	0	**(289)**

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

	Usable Reserves 2012/13 (continued)						2012/13
2012/13	**General Fund Balance £000**	**Earmarked General Fund Reserves £000**	**Capital Receipts Reserve £000**	**Major Repairs Reserve £000**	**Revenue Grants Unapplied £000**	**Capital Grants Unapplied £000**	**Movements in Unusable Reserves £000**
<u>Adjustments primarily involving the Equal Pay Adjustment Account:</u>							
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**
<u>Adjustments primarily involving the Accumulated Absences Account:</u>							
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements.	(202)	0	0	0	0	0	**202**
Total Adjustments	**17,328**	**667**	**(13,261)**	**0**	**(208)**	**9,331**	**(13,856)**

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

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

	Usable Reserves 2011/12 (continued)						2011/12
2011/12 Comparative Figures	**General Fund Balance £000**	**Earmarked General Fund Reserves £000**	**Capital Receipts Reserve £000**	**Major Repairs Reserve £000**	**Revenue Grants Unapplied £000**	**Capital Grants Unapplied £000**	**Movements in Unusable Reserves £000**
Adjustments primarily involving the Capital Grants Unapplied Account:							
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement.	(20,038)	0	0	0	0	20,038	**0**
Application of grants to capital financing transferred to the Capital Adjustment Account.	0	0	0	0	(20)	(9,829)	**9,849**
Adjustments primarily involving the Capital Receipts Reserve:							
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement.	0	0	0	0	0	0	**0**
Use of the Capital Receipts Reserve to finance new capital expenditure.	0	0	(16,006)	0	0	0	**16,006**
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals.	0	0	0	0	0	0	**0**
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	35	0	(35)	0	0	0	**0**
Transfer from Deferred Capital Receipts Reserve upon receipt of cash.	0	0	0	0	0	0	**0**
Adjustments primarily involving the Deferred Capital Receipts Reserve:							
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement.	0	0	0	0	0	0	**0**

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

	Usable Reserves 2011/12 (continued)						2011/12
2011/12 Comparative Figures	**General Fund Balance £000**	**Earmarked General Fund Reserves £000**	**Capital Receipts Reserve £000**	**Major Repairs Reserve £000**	**Revenue Grants Unapplied £000**	**Capital Grants Unapplied £000**	**Movements in Unusable Reserves £000**
<u>Adjustment primarily involving the Major Repairs Reserve:</u>							
Reversal of Major Repairs Allowance credited to the HRA.	0	0	0	0	0	0	**0**
Use of the Major Repairs Reserve to finance new capital expenditure.	0	0	0	0	0	0	**0**
<u>Adjustment primarily involving the Financial Instruments Adjustment Account:</u>							
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements.	(203)	0	0	0	0	0	**203**
<u>Adjustments primarily involving the Pension Reserve:</u>							
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see note 48).	16,500	0	0	0	0	0	**(16,500)**
Employer's pension contributions and direct payments to pensioner's payable in the year.	(15,189)	0	0	0	0	0	**15,189**
<u>Adjustments primarily involving the Collection Fund Adjustment Account:</u>							
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements.	13	0	0	0	0	0	**(13)**

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

	Usable Reserves 2011/12 (continued)						2011/12
2011/12 Comparative Figures	**General Fund Balance £000**	**Earmarked General Fund Reserves £000**	**Capital Receipts Reserve £000**	**Major Repairs Reserve £000**	**Revenue Grants Unapplied £000**	**Capital Grants Unapplied £000**	**Movements in Unusable Reserves £000**
<u>Adjustments primarily involving the Equal Pay Adjustment Account:</u>							
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**
<u>Adjustments primarily involving the Accumulated Absences Account:</u>							
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements.	(778)	0	0	0	0	0	**778**
Total Adjustments	**(11,647)**	**0**	**13,187**	**0**	**(20)**	**10,209**	**(11,729)**

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

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

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

Transfers to/from Earmarked Reserves (continued)

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

Transfers to/from Earmarked Reserves (continued)

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

Transfers to/from Earmarked Reserves (continued)

	Balance as at 1 April 2011 £000	Movements out 2011/12 £000	Movements in 2011/12 £000	Balance at 31 March 2012 £000	Movements Out 2012/13 £000	Movements In 2012/13 £000	Balance at 31 March 2013 £000
Telecare Reserve Investment in technology to help in enabling older and more vulnerable people to live independently in their own home.	**500**	(376)	0	**124**	(124)	0	**0**
Capital Reserve Investment in disabled facility schemes	**1,000**	(751)	800	**1,049**	(460)	1,517	**2,106**
LAA Performance Reward Grant Reserve Revenue element of grant to be allocated to schemes via the Trafford Partnership	**1,579**	(210)	0	**1,369**	(454)	0	**915**
Manchester Airport Debt Restructure Reserve Smoothing of airport debt restructure costs over the medium term	**329**	0	181	**510**	0	198	**708**
Prepaid Revenue Grants Reserve To hold revenue grants included in the Comprehensive Income and Expenditure Statement which are paid in advance, and which no conditions for repayment are attached. Balance is required to be offset future costs.	**874**	(874)	195	**195**	94	0	**289**
Winter Maintenance Reserve To provide emergency funds to cover the costs of highway & footway maintenance during periods of adverse weather conditions.					0	120	**120**
Other Reserves Other amounts earmarked for specific purposes.	**214**	0	220	**434**	(26)	8	**416**
Total Earmarked Reserves (incl. Schools)	**38,595**	**(9,492)**	**8,220**	**37,323**	**(14,812)**	**10,068**	**32,579**
Total Reserves	**46,617**	**(11,753)**	**12,262**	**47,126**	**(19,683)**	**15,780**	**43,223**

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

2011/12 £000		2012/13 £000
88	Parish council precepts (i)	88
27,172	Levies (ii)	28,598
35	Payments to the Government Housing Capital Receipts Pool (iii)	21
12,482	Amount written off on disposal of non-current assets (iv)	9,259
(29,254)	Sale proceeds from disposal of non-current assets (iv)	(3,193)
10,523	**Total**	**34,773**

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

(ii) Included are levies as follows:

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

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

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

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

(iv) During 2012/13 a net (gain)/loss on the disposal of assets was realised of £6.066m £(16.772)m in 2011/12) . This arises where the value of proceeds received is less than the value of those assets held on the balance sheet.

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

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

2011/12 £000		2012/13 £000
6,216	Interest payable and similar charges	6,142
1,300	Pensions interest cost and expected returns on pensions assets (i)	5,100
(2,116)	Interest receivable and similar income (ii)	(1,795)
(744)	Income and expenditure in relation to investment properties and changes in their fair value (iii)	(1,257)
(367)	Residual (Surplus)/deficit on trading undertakings (iv)	(263)
(1,000)	Other investment income (v)	(1,006)
3,289	**Total**	**6,921**

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

(ii) During 2012/13 the average amount invested in the money market was £79.4m, at an average interest rate of 0.88%. Investment interest generated for the year was £(1.795)m, including £(1.043)m of interest receivable from Manchester International Airport following the renegotiation of loan debt held by each of the Greater Manchester Authorities in February 2010. For 2011/12 the average amount invested was £99.1m at an average rate of 1.11%, producing £(2.116)m of investment interest, including £(1.043)m from the Airport.

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

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

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

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

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

* Further detail on grants is shown in note 39.

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

Movements on Balances 2012/13:

	Other land & buildings £000	Vehicles, plant & equipment assets £000	Infra - structure assets £000	Community assets £000	Surplus Assets £000	Assets under construc-tion £000	Total £000
Cost or Valuation:							
As at 1 April 2012	**246,100**	**26,931**	**183,249**	**18,495**	**17,353**	**11,881**	**504,009**
Additions	6,055	152	3,841	564	38	21,747	32,397
Disposals (incl. adj. for academy school transfers)	(7,497)						(7,497)
Reclassification to Assets Held for Sale							
Other Reclassifications	1,620	155	12	370	(370)	(1,894)	(107)
Accumulated depreciation and impairment written out on revaluation	(9,289)						(9,289)
Revaluation increases/(decreases) recognised in the revaluation reserve	(4,527)			(1)	118		(4,410)
Revaluation increases/(decreases) recognised in the surplus/deficit on the provision of services	(6,176)				(205)		(6,381)
As at 31 March 2013	**226,286**	**27,238**	**187,102**	**19,428**	**16,934**	**31,733**	**508,722**
Depreciation and Impairments:							
As at 1 April 2012	**(26,488)**	**(21,524)**	**(40,979)**	**(2,956)**	**(4,076)**		**(96,023)**
Depreciation charged to CIES (ii)	(6,349)	(1,601)	(3,974)	(407)			(12,331)
Impairment charged to CIES							
Impairment written off to Revaluation Reserve							
Revaluation Reserve							
Disposals	982						982
Reclassifications							
Accumulated depreciation and impairment written out on revaluation	9,289						9,289
Revaluations							
As at 31 March 2013	**(22,566)**	**(23,125)**	**(44,953)**	**(3,363)**	**(4,076)**		**(98,083)**
Net Book Value:							
Balance Sheet amount as at 31 March 2013*	**203,720**	**4,113**	**142,149**	**16,065**	**12,858**	**31,733**	**410,638**
Balance Sheet amount as at 1 April 2012*	**220,100**	**5,407**	**142,270**	**15,539**	**13,277**	**11,881**	**408,474**

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

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

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

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

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

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

Asset Category	Useful Life
Vehicles, plant and equipment	Between 3 and 8 years
Intangibles	20 years
Infrastructure and Community assets	Between 10 and 40 years
Buildings	Between 15 and 55 years

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

Comparative Movements in 2011/12:

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

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

Valuation of Non-Current Assets held at fair value

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

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

Assets have been revalued within a five year period by the Council's internal valuation service, except for the valuation of land at Manchester Airport which has been provided by the valuation service of Manchester City Council.

Treatment of Non-Community Schools

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

Significant commitments under capital contracts as at 31 March 2013

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

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

13. Heritage Assets (Balance Sheet page 13)

In accordance with FRS 30, the Council is required to recognise and measure Heritage Assets at fair valuation in the 2012/13 accounts. Heritage assets are assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical value.

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

Movement in Heritage Asset Value	**2010/11 £000**	**2011/12 £000**	**2012/13 £000**
Opening Value 1 April	1,029	1,023	1,017
Additions	0	0	0
Disposals	0	0	0
Less Depreciation	(6)	(6)	(6)
Less Impairment	0	0	0
Closing Value 31 March	**1,023**	**1,017**	**1,011**

14. Investment Properties (Balance Sheet page 13)

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

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

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

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

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

15. Intangible Assets (Balance Sheet page 13)

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

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

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

None of the software are internally generated.

The carrying amounts of intangible assets is amortised on a straight-line basis. The amortisation of £0.297m charged to revenue in 2012/13 was charged to the IT Administration cost centre and then absorbed as an overhead across all the service headings in the Net Expenditure of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

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

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

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

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

16. Financial Instruments

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

	Long Term Balance at 31 March 2012 £000	Short Term Balance at 31 March 2012 £000	Long Term Balance at 31 March 2013 £000	Short Term Balance at 31 March 2013 £000
Investments				
Long Term (i)				
MAG Shareholding (See note on "Interest in Companies" on page 56)	10,214	0	29,300	0
Principal	0	0	0	0
Accrued Interest	0	0	0	0
Sub-total	**10,214**	**0**	**29,300**	**0**
Short Term (ii)				
Principal	0	49,300	0	32,400
Accrued interest	0	232	0	113
Sub-total	**0**	**49,532**	**0**	**32,513**
Cash and cash equivalent:				
Cash at Bank	0	14,745	0	8,554
Principal	0	27,299	0	19,760
Accrued interest	0	70	0	37
Sub-total	**0**	**42,114**	**0**	**28,351**
Total investments	**10,214**	**76,901**	**29,300**	**52,310**
Borrowings (iii)				
Loan (Principal amount)	100,472	272	97,415	3,056
Accrued Interest	0	953	0	1,054
Market loans EIR adjustments	1,429	0	1,915	0
Total Borrowings (a)	**101,901**	**1,225**	**99,330**	**4,110**
Other Financial Instruments				
MAG Loans (b) - included within Long term debtors	8,693	0	8,693	0
Section 106 debtors - included within Short Term debtors	0	3,308	0	2,479
Trade Debtors - included within Short Term debtors	0	6,601	0	3,679
PFI and finance lease liabilities - included within long term liabilities deferred	6,540	163	6,367	173
Trade Creditors included within short term creditors	0	15,818	0	14,616

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

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

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

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

Shareholdings

Manchester Airport Group plc.

31.03.11 £000	31.03.12 £m	***Manchester Airport Consolidated Profit and Loss Account and Balance Sheet (Extract)***	31.03.13 * £m
80.1	(6.7)	Profit/(Loss) before Tax	(23.5)
84.7	(9.2)	Profit/(Loss) after Tax	(16.1)
817.0	761.9	Net Assets	1,524.4

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

* Draft unaudited figures.

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

MaST Lift Co.

The Council has a 2% shareholding of £200 (200 £1 equity shares) in the MaST Lift Co. This is a cross-sector partnership company, set up with the intent of improving primary health care facilities. Further information and details of the financial statements of MaST Lift Co. Ltd can be obtained from: MaST LIFT Company, Quay West, 5th Floor, West Wing, Trafford Wharf Road, Trafford Park, Manchester M17 1HH.

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

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

The figure of £52.2m (£76.9m in 2011/12) represents the investment of funds that are temporarily surplus to requirements placed for short periods and earn market rates of interest.

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

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

Figures exclude amounts due to be repaid within 12 months.

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

Movements in borrowings

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

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

Fair value of Assets and Liabilities carried at Amortised Cost

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

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

The fair values calculated are as follows:

Financial Liabilities

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

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

Financial Assets

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

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

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

Income, Expense, Gains and Losses

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

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

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

17. Inventories (Balance Sheet page 13)

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

	Consumable Stores	
	31.3.12	**31.3.13**
	£000	**£000**
Balance outstanding at start of year	**456**	**496**
Purchases	781	890
Recognised as an expense in the year	(741)	(1,016)
Written off balances		
Reversals of write-offs in previous years		
Balance outstanding at year-end	**496**	**370**

18. Work in Progress (Construction Contracts)

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

19. Debtors (Balance Sheet page 13)

Long Term Debtors & Prepayments

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

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

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

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

(iv) MUFC Deferred Debtor – A Section 106 agreement was entered into with Manchester United Football Club in March 2005 relating to the stadium improvements completed in 2006. The agreement provides for the funding of works on transport infrastructure improvements, match day improvements measures and improvements to sporting facilities in the borough. In addition to £0.400m received in 2006/07, an amount of £0.600m is due over the next ten years in annual instalments of £0.060m per year. The £0.060m instalment due in 2013/14 is included within short-term debtors in the Balance Sheet.

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

(vi) Local Authority Mortgage Scheme – as part of the scheme launched in May 2012, the Council provides an indemnity to Lloyds TSB to allow suitable first time buyers to access the housing market with a 5% deposit instead of a usual 25% deposit. In effect, the Council provides a ‘cash backed’ indemnity to Lloyds TSB to cover the 20% of the mortgage price in the event of a default within the first 5 years of the mortgage period. The fair value of the debtor remains at £2m due to no defaults occurring in 2012/13.

Short Term Debtors and Payments in Advance

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

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

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

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

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

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

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

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

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

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

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

Long Term Creditors

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

Long-Term Liabilities – Deferred

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

(i) This relates to the lease liability on the Sale Waterside PFI scheme (note 43).

(ii) Sale PFI liability – amount set aside to cover the final bullet payments due at the end of the PFI contract (note 43).

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

(iv) £0.042m is due from the sale of council houses and other dwellings where buyers have entered into a mortgage agreement with the Council. Therefore the repayments will be received in instalments over a number of years.

(v) Prior to its wind up on 31 March 1998 the Trafford Park Urban Development Corporation paid the sum of £1.3m in recognition of the Council agreeing to pay some of the corporation's outstanding liabilities and carrying out certain works. There is a remaining balance of £0.174m as at 31 March 2013.

(vi) The Council has also received commuted sums from developers, in particular for the development and maintenance of open spaces. This will be released to the revenue account when the cost of providing these services falls due.

Short Term Creditors

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

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

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

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

23. Provisions (Balance Sheet page 13)

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

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

(i) Insurance £3.306m – The Council is effectively self-insured with high excesses on most insurance policies. The Council mitigates its insurance risk with the use of reserves, provisions and catastrophe cover from an insurance company, which for 2012/13 was primarily Travellers. The Council is therefore obliged to make a provision each year in respect of potential claims, most of which are received in future years. The level of provision is assessed independently each year by an actuary, for 2012/13 this was AON Global Risk Consultants. In 2012/13, from a starting balance of £3.463m contributions of £0.748m were made to the provision, £0.905m of claims were paid, leaving a balance on the provision of £3.306m which is deemed an appropriate balance to cover any outstanding liabilities.

(ii) Liabilities arising from claims under Equal Pay legislation from employees who may have been disadvantaged under the Council's previous pay scheme operating up to 31 December 2008 have been estimated at £3.835m. Of this £1.391m has been capitalised. The Council is actively engaged in trying to settle the majority of claims in the next period.

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

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

(v) Employee Rationalisation – the Council has severance agreements with a number of staff which may or may not be taken up pending the rationalisation of employment within the Council. The estimated cost of these agreements is £0.156m (£0.014m in 2011/12).

(vi) In January 1994, the Council's insurer at that time, Municipal Mutual Insurance (MMI), made a Scheme of Arrangement with its creditors. Under this scheme, claims are initially paid out in full, but if the eventual winding up of the company results in insufficient assets to meet all liabilities, a claw back clause will be triggered, which could affect claims already paid. At 31 March 2013 £1.942m of Trafford Council claims had already been paid (£1.900m at 31 March 2012), with outstanding claims of £0.160m (£0.245m at 31 March 2012).

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

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

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

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

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

An element of the above provisions have been classified as short-term on the balance sheet based on the assumption that there is a high likelihood that they will be used within 12 months of the balance sheet date:

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

24. Usable Reserves (Balance Sheet page 13)

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

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

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

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

In addition, there are unspent devolved formula capital balances of £(1.230)m, which are included within Capital Grants and Contributions on the balance sheet (note 39).

(ii) Capital Receipts Reserve

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

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

25. Unusable Reserves (Balance Sheet page 13)

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

31 March 2011 £000	31 March 2012 £000	Unusable Reserves	31 March 2013 £000
30,266	27,077	Revaluation Reserve (i)	20,701
0	0	Available for Sale Financial Instruments Reserve (ii)	19,086
305,763	297,516	Capital Adjustment Account (iii)	290,015
(6,614)	(6,411)	Financial Instruments Adjustment Account (iv)	(6,180)
(112,136)	(179,947)	Pensions Reserve (v)	(222,381)
307	294	Collection Fund Adjustment Account (vi)	5
(4,369)	(3,589)	Accumulated Absences Account (vii)	(3,387)
213,217	**134,940**	**Total Unusable Reserves**	**97,859**

(i) Revaluation Reserve

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

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

2011/12 £000		2012/13 £000
(30,266)	**Balance as at 1 April**	**(27,077)**
(1,393)	Upward revaluation of assets	(3,981)
1,441	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	8,391
48		4,410
0	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	0
432	Difference between fair value depreciation and historical cost depreciation	381
2,709	Accumulated gains on assets sold or scrapped	1,585
3,141	Amount written off to the Capital Adjustment Account	1,966
(27,077)	**Balance as at 31 March**	**(20,701)**

(ii) Available for Sale Financial Instruments Reserve

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

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

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

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

(iii) Capital Adjustment Account

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

2011/12 £000		£000	2012/13 £000
(306,252)	**Balance as at 1 April**		**(297,516)**
489	Adjustment to opening value for assets previously disposed of:-		
(305,763)	**Restated opening balance:-**		**(297,516)**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
18,855	- Charges for depreciation and impairment of non-current assets	18,741	
	- Revaluation losses on Property, Plant and Equipment		
93	- Amortisation of intangible assets	297	
12,219	- Revenue expenditure funded from capital under statute	13,126	
12,482	- Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	9,259	
43,649		41,423	
(3,141)	Adjusting amounts written out of the Revaluation Reserve	(1,966)	39,457
	Net written out amount of the cost of non-current assets consumed in the year		
	Capital financing applied in the year:		
(16,006)	- Use of the Capital Receipts Reserve to finance new capital expenditure	(15,784)	
(9,828)	- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(11,901)	
(4,523)	- Statutory provision for the financing of capital investment charged against the General Fund Balance	(4,424)	
(920)	- Capital expenditure charged against the General Fund Balance	(239)	
(31,277)		(32,348)	
663	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	395	
(1,600)	Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement		
(47)	Other Adjustments	(3)	(31,956)
(297,516)	**Balance as at 31 March**		**(290,015)**

(iv) Financial Instruments Adjustment Account

2011/12 £000		2012/13 £000
(6,614)	**Balance as at 1 April**	**(6,411)**
0	Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	0
0	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with Statutory requirements	0
203	Less annual charge for premiums incurred in previous financial years and stepped loan EIR adjustment	231
0	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	0
(6,411)	**Balance at 31 March**	**(6,180)**

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

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

In addition to this, the equalisation of interest on the two stepped interest rate market loans calculated over their full life was transferred into this account with the annual recharge to the income & expenditure changing from that actually incurred to one calculated on an Effective Interest Rate basis. The balance on the account at 31 March 2013 will be charged to the General Fund in accordance with statutory arrangements over the next 30 years.

(v) Pensions Reserve

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

2011/12 £000		2012/13 £000
112,136	**Balance as at 1 April**	**179,947**
66,500	Actuarial gains or losses on pensions assets and liabilities	37,900
16,500	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	19,800
(15,189)	Employer's pension contributions and direct payments to pensioners payable in the year	(15,266)
179,947	**Balance as at 31 March**	**222,381**

(vi) Collection Fund Adjustment Account

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

2011/12 £000		2012/13 £000
(307)	**Balance as at 1 April**	**(294)**
13	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	289
(294)	**Balance as at 31 March**	**(5)**

(vii) Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account. The reduction in the balance at 31 March 2013, relates to schools transferring to academy status during 2012/13.

2011/12 £000		2012/13 £000
4,369	**Balance as at 1 April**	**3,589**
(4,369)	Settlement or cancellation of accrual made at the end of the preceding year	(3,589)
3,589	Amounts accrued at the end of the current year	3,387
(780)	Amount by which amounts officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(202)
3,589	**Balance as at 31 March**	**3,387**

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

The cash flows for operating activities include the following items:

2011/12 £000		2012/13 £000
(994)	Interest received	(837)
4,995	Interest paid	4,871
(1,000)	Dividends received	(1,006)

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

The cash flows for investing activities include the following items:

2011/12 £000		2012/13 £000
25,873	Purchase of property, plant and equipment, investment property and intangible assets	29,582
(11,393)	Purchase / (proceeds) of short-term and long-term investments	(16,269)
0	Other payments for investing activities	0
(29,228)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(3,209)
(15,149)	Other receipts from investing activities	(21,878)
(29,897)	**Net cash flows from investing activities**	**(11,774)**

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

The cash flows for financing activities include the following items:

2011/12 £000		2012/13 £000
0	Cash receipts of short and long-term borrowing	0
0	Other receipts from financing activities	0
153	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	163
199	Repayments of short and long-term borrowing	199
0	Other payments for financing activities	0
352	**Net cash flows from investing activities**	**362**

29. Amounts Reported for Resource Allocation Decisions

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

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

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

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

Directorate Income and Expenditure 2012/13	Children & Young People Services	Communities & Wellbeing	Economic Growth & Prosperity / Environment Transport & Operations	Transformation & Resources	Council Wide	Total
	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	(5,980)	(14,022)	(17,332)	(8,934)	(7,793)	**(54,061)**
Government grants	(141,952)	(10,394)	(1,034)	(2,953)	(81,700)	**(238,033)**
Total income	**(147,932)**	**(24,416)**	**(18,366)**	**(11,887)**	**(89,493)**	**(292,094)**
Employee expenses	100,739	14,546	10,264	19,264	2,831	**147,644**
Other service expenses	71,408	59,157	43,461	11,640	111,063	**296,729**
Support service recharges	651	0	0	0	0	**651**
Total expenditure	**172,798**	**73,703**	**53,725**	**30,904**	**113,894**	**445,024**
Net expenditure	**24,866**	**49,287**	**35,359**	**19,017**	**24,401**	**152,930**

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

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

	2011/12	2012/13
	£000	£000
Net expenditure in the Directorate Analysis	**156,301**	**152,930**
Net expenditure of services and support services not included in the Analysis	0	0
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	26,352	26,645
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	(9,127)	(3,775)
Cost of Services in Comprehensive Income and Expenditure Statement	**173,526**	**175,800**

Reconciliation to Subjective Analysis

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

2011/12	**Directorate Analysis**	**Services and Support Services not in Analysis**	**Amounts not reported to management for decision making**	**Amounts not included in I&E**	**Allocation of recharges**	**Cost of services**	**Corporate Amounts**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Fees, charges and other service income	(48,046)	0	0	3,711	(24,676)	**(69,011)**	(2,415)	**(71,426)**
Surplus or deficit on associates and joint ventures	0	0	0	0	0	**0**	0	**0**
Interest and investment income	(3,116)	0	0	3,116	0	**0**	(3,116)	**(3,116)**
Income from council tax	0	0	0	0	0	**0**	(88,307)	**(88,307)**
Government grants and contributions	(256,505)	0	(19,002)	18,995		**(256,512)**	(109,587)	**(366,099)**
Total income	**(307,667)**	**0**	**(19,002)**	**25,822**	**(24,676)**	**(325,523)**	**(203,425)**	**(528,948)**
Employee expenses	154,307	0	(767)	0	0	**153,540**	1,300	**154,840**
Other service expenses	275,624	0	31,697	(1,561)	0	**305,760**	1,304	**307,064**
Support Service recharges	649	24,676	0	0	0	**25,325**	0	**25,325**
Depreciation, amortisation and impairment	0	0	14,424	0	0	**14,424**	0	**14,424**
Interest Payments	6,216	0	0	(6,216)	0	**0**	6,216	**6,216**
Precepts & Levies	27,172	0	0	(27,172)	0	**0**	27,260	**27,260**
Payments to Housing Capital Receipts Pool	0	0	0	0	0	**0**	35	**35**
Gain or loss on Disposal of Non-Current Assets	0	0	0	0	0	**0**	(18,372)	**(18,372)**
Total expenditure	**463,968**	**24,676**	**45,354**	**(34,949)**	**0**	**499,049**	**17,743**	**516,792**
Surplus or deficit on the provision of services	**156,301**	**24,676**	**26,352**	**(9,127)**	**(24,676)**	**173,526**	**(185,682)**	**(12,156)**

2012/13	Directorate Analysis	Services and Support Services not in Analysis	Amounts not reported to management for decision making	Amounts not included in I&E	Allocation of recharges	Cost of services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges and other service income	(51,261)	0	0	8,821	(23,391)	**(65,831)**	(2,687)	**(68,518)**
Surplus or deficit on associates and joint ventures	0	0	0	0	0	**0**	0	**0**
Interest and investment income	(2,800)	0	0	2,800	0	**0**	(2,800)	**(2,800)**
Income from council tax	0	0	0	0	0	**0**	(88,401)	**(88,401)**
Government grants and contributions	(238,033)	0	(10,302)	20,354		**(227,981)**	(107,178)	**(335,159)**
Total income	**(292,094)**	**0**	**(10,302)**	**31,975**	**(23,391)**	**(293,812)**	**(201,066)**	**(494,878)**
Employee expenses	147,644	0	(768)	0	0	**146,876**	5,100	**151,976**
Other service expenses	261,990	0	23,102	(1,011)	0	**284,081**	1,169	**285,250**
Support Service recharges	651	23,391	0	0	0	**24,042**	0	**24,042**
Depreciation, amortisation and impairment	0	0	14,613	0	0	**14,613**	0	**14,613**
Interest Payments	6,142	0	0	(6,142)	0	**0**	6142	**6,142**
Precepts & Levies	28,597	0	0	(28,597)	0	**0**	28,686	**28,686**
Payments to Housing Capital Receipts Pool	0	0	0	0	0	**0**	21	**21**
Gain or loss on Disposal of Non-Current Assets	0	0	0	0	0	**0**	6,044	**6,044**
Total expenditure	**445,024**	**23,391**	**36,947**	**(35,750)**	**0**	**469,612**	**47,162**	**516,774**
Surplus or deficit on the provision of services	**152,930**	**23,391**	**26,645**	**(3,775)**	**(23,391)**	**175,800**	**(153,904)**	**21,896**

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30. Acquired and Discontinued Operations

None to report.

31. Trading Operations (See also note 10)

		2010/11 £000	2011/12 £000	2012/13 £000
Building Cleaning	Turnover	(2,127)	(2,333)	(2,247)
	Expenditure	1,923	2,142	2,102
	(Surplus)/Deficit	(204)	(191)	(145)
Cumulative Surplus over last three financial years: £(540)k				
Education Catering	Turnover	(5,504)	(5,636)	(5,735)
	Expenditure	5,378	5,460	5,574
	(Surplus)/Deficit	(126)	(176)	(161)
Cumulative Surplus over last three financial years: £(463)k				
Net (surplus)/deficit on trading operations		**(330)**	**(367)**	**(306)**

All the above figures are inclusive of depreciation**.**

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

	2011/12 £000	2012/13 £000
Net surplus on trading operations	**(367)**	**(306)**
Services to the public included in Expenditure of Continuing Operations	0	0
Support services recharged to Expenditure of Continuing Operations	0	0
Net surplus credited to Other Operating Expenditure	**(367)**	**(306)**

32. Agency Services

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

- Council tax – the billing authority acts as the agent of its major preceptors when collecting council tax on their behalf. In Trafford, the two major preceptors are the Greater Manchester Police Authority and the Greater Manchester Fire and Rescue Authority. No fee is chargeable for this service;
- National Non-Domestic Rates (NNDR) – the billing authority acts as agent for Central Government in collecting NNDR. The Government paid Trafford an allowance for the cost of this collection in 2012/13 of £0.454m (£0.461m in 2011/12).

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

33. Road Charging Schemes

The Council does not operate any such schemes.

34. Pooled Budgets

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

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

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

35. Members' Allowances

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

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

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

36. Officers' Remuneration

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

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

Note : Leavers in (brackets)

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

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

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

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

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

Senior Officers Remuneration

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

(i) £150,000 per year or more; or

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

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

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

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

Notes :

(1) The annualised salary for the Chief Executive, Mrs J Callender, in 2011/12 was £170,000, the same as in 2010/11. Mrs Callender left the authority on 28 August 2011.

(2) The Corporate Director (Transformation & Resources) & Deputy Chief Executive also received fees from the Council of £4,747 as Returning Officer for the May 2011 local elections. The Corporate Director (Transformation & Resources) & Deputy Chief Executive was appointed as Acting Chief Executive on 1 June 2011 on an annualised salary of £145,000.

(3) The Director of Finance was also appointed as Acting Director (Transformation & Resources) on 1 September 2011.

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

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

Notes :

	(1) The Acting Chief Executive also received fees from the Council of £5,036 as Returning Officer for the May 2012 local elections.
	(2) The Corporate Director (Communities & Wellbeing) left the authority on 31 December 2012.
	(3) The previous Corporate Director (Economic Growth & Prosperity) left the authority on 31 August 2012. The new Corporate Director (Economic Growth & Prosperity) was appointed on 1 February 2013.
	(4) The new Corporate Director (Transformation & Resources) was appointed on 21 January 2013.
	(5) The Director of Finance and Acting Corporate Director (Transformation & Resources) reverted back to The Director of Finance on 21 January 2013.
	Where individual Senior Officers were ‘Acting’ or ‘Interim’ during the year, the amounts shown represent the total remuneration received for the period they were acting in that capacity.

37. External Audit Costs

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

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

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

38. Dedicated Schools Grant

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

DSG allocations to:-

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

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

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

Grant Income included in the Comprehensive Income and Expenditure Statement

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

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

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

Grant Income included in the Balance Sheet

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

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

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

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

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

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

40. Related Parties

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

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

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

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

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

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

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

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

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

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

41. Capital Expenditure and Capital Financing

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

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

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

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

(*) REFCUS

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

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

(i) Revenue Expenditure Funded from Capital under Statute (REFCUS)

This represents expenditure which is classified as revenue under the Code, but which is permitted to be funded from capital under statute, e.g. capital spending where there is no tangible asset, such as grants awarded for economic development purposes.

These costs were previously charged to the balance sheet and amortised to revenue as a deferred capital charge. As a change in accounting policy, this expenditure, and any offsetting capital grants, is now charged directly to the appropriate service in the Comprehensive Income and Expenditure Statement, with the effect on council tax neutralised by an equivalent compensating entry in the MIRS and Capital Adjustment Account.

The deficit on the Comprehensive Income and Expenditure Statement includes revenue costs of £23.334m under this category, offset by £(10.208)m of Government grants applied. This amounts to a net cost of £13.126m, offset by a corresponding credit entry in the MIRS. These amounts are still treated as capital for control purposes and are hence included in the Capital Expenditure Statement above.

Provision for Debt Repayment

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

42. Leases

a) Council as Lessee – Finance Leases

The Council does not have any finance lease arrangements.

Operating Leases

Vehicles, Plant, Furniture and Equipment - the Council uses vehicles financed under the terms of an operating lease. The amount charged under these arrangements in 2012/13 was £1,091,336 (£1,132,711 in 2011/12).

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

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

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

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

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

Council as Lessor – Finance Leases

The Council does not have any finance lease arrangements.

Operating Leases

The Council leases out property under operating leases for the following purposes:

- to assist organisations in the provision of services in support of the Council's policy objectives in respect of sports facilities, community centres, scout groups, and various third sector charitable and voluntary bodies.
- to generate rental income from assets held for investment.

The Council also has seven lease agreements for commercial development schemes under which a "participation" rent is payable to the Council, determined annually by reference to the profitability of the investment asset. These rents are classed as contingent rents and are not included in the minimum lease payments receivable. In 2012/13 these rents were £1.038m (£1.102m in 2011/12). This figure includes rent received by the Council in respect of its joint ownership of Manchester International Airport of £0.429m (£0.406m in 2011/12).

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

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

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

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

43. PFI and Similar Contracts

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

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

Under such arrangements the responsibility for operating the facilities rests with our private sector partner. A number of surplus assets were transferred to the private sector partner at the commencement of the scheme in 2003, the value of which contributed to a reduction in the annual Unitary Service Payment to Cofely GDF-Suez.

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

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

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

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

The estimated value of the remaining PFI payments is £24m. At the end of the initial period, the Council will have a number of courses of action available to it:

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

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

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

44. Impairment Losses

These are disclosed in note 12.

45. Capitalisation of Borrowing Costs

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

46. Termination Benefits

The Council has terminated the contracts of a number of employees in 2012/13. These are included in the Comprehensive Income and Expenditure Statement as paid, or accrued where appropriate. Provision has been made for outstanding payments to employees where agreed but subject to final payment.

47. Pension Schemes Accounted for as Defined Contribution Schemes

Pension costs included in the Income & Expenditure Account

Teachers

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

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

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

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

Other Employees

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

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

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

48. Defined Benefit Pension Schemes

Participation in Pensions Schemes

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

The Council participates in two post-employment schemes:

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

Transactions Relating to Retirement benefits

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

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

Assets and Liabilities in Relation to Post-employment Benefits

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

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

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

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

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

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

Scheme History

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

The liabilities show the underlying commitments that the Council has in the long term to pay retirement benefits. The total liability of £223m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet.

However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

§ the deficit on the GM Pension Scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the actuary;

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

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

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

Basis for Estimating Assets and Liabilities

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

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

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

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

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

History of Experience Gains and Losses

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

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

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

49. Contingent Liabilities

(a) Municipal Mutual Insurance

See Note 23 (vi) - In January 1994 the Council's former insurer, Municipal Mutual Insurance, made a scheme of agreement with its creditors. Under this scheme, claims are initially paid out in full, but if the eventual winding up of the company results in insufficient assets to meet all liabilities a clawback clause will be triggered which could affect claims already paid.

The scheme of arrangement was triggered during 2012/13 and a provision has been made based on an initial levy of 15%, equating to £0.419m. A contingent liability still exists if the proceeds from the initial levy are not sufficient to cover the cost of future claims. In the event that an additional levy becomes payable then this will be met from the insurance reserve.

(b) Manchester Airport

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

(c) Modesole Ltd

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

(d) Trafford Housing Trust

A number of warranties were provided to the Trafford Housing Trust (THT) and related stakeholders as a consequence of the housing stock transfer agreement entered into on 14 March 2005.
A brief summary of the salient points of the major warranties follows – complete details are available from the Head of Legal and Democratic Services.

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

ii) Warranties of Truth; the Council has made a number of statements and assertions within the transfer agreement, such as land ownership, value of assets, and the right to exercise certain legal powers. The Council has indemnified THT against any liability should any of those statements prove to be untrue. This risk will also diminish, but over a much longer time frame.

iii) Pension Fund Guarantor; The Council has underwritten any outstanding pension liability to the Pensions Authority for staff transferring under the TUPE regulations to THT, should THT be unable to meet those liabilities. To mitigate this risk THT has taken out a £3.5m bond, which can only be accessed with the permission of the

Council. The liability and the level of bond will be actuarially assessed every five years.

iv) Unadopted Drains; The Council has indemnified THT for maintenance and repair works relating to unadopted drainage systems. Should a liability arise it is likely to be of small amounts and will be paid out of the Council's revenue budget in the year of occurrence.

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

vi) Outstanding works; the Council retains liability for £187.7m worth of qualifying works to bring the housing stock to standard. However, the Council has engaged THT as their agent to undertake these works and has paid THT up front in that the cost of the transfer was reduced by that amount.

vii) There are a number of Environmental warranties that the Council in aggregate has indemnified THT up to £90m, and an unlimited indemnification to THT's funders, the Prudential Trustee Company Ltd. The risk of these warranties is partially off-set by expected VAT receipts from the works done by THT on the Council's behalf (see above) over ten years amounting to £21m. The liabilities and risks of the warranties will be kept under constant review, and monies put aside from the VAT receipts as appropriate.

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

ix) Asbestos; The Council has given THT a 30 year indemnification against any cost of works arising from asbestos above an excess in any one year of £308,500. This is a rolling excess in that should any excess in one year be unused, it will roll over into the next financial year.

x) Pollution and Contaminated Land;

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

(e) Timperley Sports Club

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

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

(f) Synthetic Pitches

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

(g) May Gurney (previously Translinc)

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

(h) Equal Pay

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

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

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

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

(i) Metrolink

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

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

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

(j) Section 106 Agreements

A number of agreements in accordance with Section 106 of the Town and Country Planning Act 1990 exist between the Council and developers associated with the planning conditions attached to new developments. In respect of contributions received to date, should the conditions in the agreement not be met by the Council then amounts would become repayable to developers. Should developments proceed and conditions within agreements be met then the estimated value of contributions the Council will receive is £26.6m.

(k) Pooled funds

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

(l) Significant Legal and Insurance Claims

- The Council is currently in negotiations with its insurers over recompense for losses in respect of a major insurance claim under its Fidelity Guarantee Policy. At this stage the final settlement figure is being negotiated.

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

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

(m) Altrincham Interchange

An element of the financing for this major infrastructure scheme is to come from developer contributions from developments in the vicinity of the Interchange. The Council has underwritten this funding such that if after a period of six years after commencement of the works the contributions are not available then the Council will provide the funding to Transport for Greater Manchester of up to £650,000.

50. Contingent Assets

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

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

51. Nature and Extent of Risks Arising from Financial Instruments

Key Risks

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

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

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

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

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

Overall Procedures for Managing Risk

The Council's overall risk management procedures focus on the unpredictability of financial markets, and implementing restrictions to minimise these risks. The procedures for risk management are set out through a legal framework based on the Local Government Act 2003 and the associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services and Investment Guidance issued through the Act. Overall these procedures require the Council to manage risk in the following ways:

- by formally adopting the requirements of the CIPFA Treasury Management Code of Practice;
- by the adoption of a Treasury Policy Statement and treasury management clauses within its Financial Procedure rules;
- by approving annually in advance prudential and treasury indicators for the following three years limiting:
  - The Council's overall borrowing;
  - Its maximum and minimum exposures to fixed and variable rates;
  - Its maximum and minimum exposures to the maturity structure of its debt;
  - Its maximum annual exposures to investments maturing beyond a year.
- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance.

These are required to be reported and approved at or before the Council's annual Council Tax setting budget or before the start of the year to which they relate. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported semi-annually to Members.

The Council maintains written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash through Treasury Management Practices (TMPs). These TMPs are a requirement of the Code of Practice and are reviewed periodically

The annual treasury management strategy which incorporates the policies to be adopted covering both debt and investments together with the prudential indicators for 2012/13 was approved by Council on 22 February 2012 and is available on the Council website. A summary of the policies and key indicators together with the actual outcomes are shown in the tables below;

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

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

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers.

This risk is minimised through the Annual Investment Strategy which is incorporated within the annual treasury management strategy and this stipulates that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poors Credit Ratings Services.

The Council uses the creditworthiness service provided by Sector Treasury Services Limited which uses a sophisticated approach incorporating;

- Credit ratings from all three rating agencies,

- Credit watches and credit outlooks from credit rating agencies,
- Credit Default Swaps spreads to give an early warning of likely changes in credit ratings,
- Sovereign ratings to select counterparties from only the creditworthy countries.

The Annual Investment Strategy also imposes a maximum amount and time limits in respect of each financial institution. Deposits are not made with banks and financial institutions domiciled in a country which has a minimum Sovereign long term rating of AA and meet the requirements of the investment criteria outlined below;

Financial Asset Category	Minimum credit rating (Fitch or equivalent)	Maximum investment	Maximum period
Banks & Building Societies	Short Term: F1	£20m	3 Years
	Long Term: AA		
	Financial Strength: C		
	Support: 3		
Banks & Building Societies	Short Term: F1	£5m	1 Year
	Long Term: A-		
	Financial Strength: C		
	Support: 3		
Money Market Funds	AAA	£20m	3 Years
UK Government including Local Authorities & Debt Management Office	N/A	£20m	3 Years
UK Banks – part nationalised	N/A	£20m	3 Years
Bank or Building Society which is an Eligible Institution for the HM Treasury Credit Guarantee Scheme.	Short Term: F1 Long Term A-	£10m	1 Year
The Council's own bank if the bank falls below the above criteria	N/A	£5m	3 month

The following analysis summarises the Council's maximum exposure to credit risk on other financial assets, based on experience of default, adjusted to reflect current market conditions.

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

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

** The estimated maximum exposure to default for trade debtors of £1.0m is based on the gross debt raised rather than debt outstanding at one particular date. There is no adjustment to be made for market conditions from the balance sheet date of 31 March 2013.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £32k cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of non-recoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2013 that this was likely to crystallise.

No breaches of the Council's counterparty criteria occurred during the reporting period and the Council does not expect any losses from non-performance by any of it's counterparties in relation to its investments.

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

All the Council's deposits are made through the London Money markets and the allocation of investments between institutions domiciled in foreign countries were as follows:

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

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

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

Liquidity Risk

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when it is needed.

The Council has ready access to borrowings from the Money Markets to cover any day to day cash flow need, and for longer term funds these can be accessed from both the PWLB and Money Markets. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

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

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

Refinancing and Maturity Risk

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

The approved prudential indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council's approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes:

§ monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and

§ monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The following is the maturity analysis of financial liabilities based on the original and current maturity date - all trade and other payables are due to be paid in less than one year and are not shown in the table below.

	31 March 2012	31 March 2013
	£000	£000
Under 1 year	273	3,056
1 year to 2 years	3,056	2,424
2 years to 5 years	7,942	8,201
5 years to 10 years	14,278	15,456
10 years to 20 years	8,406	4,540
20 years to 30 years	20,790	36,795
30 years to 40 years	16,000	0
40 years and above	30,000	30,000
Total	**100,745**	**100,472**

Market Risk

Interest rate risk - The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

§ borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise;

§ borrowings at fixed rates – the fair value of the borrowing liability will fall;

§ investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise; and

§ investments at fixed rates – the fair value of the assets will fall.

Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the surplus or deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the surplus or deficit on the Provision of Services or Other Comprehensive Income and Expenditure and affect the General Fund Balance, subject to influences from Government grants. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in the Other Comprehensive Income and Expenditure Statement.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. The central treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favorable, fixed rate investments may be taken for longer periods to secure better long term returns, similarly the drawing of longer-term fixed rates borrowing would be postponed.

If all interest rates had been 1% higher with all other variables held constant, the financial effect would be calculated as follows:

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

The Council's loans are all held at fixed rates of interest and consequently a movement in interest rates of +/-1% would have no impact on its financial resources.

Price risk - The Council, excluding the pension fund, does not invest in equity shares but does have shareholdings to the value of £29.3m in Manchester International Airport. Whilst these holdings are generally illiquid, the Council is exposed to losses arising from movements in the price of shares.

All movements in the share values will impact on gains and losses recognised in the Available for Share reserve. A general shift of 5% in the price of shares (positive or negative) would have resulted in a £1.47m gain or loss being recognized in the Available for Sale Reserve.

Foreign exchange risk - The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

52. Trust Funds

The Council administers a number of Trust Funds. The values of these funds, which are not included in the Balance Sheet, were £0.473m at 31 March 2013 and are listed below.

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

53. Effect of Prior Period Adjustments

There was one prior year period adjustment as follows:

Property, Plant & Equipment – refer to note 12 for further details;

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

Extract for restated items only

2010/11	**31 March 2011 £000**	**Restate-ment £000**	**Restated 31 March 2011 £000**
Property, Plant & Equipment	410,566	(489)	410,077
Long Term Assets	**467,052**	**(489)**	**466,563**
Net Assets	**276,284**	**(489)**	**275,795**
Capital Adjustment Account	(306,252)	489	(305,763)
Unusable Reserves	**(213,706)**	**489**	**(213,217)**
Total Reserves	**(276,284)**	**489**	**(275,795)**

2011/12	**31 March 2012 £000**	**Restate-ment £000**	**Restated 31 March 2012 £000**
Property, Plant & Equipment	408,474	(489)	407,985
Long Term Assets	**463,298**	**(489)**	**462,809**
Net Assets	**221,891**	**(489)**	**221,402**
Capital Adjustment Account	(298,005)	489	(297,516)
Unusable Reserves	**(135,429)**	**489**	**(134,940)**
Total reserves	**(221,891)**	**489**	**(221,402)**

collection fund

About this account

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

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

notes to the collection fund

1. Council Tax

This tax was introduced on 1 April 1993 with all domestic properties placed in one of eight valuation bands. The Government has determined that the Council Tax payable in each band will be a specified fraction of the middle valuation band, known as band D.

Each year, the Council must estimate the equivalent number of band D properties, after allowing for discounts, exemptions, losses on collection etc. For 2012/13, the calculation was as follows:

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

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

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

2. Non-Domestic Rates

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

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

The total non-domestic rateable value at 31 March 2013 is £382,184,293, and the national multiplier applicable for 2012/13 is 45.8p (45.0p for small businesses).

3. Estimated Surplus and Deficits

Regulations require the Council to make estimates in January each year of the surplus or deficit likely to arise at the year end, and to transfer these amounts into or out of the collection fund in the following financial year. In January 2012 there was an estimated surplus of £(0.236)m (£(0.242)m in January 2011). This was distributed to the relevant precepting bodies as shown below, with Trafford's element utilised to support General Fund expenditure during the year.

2011/12 £000	Distribution of Surplus on Collection Fund	2012/13 £000
(205)	Trafford	(200)
(27)	Greater Manchester Police Authority	(26)
(10)	Greater Manchester Fire & Rescue Authority	(10)
(242)	**Estimated Collection Fund Surplus**	**(236)**

4. Year End Surplus 2012/13

The opening balance for the Collection Fund for 2012/13 was £(0.346)m surplus. The £(0.006)m surplus which had accrued at the year-end is in respect of Council Tax transactions and will be distributed in subsequent years to the Council's General Fund, the GM Police Authority and the GM Fire and Rescue Authority.

2011/12 £000	Allocation of year-end Surplus on Collection Fund	2012/13 £000
(294)	Trafford	(5)
(38)	Greater Manchester Police Authority	(1)
(14)	Greater Manchester Fire & Rescue Authority	(0)
(346)	**Estimated Collection Fund Surplus**	**(6)**

In the Balance Sheet at 31 March 2013, the Council has included the £(0.006)m surplus on a disaggregated basis as a Creditor to the GM Police Authority and the GM Fire & Rescue Authority to the value of £(0.001)m, and a £(0.005)m attributable surplus on the Collection Fund balance alongside the General Fund.

glossary

Actuarial Gains and Losses

For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because:

(A) events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or

(B) the actuarial assumptions have changed**.**

Capital Financing Charges

The annual charge to the revenue accounts in respect of interest and principal repayments of borrowed money together with leasing rentals.

Capital Financing Requirement

This reflects the Council's underlying need to borrow for a capital purpose. It forms a basis for calculating the minimum revenue provision (MRP), which is the amount required to be set aside as provision to repay debt.

Capital Grants

Grants received towards capital outlay on a particular service or project.

Capital Receipts

Money received from the sale of surplus assets such as land or buildings that is used for new capital expenditure or to repay debt.

Capital Receipts Pooling

New regulations came into force on 1 April 2004 which required authorities to pay over to the Government a proportion of the proceeds from the disposal of housing assets.

Carrying Amount

This equates to the level of principal outstanding on loans and investments together with any accrued interest.

Collection Fund

The Collection Fund records transactions in respect of the council tax, community charge, non-domestic rates and revenue support grant receipts and illustrates the way in which these have been distributed.

Community Assets

Non-current assets that an authority intends to hold in perpetuity and have no determinable useful life.

Coupon Rate

The interest rate stated, expressed as a percentage of the principal (face value).

Creditors

Amounts owed by the Council for work done, goods received or services rendered but for which payment has not been made at the date of the balance sheet.

Current Service Cost (Pensions)

The increase in the present value of a defined benefit scheme's liabilities expected to arise from employee service in the current period.

Curtailment

For a defined benefit scheme, an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service.

Curtailments include:

- termination of employees' service earlier than expected, for example as a result of closing a factory or discontinuing a segment of a business, and
- termination of, or amendment to the terms of, a defined benefit scheme so that some or all future service by current employees will no longer qualify for benefits or will qualify only for reduced benefits.

DCLG (Department for Communities & Local Government)
This is the Government department which has the main responsibility for Local Government.

DfE (Department for Education)
This is the Government department responsible primarily for schools. It administers the majority of funding for schools including Dedicated Schools Grant, the major form of financial support.

Debtors
Sums of money due to the Council but which are unpaid at the date of the balance sheet

Deferred Debtors/Deferred Capital Receipts
Corresponding entries relating to sums due at some time in the future, for example from the sale of council houses purchased with the help of mortgages granted by the Council.

Defined Benefit Scheme
A pension or other retirement benefit scheme other than a defined contribution scheme. Usually the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).

Defined Contribution Scheme
A pension or other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Depreciation/Amortisation
An amount charged to revenue accounts to represent the wearing out of non-current assets.

Direct Service Organisation (DSO)
The in-house team which has won a contract to carry out work, or provide a service following a competitive tendering process.

Discretionary Benefits
Retirement benefits which the employer has no legal, contractual or constructive obligation to award and which are awarded under the authority's discretionary powers.

Effective Interest Rate
The rate at which debt charges are applied to the comprehensive income and expenditure statement.

Expected Rate of Return on Pensions Assets
For a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

General Fund
The main revenue account of the Council into which the Council's precept from the Collection Fund and specific Government grants are paid and from which is met the cost of providing services.

Heritage Assets
Heritage assets are assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical value.

Impairment
A reduction in the recoverable amount of a non-current asset. An impairment charge can be caused by a clear consumption of economic benefits or by a general fall in prices.

Income
Amounts which an authority receives, or expects to receive, from any source. Income includes fees, charges, sales and Government grants. The term "income" implies that the figures concerned relate to amounts due in a financial year irrespective of whether or not money was actually received during that year (i.e. on an accruals basis).

Indemnified
To protect against damage, loss or injury; insure.

Infrastructure Assets
Those non-current assets from which benefit can be obtained only by continued use of the asset created e.g. highways, footpaths and bridges.

Interest Costs (Pensions)
For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

Investments (Pension Fund)
The investments of the Pension Fund will be accounted for in the statements of that fund. However authorities (other than town parish and community councils and district councils in Northern Ireland) are also required to disclose, as part of the transitional disclosures relating to benefits, the attributable share of pension scheme assets associated with their underlying obligations.

Large Scale Voluntary Transfer (LSVT)
This is the name given to the process of transferring the Council housing stock out of Council ownership into another not for profit social housing organisation, such as a housing association.

NNDR
National non-domestic rates, payable by businesses.

NNDR Pool
A fund administered by the DCLG into which are paid business rates collected by local authorities. The DCLG pay out of the fund a per capita amount to all local authorities.

Pay and Reward Improving Services (PARIS)
Comprehensive pay and grading review to ensure a fair and equal pay structure across the Council.

Past Service Cost
For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employees service in prior periods arising in the current period as a result of the introduction of, or improvements to, retirement benefits.

Precept
The amount levied by one authority which is collected on its behalf by another.

Private Finance Initiative
An agreement with the private sector to design, build and operate facilities specified by an authority in return for an annual payment.

Projected Unit Method
An accrued benefits valuation method in which the scheme liabilities make allowances for projected earnings. An accrued benefits valuation method is a valuation method in which the scheme liabilities at the valuation date relate to:

- the benefits for pensioners and deferred pensioners (i.e. individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependants, allowing where appropriate for future increases, and
- the accrued benefits for members in service on the valuation date.

Provisions
Sums set aside for losses or liabilities which are certain to arise but cannot be quantified with certainty.

Reserves
Amounts set aside to meet future costs.

Retirement Benefits
All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment. Retirement benefits do not include termination benefits payable as a result of either (i) an employer's decision to terminate an employee's employment before the normal retirement date, or (ii) an employee's decision to accept voluntary redundancy in exchange for those benefits, because these are not given in exchange for services rendered by employees.

Revenue Expenditure Funded from Capital under Statute (REFFCUS)
Capital expenditure which does not produce a tangible asset (e.g. improvement grants or other expenditure on assets the authority does not own). These are charged directly to revenue in the year expenditure is incurred but are treated as capital for control purposes.

Revenue Support Grant (RSG)
A grant paid by Central Government to aid local authority expenditure generally.

Revenue Contributions
Refers to the financing of capital expenditure directly from revenue in one year rather than from loan or other sources.

Revenue Expenditure
Recurring expenditure on day to day expenses such as employees, running expenses of buildings, equipment and capital financing costs.

Scheme Liabilities
The liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflects the benefits that the employer is committed to provide for service up to the valuation date.

Settlement
An irrevocable action that relieves the employer (or the defined benefit scheme) of the primary responsibility for a pension obligation and eliminates significant risks relating to the obligation and the assets used to effect the settlement. Settlements include:

- a lump-sum cash payment to scheme members in exchange for their rights to receive specified pension benefits;
- the purchase of an irrecoverable annuity contract to cover vested benefits; and
- the transfer scheme assets and liabilities relating to a group of employees leaving the scheme.

Soft Loan
This is where credit is given to an external organisation or individual at conditions which are more favourable than market rates.

Stepped Interest Rate Loans
A loan agreement where one rate of interest applies for the primary period of the loan and another rate for the remainder, or secondary period.

Trust Funds
Funds administered by the Council on behalf of others, for purposes such as prizes, charities, specific projects, and on behalf of minors.

Unsupported Borrowing
Borrowing undertaken to finance capital expenditure where the related debt costs are paid for by the authority or from other income.

Vested Rights
In relation to a defined benefit scheme, these are:

- for active members, benefits to which they would unconditionally be entitled on leaving the scheme:
- for deferred pensioners, their preserved benefits:
- for pensioners, pensions to which they are entitled.

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TRAFFORD COUNCIL

Report to: Accounts & Audit Committee
Date: 27 June 2013
Report for: Information
Report of: Director of Finance

Report Title

Insurance Performance Report 2012/13

Summary

This report provides a summary of insurance performance for 2012/13.

The cost of non-schools insurance in 2012/13 was £1.3m, including premium costs of £0.4m and provision for claims of £0.9m. The cumulative provision was £2.9m representing a reduction of £0.157m due to an updated assessment in respect of claims from previous years.

A premium reduction of £0.121m had been negotiated for 2012/13 as part of a 2 year extension of the insurance programme. The Insurers maintained the agreed pricing for 2013/14, which in itself is an achievement for the Council, given in a number of cases Insurers have amended these arrangements and applied increases of 10% or more. A premium rebate of £30,700 will be made to reflect good claims performance.

Overall liability claim numbers increased in 2012/13 with 427 new claims compared to 333 in 2011/12. Most of the increase is highways claims with a significant influx in January and February 2013, largely down to adverse weather over the winter period.

Repudiation rates on liability claims are slightly down on 2011/12; highways repudiation levels are 74% compared to 76% in 2011/12. The total cost of claims settled in 2012/13 was £1.324m with an average claim cost of £10,940 compared to a total cost of £0.671m and average of £9,334 in 2011/12. This was due to the final settlement of 2 large claims totalling £0.550m. Both claims occurred 10 years ago with payments having been made over a number of years and finally settled in 2012/13. These skew the overall cost.

A number of initiatives were progressed in 2012/13 with further planned for 2013/14.

Recommendation(s)

That the report be noted.

Contact person for access to background papers and further information:
Name: Graeme Bentley
Extension: 4336
Background Papers – None

Background

1. This report deals with the insurance arrangements for the Council in 2012/13 for all non-school activity. Attached at Annex 1 is key policy information, detailing policies, excesses and limits of indemnity.

2. The provision of appropriate insurance cover and support for schools account for a significant amount of insurance activity and budget. The service operates under a service level agreement with schools which aims to recover charges equivalent to the cost of the function provided. Since 2010/11 a dividend has been included in the charges to recognise the good claims experience and this approach acts as an incentive for schools to adopt positive risk management practices. At present the Council continues to insure all primary schools with the exception of three which have assumed academy status. The Council cannot insure academy schools as it does not have an insurable interest in the school. The majority of secondary schools arrange their insurances independently reflecting the high level of foundation/academy schools in the Borough.

Performance Update

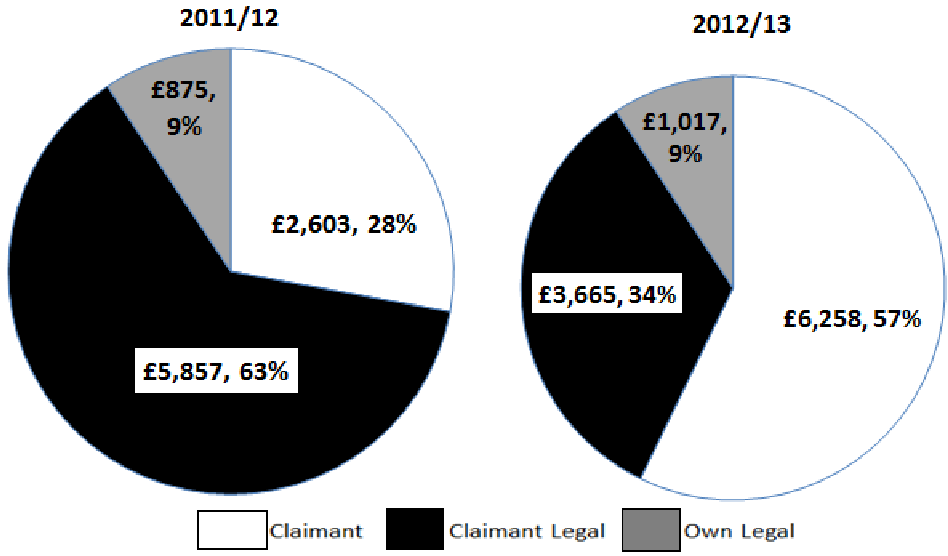
3. This section provides details on insurance activity and Annex 2A provides information on the level of activity in 2012/3 compared to 2011/12 across the major insurance areas. It also provides information on the cost of claims settled in the year regardless of policy year. Annex 2B is different in that it shows claims relating to policy years. A summary of claims activity on liability claims in 2012/13 is summarised in the table below.

	2012/13		2011/12	
	Workload (No Claims Rec'd)	Cost of Settled Claims £000	Workload (No Claims Rec'd)	Cost of Settled Claims £000
Highway Liability	342	589	252	356
Public Liability	67	274	70	54
Employer's Liability	18	461	11	261
Total	427	1,324	333	671

4. Primarily due to the adverse weather conditions of January and February causing increased damage to roads and footways, highway claims for the year rose by 35%, circa 100 claims, increasing overall public liability claims by 27%. Many of these increased claims were for minor vehicle damage which were of low value (£100-£500). The average cost of liability claims settled increased by 17% over the period to £10,940, largely this was due to the final settlement of 2 claims which were up to ten years old in the sum of £550k. Excluding these claims, the comparative figures would be £6,395 a decrease of 31%.

5. Third party solicitor costs are challenged, and over the last three years costs of approximately one third, or £223,000, have been avoided. Ministry of Justice (MOJ) reforms to be implemented in 2013 will streamline and potentially reduce third party solicitor costs.

Breakdown of Average Claim Costs of Settled Claims



6. Annex 2B shows the claims activity by **policy year** for the last five years which shows the trend in claims costs over that period together with details of claim numbers related to those policy years and repudiation rates. The following paragraphs provide a commentary for the major insurance classes.

Public Liability – Highway Claims

7. Highway related claims continue to account for the majority of liability claims in terms of both numbers and cost. Over the five year period to 2012/13 the average annual cost of claims was £536,000. In 2009/10 and 2010/11 the cost of these claims had shown a significant reduction. This reflects an increase in repudiation rates which is partly down to the positive approach in defending claims by our insurers and better and more effective internal claims handling processes. The level of claims for 2012/13, shown in Annex 2B, is artificially high due to the lack of maturity of claims for that year and reflects the high reserves on claims still to be settled. It is expected final claim costs to be lower than this figure as the majority of these claims will be repudiated.

8. Claim settlements are monitored closely by both the insurance and highways inspection teams to identify any trends that may be of concern. A revised Highway Inspection policy was approved by the Executive on 29 October 2012. This policy sets the standards for the identification of defects on the carriageway and footway and also the inspection frequencies. This revision was made due to the proactive approach to risk management adopted by the Highways and Insurance teams working closely together and is anticipated to reduce the levels of missed defects and inspections and brings us in line with most other AGMA districts. It is too soon after the change to quantify financial benefits.

Public Liability – Other Claims

9. Other Public Liability claims, for example accidents in parks or within Social Services are of relatively low volume in comparison with Highways but can be of significant value. In 2012/13, these claims made up around 15% of all liability claims reported, with an estimated cost of claims in 2012/13 of £156,000. The number of claims is consistent over recent years as is shown is Annex 2B.

Employer Liability Claims

10. Employers Liability claims are again of low volume but high value. They account for around 2% of all claims with an estimated cost in 2012/13 of £78,000. The trend on costs has seen a reduction in recent years as shown in Annex 2B. This reflects the profile of the Council workforce being more office based than in years past.

11. A protocol for handling Employers Liability claims is being developed and is referred to under 'Future Plans'.

Motor Vehicle Claims

12. Motor claims have seen a decrease in volume of 50% since 2010/11 commensurate with the decrease in the size of the fleet and are down to 20 claims in policy year 2012/13, however the cost of these claims has increased and the estimated cost of claims for 2012/13 is £112,000. This is based on claims arising within these policy years as illustrated in Annex 2B. A major reason for this is the cost of courtesy/(credit hire) cars which has fuelled the cost of insurance claims. The Association of British Insurers and the National Association of Credit Hire Organisations have implemented a General Terms of Agreement but despite this credit hire will continue to have a negative influence on motor insurance premiums across the industry.

13. This is the one area of the Council's insurances where a rate increase has been applied. This was 15%. In the current climate with Insurers concerned over motor claims costs no viable alternatives existed. The level of increase was quite moderate for the experience and can be viewed positively.

Insurance Budget

14. In 2012/13 the cost of insurance was £1.3m. This was made up of premiums of £0.4m, and an increase to the provision for the cost of liability claims arising in 2012/13 of £0.9m. The cumulative provision for all liability claims, which is actuarially assessed every year, is £2.9m. The table below compares actual cost for the year with the original estimate.

	2011/12 Actual £000	2012/13 Estimate £000	2012/13 Actual £000	Estimate/Actual Variance £000
Premiums:-	**513**	**405**	**392**	**(13)**
Casualty	219	193	179	**(14)**
Property	160	78	79	**1**
Fleet	125	126	125	**(1)**
Money, Fraud	9	8	9	**1**
Provision:-	**1,426**	**856**	**1,203**	**347**
Liability Highway	918	573	633	**60**
Liability Other	508	283	151	**(132)**
MMI Provision			419	**419**
Gross Expenditure:-	**1,939**	**1,261**	**1,595**	**334**
Less Income	**(239)**	**(239)**	**(239)**	**0**
Planned transfer to/(from) Reserves	(952)	(325)	(659)	**(334)**
Rebates		(50)	(50)	**0**
Net Expenditure	**748**	**647**	**647**	**0**

15. In 2011/12 the cost of non-schools insurance was £1.9m. This included a one-off increase to the insurance provision of £0.7m in respect of the cost of previous years' claims. Insurance costs in 2012/13 were £1.6m representing a year on year increase, excluding the £0.7m adjustment, of £0.4m which has been met from fire reserve. This is explained by:

- Premium Savings £(0.1)m,
- New provision for MMI Scheme of Delegation trigger £0.4m (see para 19).
- Increase in Provision for cost of claims in 2012/13 £0.1m.

16. Since the last tender in 2008 premium costs have been actively contract managed and a reduction of 33% to their current level of £392,000 achieved. This is due to:

- A move to greater self-insurance, including the cancellation of a number of policies with the Council covering insurance costs directly. This followed a risk assessment by the insurance team of a number of policies, for example balance of risk and commercial asset policies and this has delivered premium savings. It was concluded that these savings would outweigh any additional risks.

- A successful negotiation of premium levels at renewal in 2012 with a further significant reduction of £121,000 achieved as a result of a good claims experience and insurer confidence in the Council's approach to its insurances. This represented a rating reduction of 10.7% on the main insurance classes.

- After submitting an analysis of the claims experience in 2012/13 a rebate of £50,000 was successfully obtained on the property and casualty policies. Due to continued good claims experience a further rebate of £30,700 was confirmed in early 2013 and payable in 2013/14. These refund clauses were incorporated into the insurance contracts at a previous renewal to reflect these trends but it is necessary for a proactive approach to be adopted to negotiate the settlements.

17. The Broker contract with Aon was renegotiated during 2012/13 and extended to 1st May 2014. Inflationary increases were waived by agreement. Aon will therefore work with the Council on the tender for the 2014 renewal (See Future Issues and Plan below). A success was negotiating a tender fee of £2,500 which compares favourably with the cost of £8,500 for the 2009 fee.

18. One of the successes of the renewal negotiation carried out in the year was Travelers agreeing to provide 15 days of free risk management support; the basic cost of this would be approximately £11,000 excluding the long term benefit of risk reduction. This is being utilised in key services, for example highways, over 2 years and will contribute to the Council's overall risk management programme.

19. On 13 November 2012, the directors of MMI, a former insurer of the Council, triggered a scheme of arrangement as a consequence of the Company being unable to finance outstanding claims. The Scheme Administrator has set an initial levy, to be applied to the value of claims paid out on the Council's behalf in previous years, of 15%. The total value of claims paid out is £1.9m, equating to a cost to Trafford of £0.283m. The Council is also responsible for a share of the former GMC claims with a corresponding liability of £0.136m, thus a total provision of £0.419m has been made in the accounts. This is an initial levy and in the event that claim cost estimates increase beyond those currently forecast by the MMI financial advisors, then further provision will need to be made in future years. This would be financed from the insurance reserve. The insurance team are actively monitoring developments.

Future Issues and Plan

20. There are a number of projects being undertaken which will reach conclusion by the end of the year:-

    - During 2013 a strategy will be developed for the approach to tender for the Council's insurances in the run up to renewal in 2014. This will involve extensive work over an eight month period. It is imperative that this is done thoroughly in order to present a strong profile to the market. The limited number of insurers in the local authority sector and increasing pricing levels throughout the market generally, presents a challenge in terms of avoiding large premium increases. The need to work closely with our Brokers, Aon, in an attempt to manage premium costs by providing detailed information on Council activities and risk management is very important.

- Major events such as hurricane Sandy and increased adverse weather conditions globally, will drive premium levels up over the next few years across the market as a whole. This is because Insurers need to cover these claim costs and fund for future claims. The problem Trafford faces is that few insurers are willing to write local authority business which means limited choice and competition. This makes it all the more vital that a good claims experience is maintained in order to present a strong proposition to the market. It is acknowledged that the level of premiums the Council pays is competitive given the reductions secured at the last tender and subsequent renewal.

- Another factor driving premium levels up is the fact that Insurers have seen investment returns at a low level for a number of years. This has to be offset by greater returns on underwriting results which is the difference between premiums received and claims. This creates the pressure for increased premium levels.

- The long awaited Ministry of Justice Reforms, will finally be implemented during 2013. This marks a period of procedural change in claims handling. At that stage a portal system for solicitors to initiate claims directly with the Insurer will be implemented. The process will enable claims to be handled quicker and should reduce third party solicitor costs by the introduction of fixed fees. Claimant awards will increase but there should be a net saving to the Council. In order to benefit from cost savings it is imperative that the Council adheres to the shorter reporting timescales required by the new legislation. All departments involved in reporting claims will be affected. Failure to meet these timescales would mean that a claim would be handled under the previous protocol and the savings in legal costs would not apply to the same extent. As part of the development of a more streamlined claims process, an initiative will be taken to gain involvement in employer’s liability claims very early in the process. The objective will be to control a claim from the outset and ensure a fair settlement without the claimant feeling the need to involve solicitors, therefore controlling costs.

- At a time of significant organisational change it is important to maintain a robust approach to risk management. This is key to managing claims experience and is a major factor in the pricing of the Council’s insurance premiums. Close liaison will take place with risk management specialists at the Council’s Insurer. Support is being utilised and initial priorities will include highways.

- Resolution of the Carrington waste fraud claim; progress has been made regarding the compilation of very detailed statistical information and the claim is entering the negotiation stage. There is a significant difference of opinion between the Council and the Insurer’s Loss Adjuster and therefore specialist assistance from Aon is being utilised to drive the process to settlement.

Details of Insurance Policies

Category	Policy	Limit of Indemnity	Excess
Casualty	Employers' Liability	£ 50,000,000	£ 275,000
	Public Liability	£ 50,000,000	£ 275,000
	Public Liability (Lettings)	£ 5,000,000	Nil
	Officials Indemnity/Professional Negligence	£ 2,000,000	£ 275,000
	Personal Accident	Various	Nil
	Educational Visits	Various	£ 15
Property	Fire, Related Perils and Works in Progress	Sums Insured	£ 250,000 (Policy) £ 2,000 (Service)
	Computer	Sums Insured	£ 250
	All Risks (Civic Regalia)	Sums Insured	£ 100
	Schools Balance of Risks (Contents)	Like for like basis	£ 200
Money / Fraud	Fidelity Guarantee	£ 2,500,000 unspecified £ 5,000,000 specified	£10,000
	Money (Cash)	£ 1,000	£ 250
Fleet	Motor	Comprehensive	£ 5,000 (Policy) £ 1,000 (Service) £ 250 (Minibus)

Annex 2A
Claims Statistics

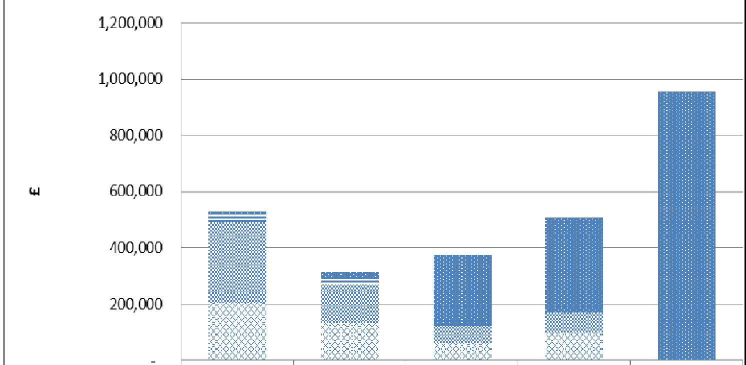
Claims Activity Report

	2012/13						2011/12					
	Highway	PL	EL	Liability Total	Motor	Total	Highway	PL	EL	Liability Total	Motor	Total
Claim Numbers												
Live Claim b/f	253	87	34	374	110	**484**	194	61	43	298	81	**379**
New Claims Received	342	67	18	427	32	**459**	252	70	11	333	34	**367**
Settled Claims	269	79	23	371	89	**460**	193	44	20	257	5	**262**
Claims c/f	**326**	**75**	**29**	**430**	**53**	**483**	**253**	**87**	**34**	**374**	**110**	**484**
Net Change in Claim Numbers	**73**	**(12)**	**(5)**	**56**	**(57)**	**(1)**	**59**	**26**	**(9)**	**76**	**29**	**105**
Cost of Settled Claims	**£000**	**£000**	**£000**	**£000**			**£000**	**£000**	**£000**	**£000**		
Claimant Costs £	370	90	297	**757**			113	13	61	**187**		
Claimant Solicitor Costs £	171	174	98	**444**			204	37	180	**421**		
Own Solicitor Costs £	48	9	66	**123**			39	4	20	**63**		
Total £	**589**	**274**	**461**	**1,324**			**356**	**54**	**261**	**671**		
No of Claims Settled at Nil	200	43	7	250.00			146	30	9	185.00		
Repudiation Rate of Settled Claims	74%	54%	30%	67%			76%	68%	45%	72%		
Average Cost of Settled Claims	8,531.77	7,602.57	28,837.89	10,940.42			7,587.14	3,866.38	23,758.38	9,334.27		

- This represents the on-going claims activity carried out within the year, irrespective of when the claim occurred.
- The costs and key statistics relate only to claims settled within the relevant financial year.
- Does not include for a small number of property and other claims.

Claims Activity Report by Policy Year

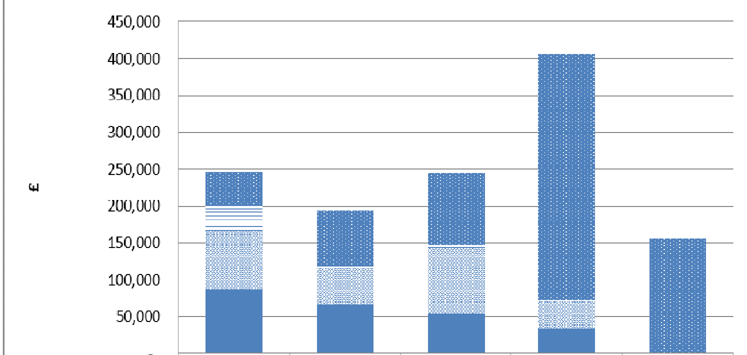
Highway Claims



	2008/2009	2009/2010	2010/2011	2011/2012	2012/2013
Reserve £	3,634	21,066	245,846	337,307	950,479
Own Solicitor £	30,478	23,946	4,547	-	-
Claimant Solicitor £	288,809	139,250	62,334	69,631	-
Claimant £	203,981	130,461	60,965	101,004	5,405

Policy Year	No of Claims	Open	Closed	No settled at nil	No of claims paid	Repudiation Rate
2008/2009	202	3	199	132	67	66%
2009/2010	220	2	218	181	37	83%
2010/2011	211	20	191	156	35	82%
2011/2012	240	34	206	156	50	76%
2012/2013	314	242	72	62	10	86%

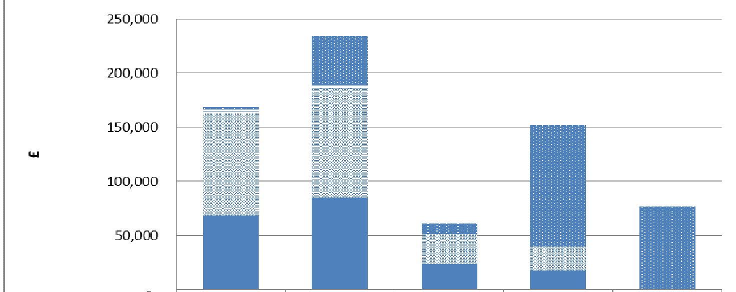
Public Liability Caims



	2008/2009	2009/2010	2010/2011	2011/2012	2012/2013
Reserve £	44,449	74,320	96,772	331,940	154,446
Own Solicitor £	34,453	3,630	4,922	897	-
Claimant Solicitor £	78,952	50,654	88,786	38,971	-
Claimant £	88,183	66,508	53,918	33,319	2,080

Policy	No of Claims	Open	Closed	No settled at nil	No of claims paid	Repudiation Rate
2008/2009	54	3	51	25	26	49%
2009/2010	78	5	73	45	28	62%
2010/2011	65	7	58	31	27	53%
2011/2012	65	10	55	37	18	67%
2012/2013	55	36	19	15	4	79%

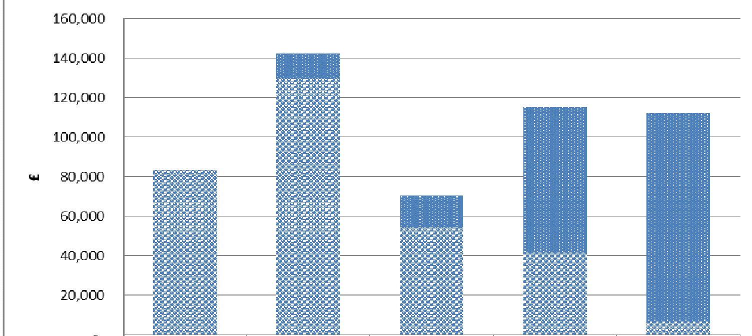
Employers' Liability Claims



	2008/2009	2009/2010	2010/2011	2011/2012	2012/2013
Reserve £	2,538	45,237	9,000	112,184	77,642
Own Solicitor £	4,081	3,320	-	-	-
Claimant Solicitor £	93,321	100,350	28,391	21,458	-
Claimant £	69,081	85,651	23,871	18,387	50

Policy Year	No of Claims	Open	Closed	No settled at nil	No of claims paid	Repudiation Rate
2008/2009	17	2	15	7	8	47%
2009/2010	19	3	16	6	10	38%
2010/2011	10	1	9	3	6	33%
2011/2012	15	9	6	3	3	50%
2012/2013	7	5	2	2	-	100%

Motor Claims



	2008/2009	2009/2010	2010/2011	2011/2012	2012/2013
RESERVE £	-	13,037	15,901	73,455	105,622
PAID £	83,571	129,680	54,576	41,996	6,803

Policy Year	No of Claims	Paid £	Reserve £	Total Incurred £
2008/2009	64	83,571	-	**83,571**
2009/2010	45	129,680	13,037	**142,717**
2010/2011	41	54,576	15,901	**70,477**
2011/2012	30	41,996	73,455	**115,451**
2012/2013	20	6,803	105,622	**112,425**

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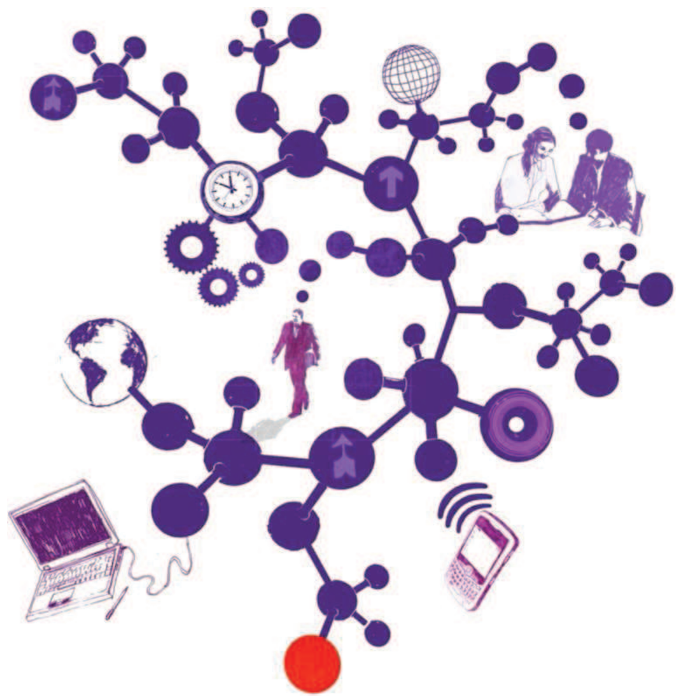
DRAFT

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

Audit Committee Update for Trafford Council

Year ended
31 March 2013



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Contents

Introduction

This paper provides the Accounts and Audit Committee with a report on progress in delivering our responsibilities as your external auditors. The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you as a local authority
- includes a number of challenge questions in respect of these emerging issues which the Committee may wish to consider.

Members of the Accounts and Audit Committee can find further useful material on our website www.grant-thornton.co.uk, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications – 'Local Government Governance Review 2013', 'Towards a tipping point?', 'The migration of public services', 'The developing internal audit agenda', 'Preparing for the future', 'Surviving the storm: how resilient are local authorities?'

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Audit Manager.

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Progress at June 2013

Work	Planned date	Complete?	Comments
2012-13 Accounts Audit Plan We are required to issue a detailed accounts audit plan to the Council setting out our proposed approach in order to give an opinion on the Council's 2012-13 financial statements.	March 2013	Yes	Our Audit Plan was presented at the February Accounts and Audit Committee. The plan highlights accounting risks we identified from our audit planning and discussion with the finance team and our proposed work to address those risks.
Interim accounts audit Our interim fieldwork visit includes: • updating our review of the Council's control environment • updating our understanding of financial systems • liaise with and assess the work of Internal Audit • early work on emerging accounting issues • early substantive testing • proposed Value for Money conclusion.	January to June 2013	Yes	Our interim audit is complete. We have not identified any issues that we need to bring to your attention.
2012-13 final accounts audit Including: • audit of the 2012-13 financial statements • proposed opinion on the Council 's accounts • proposed Value for Money conclusion.	July to September 2013	On track	Our Audit Findings Report to those Charged with Governance will detail matters arising from our audit of the financial statements.

Progress at June 2013

Work	Planned date	Complete?	Comments
Value for Money (VfM) conclusion We will give our statutory VFM conclusion on the arrangements to secure economy, efficiency and effectiveness based on two criteria, specified by the Audit Commission, related to the Council's arrangements for: • securing financial resilience – focusing on whether the Council is managing its financial risks to secure a stable financial position for the foreseeable future • challenging how it secures economy, efficiency and effectiveness – focusing on whether the Council is prioritising its resources within tighter budgets and improving productivity and efficiency.	January to September 2013	On track	We will complete our risk assessment and set out a planned programme of VFM work to inform our 2012-13 conclusion. All our VFM work will be completed by September 2013. We will present a separate financial resilience report detailing our findings to management. We will include other key VFM conclusion findings and recommendations in our Annual Audit Letter.
Annual Audit Letter We are required by October 2013 to summarise our work performed at the Council, including: • accounts audit • VFM audit work • grant claim certification.	October 2013		
2012-13 Grant claims report Our review of the Council's 2012-13 grant claims will take place during the period June to December 2013.	June - December 2013	On track	Our review of the Housing and Council Tax Benefits Subsidy claim is starting.

Emerging issues and developments

Accounting and audit issues

LAAP Bulletin 96: Closure of the 2012/13 accounts and related matters

In March, CIPFA's Local Authority Accounting Panel issued LAAP Bulletin 96. The bulletin provides further guidance and clarification to complement CIPFA's 2012/13 Guidance Notes for Practitioners and focuses on those areas that are expected to be significant for most authorities. Topics include:

- a reminder that authorities should tailor CIPFA's example financial statements to meet their own reporting needs in order to give a true and fair view of their own financial position and performance
- the need for billing and precepting authorities to disclose their share of non-domestic rate appeals liabilities that transferred to them on 1 April 2013
- the revised disclosure format for dedicated schools grant
- accounting for carbon reduction commitment (CRC) energy efficiency scheme assets
- accounting for the transfer of public health reform in 2013/14.

Challenge question:

- Has your Head of Financial Management reviewed the guidance and assessed the potential impact for your financial statements?

Accounting for Schools in Local Authorities

CIPFA/LASAAC has issued a technical alert on accounting for schools. There are no changes planned for the 2013/14 Code. The alert refers to the issues that were consulted on for the 2013/14 Code and draws attention to the need for CIPFA/LASAAC to consider the impact of IFRS 10: ‘Consolidated Financial Statements’ on school accounting which is due to be adopted in the 2014/15 Code.

The technical alert recommends ‘local authorities set out clearly in their 2012/13 and 2013/14 financial statements, in the summary of significant accounting policies, their approach to accounting for maintained schools’ income, expenditure, assets, liabilities and reserves. These accounting policies need to be consistently applied throughout the complete set of financial statements’.

Challenge questions:

- Do your accounting policies set out clearly your approach to accounting for maintained schools?
- Do your financial statements apply these accounting policies consistently?

Emerging issues and developments

Accounting and audit issues

Code of Practice on Local Authority Accounting in the United Kingdom 2013/14

CIPFA/LASAAC has issued the Local Authority Accounting Code for 2013/14. The main changes to the Code include:

- amendments for the requirements of the localisation of business rates in England
- amendments to how 'other comprehensive income' is presented in the Comprehensive Income and Expenditure Statement. These changes follow the June 2011 amendments to IAS 1 Presentation of Financial Statements.
- amendments to how authorities should account for the cost of employees. This is as a result of the June 2011 amendments to IAS 19 Employee Benefits and include amendments to the classification, recognition, measurement and disclosure of local authority pension costs. This is accounted for as a prior period adjustment which means that the figures for previous years will need to be restated.
- clarifications and improvements of the Code as a result of the CIPFA/LASAAC post-implementation review of IFRS on issues such as:
    - the recognition and measurement of property, plant and equipment – in particular, paragraph 4.1.2.35 of the Code now requires items within a class of property, plant and equipment to be revalued simultaneously. The Code does permit a class of assets to be revalued on a rolling basis provided the revaluation is completed within a short period and provided the revaluations are kept up to date.
    - leases and lease-type arrangements (for example where lease rentals are charged at peppercorn rents)
    - service concession (PFI/PPP) arrangements in relation to assets under construction and intangible assets
    - the recognition of non-current assets held for sale
- amendments relating to deferred tax which may be applicable to authorities with group accounts. These follow amendments to IAS 12 Income Taxes issued in December 2010.

The Code also notes that guidance on the adoption of IFRS 13 Fair Value accounting and on accounting for schools has been deferred to the 2014/15 Code.

Challenge questions:

- Is your Director of Finance aware of the changes to the 2013/14 Code and assessed the potential impact?
- In particular, has your Director of Finance consulted:
    - your actuary to ensure you will have the information you need to restate amounts relating to pensions from previous years
    - your valuer to ensure that your revaluation programme complies with the new requirements for property, plant and equipment?

Emerging issues and developments

Accounting and audit issues

Internal audit – practice case studies

The NAO and the Institute of Internal Auditors have released a set of case studies, available on the NAO website, illustrating some of the key principles of effective internal auditing, taken from a range of public and private sector organisations (including British Telecom, Department for Work and Pensions, EDF). These cover the following areas:

- applying internal audit resources
- scope of internal audit
- auditing projects
- the relationship with the audit committee
- risk-based internal audit
- evaluating internal audit

Examples of the practical advice these case studies provide are:

- 'ensure that the internal audit function has the right development practices and the right mix of people'
- 'internal audit must check its own performance'
- 'look at the range and depth of assurance that is being provided to management from other assurance providers within the organisation: this will reduce the duplication and free up resources to provide deeper assurance in other areas'
- 'make sure that internal audit's work is aligned to management's view of risk: the function may be focussing on the wrong issues if it does not understand management's risk priorities'
- 'review whether senior management and the business share the same view of risk – highlight where differences occur to ensure that the right risks and controls are targeted in the audit plan'
- 'consider carrying out a benchmarking review with a similar sized organisation in the same industry sector to compare and contrast approaches to internal audit and resourcing'

Challenge question:

- How can you drive more organisational value from internal audit?

Emerging issues and developments

Grant Thornton

Use of Outsourced IT Services

Over the past few year, there has been an increasing move to outsourcing IT services to third parties within the Local Government sector. This has accelerated over the last year as a result of need to drive efficiencies across the public sector.

Two recent incidents have highlighted the need to carry out proper due diligence and ensure the correct contractual and technical provisions are in place when signing agreements with third parties:

- a major IT service provider, who offered a wide range of services including Network, Communications and Data Centre Management, recently went into administration. This created significant uncertainty for their clients in terms of on-going business as usual requirements as well as access to data. At one point clients were asked to make additional payments in order to gain access to their critical data.
- a large NHS Trust had a failure of its hard disk drive containing its financial data. On contacting the supplier responsible for taking back ups, it became evident that no data back ups had been taken in the preceding 6 months and therefore the client had lost 6 months of data. As a result, the system had to be restored to the last back up date and the data recreated. This was a time consuming and expensive exercise, and has impacted on the financial audit work where additional procedures will have to be performed.

Both of these incidents highlight the risks involved when outsourcing services. Organisations with critical data who run their own data centres would have normally considered the risks associated with a failure of an IT service (or an entire data centre) and would have taken steps to mitigate these risks. Companies who outsource the performance of key services still retain responsibility for their operating and regulatory requirements, and for ensuring that the control environments supporting their business processes are operating effectively, regardless of who is managing them.

Challenge question:

- Are you happy that your Head of ICT has procedures in place to monitor and manage risks of outsourced IT services?

If you have any queries, talk to your engagement manager to see how Grant Thornton could help.

Emerging issues and developments

Local government guidance

Governance statements

The National Audit Office has published 'Fact Sheet: Governance Statements: good practice observations from our audits' providing: insight and commentary on the first year of Governance Statement reporting observations on good practice "challenge questions" for those whose role it is to oversee and scrutinise an organisation's Governance Statement.

Challenge questions:
- How do you plan to make your Annual Governance Statement be more transparent and relevant to your authority?
- Have you used the challenge questions in the fact sheet to help inform your review of the Annual Governance Statement?

Pay policy statements

The Secretary of State for Communities and Local Government has issued supplementary guidance on pay policy statements for 2012/13 which highlights:
- members should ensure that pay policy statements are set out clearly, that they fully address all of the requirements of the Localism Act 2011 and accompanying guidance, and are accessible.
- full Council should be given the opportunity to vote on salary packages of £100,000 or more. Those authorities who may not have senior posts over £100,000 should seek to achieve the same degree of openness and accountability by adopting a lower threshold for votes, appropriate to their local circumstances.
- full Council should also be given the opportunity to vote on severance payments over £100,000
- where councils have directly elected mayors, they would involve the directly elected mayor and have regard to any proposals the mayor may have before the statement is considered and approved.

Issues:
- Have you considered how to improve the clarity and value of the information your authority is publishing?

Emerging issues and developments

Local government guidance

Public Health Local Authorities: Other changes to secondary legislation in force from 1 April

The Department of Health has published guidance on changes to secondary legislation from the changes to public health functions affecting local authorities. Some of the changes are:

- local authorities, as commissioners of health services, will now be able to make direct payments under pilot schemes for personal health budgets (National Health Service (Direct Payments) Regulations 2010)
- local authorities must charge overseas visitors for relevant services where no exemption from charge applies (National Health Service (Charges to Overseas Visitors) Regulations 2011)
- Clinical Commissioning Group and the NHS Commissioning Board are to be notified of the death of a child in a children's home (Children's Homes Regulations 2001)
- Clinical Commissioning Group and NHS Commissioning Board are to notified of the death of a child accommodated in a residential family centre (Residential Family Centres Regulations 2002)
- local authorities exercising public health functions are under the same obligation as health service bodies to notify the Care Quality Commission of the death of a service user (the Care Quality Commission (Registration) Regulations 2009)
- the death of a child placed in foster care should be reported now to the Clinical Commissioning Group and NHS Commissioning Board (Fostering Services (England) Regulations 2011)
- a local authority body is to instruct an independent mental capacity advocate in certain circumstances where it proposes to provide, or to secure the provision of, serious medical treatment to a person who lacks capacity to consent to the treatment (Mental Capacity Act 2005 (Independent Mental Capacity Advocates) (General) Regulations)
- regulations specify the sets of depersonalised information that relevant authorities (which include local authorities) have a duty to disclose to each other if held by them (Crime and Disorder (Prescribed Information) Regulations)

Challenge questions:

- Are your officers aware of the secondary legislation changes and have they assessed the impact on the authority?
- What further action does your authority need to take to implement the regulations?

Emerging issues and developments

Local government guidance

Openness and transparency on personal interests - A guide for councillors

In March, DCLG published 'Openness and transparency on personal interests - A guide for councillors'.

This guide provides guidance to councillors about how to be open and transparent about their personal interests now that new standards arrangements have been introduced by the Localism Act 2011.

Challenge question:
- What has your authority done to improve awareness of openness and transparency requirements for councillors?

Local government guidance

Councillors on the frontline

The government has responded to the Select Committee report on the role councillors play in the community.
Some of the matters raised by the Select Committee were as follows:

- In supporting their communities, councillors should be working closely with external organisations and providers of public services.
- It urges all councils to consider how best to provide support to their councillors and assist them to ensure they have an active role in their communities.
- It is a matter of concern that the composition of many councils does not reflect that of the communities they serve.
- Local authorities should be actively promoting democratic engagement and explaining to the public what the role of a councillor entails.
- Encourage local authorities to put in place light touch arrangements for reporting councillor performance. As part of this, councillors could be asked to complete a brief annual self-assessment to be made public in an accessible format. This should cover not only attendance at formal meetings, but also details of the work councillors have carried out within their communities.
- Encourage political parties, local authorities and other bodies to review the training they offer to ensure it meets the needs of councillors. In particular, training should reflect the changing roles of councillors, and ensure that councillors understand the implications of the Localism Act 2011 and other new legislation. Also suggest that councillors make public details of any training they have completed in the course of the preceding year. Training should be seen as a benefit, not a cost, to local taxpayers.
- Training should be provided to potential candidates before they stand for election, to give them some knowledge of what they can expect from being a councillor.
- Councillors should be at the centre of community life, well known and respected by those they represent, and empowered to effect change within their local areas.

Issues:

- What can the Council do to improve the role played by councillors in the community?
- Has your Council developed an action plan?

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TRAFFORD COUNCIL

Report to:	**Accounts and Audit Committee**
Date:	**27 June 2013**
Report for:	**Information / Comments**
Report of:	**Audit and Assurance Manager**

Report Title

Draft Annual Governance Statement – 2012/13

Summary

This reports sets out the Draft 2012/13 Annual Governance Statement (AGS) which has been reviewed, both by the Corporate Management Team (CMT) and a sub-group of the Accounts and Audit Committee.

The sub-group of the Accounts and Audit Committee - Chair (Cllr Whetton), Vice Chair (Cllr Mrs Evans) and Opposition Spokesperson (Cllr Brotherton) - were given delegated responsibility by the Committee to review the robustness of the draft AGS which, when finalised in September 2013, will accompany the 2012/13 Statement of Accounts. The Group was also provided with the revised updated Corporate Governance Code for review.

The group considered the robustness of the process followed in gathering assurances and evidence on which the AGS was based. The Committee received a number of reports / updates on the process and progress against it throughout the 2012/13 year. The group also considered the content of the AGS and discussed supporting evidence and content with the Audit and Assurance Manager. The group provided feedback to agree the content of the AGS and were satisfied with the process followed.

The updated Corporate Governance Code was also considered by the sub-group and it was noted that this is to be presented for Executive approval prior to being publicly issued alongside the 2012/13 Annual Governance Statement. It was noted that some amendments have been made to update the existing Code which was previously updated and approved by CMT and the Accounts and Audit Committee in 2012. This is to make reference to updated guidance by CIPFA and to include a further section (see section 7), in line with good practice, providing further detail in respect of governance arrangements expected to be in place as part of the Council's Code.

The content of the Draft AGS and the Corporate Governance Code has been reviewed and agreed by CMT. This has included agreeing significant governance issues detailed in the AGS, progress against which will be monitored through the year.

The final version of the AGS will take into account any feedback or further developments through June to September 2013 (e.g. External audit and internal audit review work) and will be presented to the Accounts and Audit Committee

in September 2013 to accompany the Council's Accounts. This version will be signed by the Chief Executive and Leader.

Recommendation

The Sub group of the Accounts and Audit Committee, given delegated responsibility to review the robustness of the 2012/13 Annual Governance Statement, are :

(a) Satisfied with the robustness of the process followed in generating the Statement.
(b) Satisfied that the Statement itself is robust; and
(c) Agree that the updated Corporate Governance Code is submitted for Executive approval.

Note – the final version of the Annual Governance Statement, signed off by the Chief Executive and Leader, will be presented for approval by the Accounts and Audit Committee in September 2013.

Contact person for access to background papers and further information:
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Extension: 1323

Background Papers: - CIPFA) /SOLACE – "Delivering Good Governance in Local Government" – Framework, Guidance Note, Briefing Note and Addendum (2012).

TRAFFORD
COUNCIL

ANNUAL GOVERNANCE STATEMENT 2012/13 (Draft)

Trafford Council - 2012/13 Annual Governance Statement

Contents

1. Scope of Responsibility

1.1 Trafford Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Trafford Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regards to a combination of economy, efficiency and effectiveness.

1.2 In discharging this overall responsibility, Trafford Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

1.3 Trafford Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government'. A copy of the Authority's code is on our website at : http://www.trafford.gov.uk/cme/live/dynamic/DocMan2Document.asp?document_id=A11CE6BB-DC70-4E12-A1F1-651099586309. This statement explains how Trafford Council has complied with the code and also meets the requirements of Accounts and Audit (England) Regulations 2011, regulation 4 (3), which requires all relevant bodies to prepare an annual governance statement.

2. Purpose of the Governance framework

2.1 The governance framework comprises the systems and processes, culture and values by which the Authority is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Trafford Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

2.3 The governance framework has been in place at Trafford Council for the year ended 31 March 2013 and up to the date of approval of the statement of accounts.

3. The Governance Framework

3.1 The Authority has adopted a local governance framework which is consistent with the principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government'. It is reviewed and updated periodically to ensure it remains fit for purpose. The Trafford Council Corporate Governance Code sets out in detail how the Authority meets the requirements of the framework. The Framework is based on 6 principles of good governance as follows:

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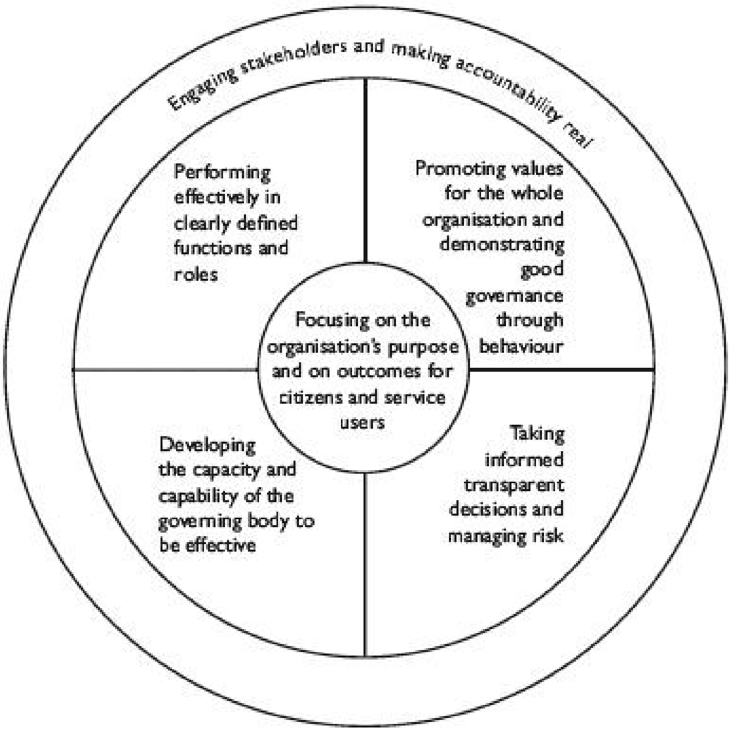

3.2 The key elements of the system and processes that comprise the authority's governance framework are outlined in this Annual Governance Statement, describing how the Authority can demonstrate the effectiveness of governance arrangements during 2012/13 with reference to each of the six governance principles.

CIPFA SOLACE Principle 1.	Key Elements of Trafford Framework
Focusing on the purpose of the Authority and on outcomes for the community and creating and implementing a vision for the local area:	• Sustainable Community Strategy (Trafford Vision 2021: A Blueprint) • Corporate Vision and Priorities • Annual Delivery Plan • Transformation Programme • Revenue Budget Monitoring • Capital Programme

How we have delivered against the Principle in 2012/13
The Council's corporate priorities were reviewed and updated in March 2013. Reshaping Trafford Council has been recognised as a key priority reflecting the need to continue to develop innovative approaches and work in collaboration. The Council continues to lead and support development of the Trafford Partnership. In response to the localism agenda, the Authority presented its "Vision 2015" as part of the 2013-15 budget consultation process. This supports the Trafford Partnership vision for locality working, setting out how through developing robust partnerships it will achieve the best possible outcomes based on the collective resource available. In March 2013, the Trafford Partnership won the Local Government Chronicle 2013 'Public Sector Partnership Award'. It was commended for its innovative and successful approaches to attracting external investment, involving residents in decision making and working in partnership to tackle key issues such as crime, health and employment, including for the most vulnerable residents in our community. Secondly, in 2012/13, the Council also obtained the Improvement and Efficiency "Working Together" Silver Award, for its collaboration activity with Greater Manchester Police at Stretford Police Station, given the approach taken to identify buildings and services suitable for co-location, the use of innovative technology, data sharing and the development of expertise by joint working. The Council has continued to deliver a dynamic Transformation Programme, delivering savings ahead of schedule and exceeding target. At the end of 2012/13 the Council had realised total savings for the year of over £12m. In 2012, one of the Transformation projects, Project SWiTch, which included collaboration with Wigan and Stockport Councils to implement an HR and Payroll System, won "Best Implementation Project category" in the Payroll World awards. As part of the transformation project to achieve long term accommodation savings, in 2012/13 work in rebuilding and refurbishing the Town Hall was completed. The Council has also been short-listed for the Municipal Journal Award of Best Achieving Council. The three year Capital Programme has been fully reviewed and remodelled as part of the budget process to ensure it continues to meet corporate priorities and is affordable with the level of resources available. Throughout 2012/13 the CMT and Executive received regular financial reports to monitor the revenue and capital budget position. An Annual Delivery Plan sets out the key deliverables for the coming year supported by individual Corporate Directorate plans, which connect service objectives and associated actions

to the community vision and corporate priorities. Progress against the 2012/13 Annual Delivery Plan was reported quarterly through CMT and the Executive. Monthly performance reports were provided to the Executive Portfolio holder.	
CIPFA SOLACE Principle 2.	Key Elements of Trafford Framework
Members and officers working together to achieve a common purpose with clearly defined functions and roles:	• Constitution • Executive Terms of Office • Scheme of Delegation to Officers • Member Officer Relations Protocols • Employment Procedure Rules • Pay Policy Statement • Members Allowance Scheme
How we have delivered against the Principle in 2012/13	

The Council Constitution in place sets out how the Council operates, how decisions are made, and the procedures that are followed to ensure that these are efficient, transparent and accountable to local people.

A review of the Constitution has taken place during 2012/13 to ensure that this reflects recent organisational changes and that working practices are still relevant for the efficient operation of the Council. The arrangements for delegation of Executive and Council (non-Executive) functions and the Scheme of Delegation to Officers have been updated.

The Head of Paid Service is the Council's Chief Executive. The Council's Acting Director of Legal & Democratic Services is designated as "Monitoring Officer". It is the function of the Monitoring Officer to oversee and monitor compliance with legislation and the Council's established policies and procedures. The Council has designated the Director of Finance as Chief Finance Officer in accordance with Section 151 of the Local Government Act 1972.

The Authority's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010)

Member Officer Relations Protocols have been developed which provide guidance to assist in facilitating good working relations between members and officers.

The Employment Committee continued to meet throughout the year and received updates on key workforce issues including proposed changes to employee terms and conditions. The Council's Pay Policy was reviewed (and updated after the year end in April 2013).

The Council has integrated Adult and Children's Services to create the Children's, Families and Wellbeing Directorate from April 2013. This will incorporate Public Health responsibilities which transferred to the Council on 1 April 2013 including the Director of Public Health statutory post. A due diligence exercise was undertaken during 2012/13 as part of the transfer of responsibilities to the Council. Implementation of governance arrangements will continue to be monitored.

In accordance with the requirements of the Health & Social Care Act 2012, a shadow Health &

Wellbeing Board has been operating since May 2012, with existing membership and working arrangements formally adopted from 1st April 2013.	
CIPFA SOLACE Principle 3.	Key Elements of Trafford Framework
Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour	• Employee Code of Conduct • Members Code of Conduct • Disciplinary Policy • ICT Acceptable Use Policy • Anti Fraud & Corruption Strategy • Whistle blowing Policy • Corporate Complaints Procedure • Standards Committee • Corporate Governance Code
How we have delivered against the Principle in 2012/13	
In response to the Localism Act 2011 requirements, a local Members Code of Conduct was adopted by the Council in September 2012 including protocols for disclosable pecuniary interests and personal interests. Councillors have received training in relation to the new framework. The Council's Standards Committee continued to meet throughout the year and receive regular updates from the Monitoring Officer. All staff are required to abide by an Employee Code of Conduct. Responsibility for the regulation of employee conduct is set out in the Council's Disciplinary Policy. Reminders on requirements to declare offers of gifts and hospitality were issued during the year. Users of the Trafford ICT network are required to sign up to the authority's Acceptable Use Policy to confirm acceptance of agreed responsibilities and standards to prevent misuse of equipment or networks. The Council's Anti Fraud & Corruption Strategy and Policy were reviewed and updated during 2012/13 including updating guidance for responding to and reporting suspected fraud. The Council has an agreed Whistle-blowing Policy in place. The Council continues to participate in the National Fraud Initiative (NFI) data matching exercise. To ensure compliance with Data Protection and Freedom of Information legislation the Council has in place a policy, procedures and a dedicated Corporate Information Officer to provide support and guidance to employees. The Employee Recognition Awards Scheme was launched to appreciate the contribution of both individual employees and teams and demonstrates Council values to staff. The Council's Corporate Governance Code has been reviewed and updated to reflect recent guidance issued by CIPFA SOLACE and best practice requirements.	

CIPFA SOLACE Principle 4.	Key Elements of Trafford Framework
Taking informed and transparent decisions which are subject to effective scrutiny and managing risk	• Decision Making Protocols • Access to Information Procedure Rules • Scrutiny Committees and Protocols • Risk Management Strategy & Policy Statement • Strategic Risk Register • Internal Audit • Accounts & Audit Committee

How we have delivered against the Principle in 2012/13

The Council has adopted the requirements of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) Regulations which came into effect during Sept 2012. Details of key decisions must be published at least 28 days before this is due to be taken. The modern.gov system has been implemented to provide better presentation of reports and information on the Council website. Improvements have been made to the Authority's internal reporting protocols with a programme of training being delivered.

The Council reviewed and streamlined its Scrutiny arrangements and in response to the changes set out in the Health & Social Care Act 2012, in addition to the Scrutiny Committee established a separate Health Scrutiny Committee. Scrutiny protocols have been reviewed and updated including guidance on arrangements to seek and involve partners and the public in scrutiny work.

A key piece of scrutiny work included a review of the 2013-15 budget consultation, with recommendations agreed for the Executive to provide ongoing progress reports on proposals and the impact on specific service delivery. A joint Health Scrutiny Committee has been established with Manchester City Council to consider the proposals set out in the New Health Deal for Trafford. Scrutiny had also been engaged in implementation of the Council Tax and welfare reforms.

The Risk Management Strategy and Policy Statement were reviewed and updated during 2012/13. The Strategic Risk Register was reviewed and updated each quarter. The March 2013 report identified 22 strategic risks faced by the Council, each risk being managed by nominated staff / groups within the Council.

The Internal Audit 2012/13 work plan incorporated coverage of key financial systems and other business risks. Quarterly updates of work undertaken were provided to the Corporate Management Team and the Accounts and Audit Committee. The Annual Internal Audit Report for 2012/13 states that the overall control environment continues to operate to a satisfactory standard.

The Internal Audit function, provided by the Audit and Assurance Service operated in 2012/13 in accordance with the CIPFA Code of Audit Practice for Internal Audit. (In 2013/14 the Service will be reviewing its processes against the Public Sector Internal Audit Standards introduced from April 2013). The Council's assurance arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2010).

Internal Audit conducts annual reviews of the effectiveness of financial systems as part of the review of overall governance arrangements, and incorporates business critical systems plus other systems where it was considered that material levels of financial transactions occurred. The results of the 2012/13 Audit of these systems will be reflected in the Final 2012/13 Annual Governance Statement issued in September 2013.

The External Auditor's Annual Governance Report 2011/12 presented in Sept 2012 provided an unqualified opinion on the financial statements and identified proper arrangements in place to secure value for money. The Report highlighted the need for some control improvements in the payroll system which it was confirmed in the External Annual Audit Letter in November 2012 that the Council is addressing. Where appropriate, the Final 2012/13 Annual Governance Statement will be updated to reflect any issues arising from the 2012/13 external audit process).

The Accounts & Audit Committee met five times as planned throughout 2012/13 receiving regular updates in relation to strategic risks and governance issues. The Committee operated in accordance with its remit following guidance set out in CIPFA's "Audit Committees: Practical Guidance for Local Authorities."

CIPFA SOLACE Principle 5.	Key Elements of Trafford Framework
Developing the capacity and capability of members and officers to be effective.	• Members' Training Plan • Members' Induction Process • Employee Training & Development Plan • Corporate Induction Procedure • Employees Personal Development Review • Absence Management Strategy • Apprenticeship Scheme • Managing Organisational Change Toolkit

How we have delivered against the Principle in 2012/13

A Member Training Plan was produced which has been informed by Training Needs Analysis and individual Personal Development reviews. Training has been delivered during the year in relation to the new standards regime, community leadership and locality working. The Council has committed to re-assessment for Level 1 of the North West Employers Organisation Members Charter.

A revised People Strategy is due to be implemented, to be informed by the findings of the 2012 Employee Survey and current Employee Value Proposition survey undertaken in partnership with the Local Government Association.

During 2012, detailed Training and Development Plans have been agreed for each Directorate and cross council. As the lead authority on the AGMA training procurement framework and a partner in the AGMA e-learning framework, work is underway to develop appropriate delivery methods including bespoke training solutions.

A Leadership Development training programme (Managing Change through Challenging Times) has been delivered to managers across the organisation including a practical toolkit for managing change. A procurement exercise is underway to deliver a training programme with the aim to further equip managers through the provision of coaching skills.

A Mentoring programme has been implemented with over forty managers across the organisation having completed training and a high proportion have been matched with internal apprentices and job seekers across the borough.

The Internal Apprenticeship scheme has had over fifty recruits in a broad range of disciplines and five of these have secured permanent employment with the Council.

There is an established attendance management policy with supporting procedures and guidance. A number of initiatives have been provided to staff to promote Health & Wellbeing and a positive attendance culture at work.

The Council won the North of England Excellence Award for the category of public sector organisation with over 250 employees. The assessment team commented on the commitment to providing a quality service despite the austere economic climate.

CIPFA SOLACE Principle 6.	Key Elements of Trafford Framework
Engaging with local people and other stakeholders to ensure robust public accountability	• Website • Budget Consultation • Locality Partnerships • Neighbourhood Forums • Info Trafford • Corporate Complaints Procedure

How we have delivered against the Principle in 2012/13

The Council continues to demonstrate compliance with Open Data requirements, publishing details of a range of financial and performance data on its website.

The InfoTrafford site has developed significantly and the range of data available continues to be extended now incorporating data from the 2011 Census, geo demographic segmentation data; and a wide range of health data. Ward Profiles have been developed, providing stakeholders access to a wide range of data at ward level. Examples of research activity during 2012/13 include understanding the impact of welfare reform and modelling and analysing data in the context of Locality Needs. InfoTrafford is being utilised by Third Sector organisations and a bid toolkit will be developed to allow organisations to quickly access information to support applications for funding.

Over 5,000 people have been using the Council's Application for IPhone and Android devices to find information, report issues and locate nearby facilities since it was launched in 2010. Further enhancements to the Apps are planned, which will improve functionality and services for users.

The Budget Consultation 2013-15 took place over 3 months commencing in Oct 2012, publicised through the Your Trafford magazine delivered to every household in Trafford. A variety of mechanisms were used including questionnaires, surveys, easy read versions, letters to service users, face to face briefings, public meetings, a dedicated helpline and use of brokers.

Responses were received from over 3000 service users and 200 organisations.

The Council has reviewed its strategic approach to Customer Service and in 2013/14 will publish its Customer Strategy which aims to embed customer service excellence across the organisation. The strategy recommendations will be delivered and monitored through the Customer Strategic Delivery Group which will be monitored by the Transformation, Performance and Resources Group. The Council has an approved Corporate Complaints Policy and supporting guidance and this has also been subject to review as part of the development of the Customer Strategy. In 2013/14, the Customer Strategy, including the outcomes of the complaints review, will be made available to the public for consultation ahead of formal approval by the Executive.

The Council has led the response to the Localism agenda and through its Vision 2015 has set out its commitment to involve residents and devolve services to local communities. This includes the introduction of four Locality Boards from April 2013 to be launched with a role in engaging the community, understanding local needs and coordinating existing plans and activities. Local residents will be represented on Locality Partnerships through the appointment of a number of individuals as Community Ambassadors who will represent in deciding local priorities and shaping local services.

The Council has procured a Third Sector Infrastructure Support Organisation to deliver the objectives of the Third Sector Strategy. During 2012/13 performance against the delivery plan was on target.

The Trafford Partnership hosts an annual stakeholder engagement event; In the previous year, the March 2012 Neighbourhood Action Event was attended by over 200 public, private and third sector representatives engaging stakeholders to identify priorities and actions at neighbourhood level. During 2012/13 £200,000 community grants have been allocated across four neighbourhoods through participatory budgeting. The 4th annual event ‘Shape the Future’ will be held in April 2013 to formally launch the Locality Partnerships.

The Council’s Neighbourhood Forums provide a public forum to discuss local issues and understand how the Council is working to tackle them.

The Council’s Procurement Service and local partners coordinate the Annual Meet the Buyer event (last held in March 2013) to invite local businesses to learn about forthcoming procurement opportunities and obtain information and advice.

4. Review of effectiveness

4.1 Trafford Council's Corporate Governance Code sets out the Authority's responsibility to undertake a review of the effectiveness of its governance framework on an annual basis. The review of effectiveness is informed by the work of the executive managers within the Authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors and the results of other reviews / inspections.

4.2 The processes applied and sources of assurance obtained in maintaining and reviewing the effectiveness of governance arrangements and, as part of that, the system of internal control includes

Management Controls :

Performance Management
There is regular monitoring on the achievement of corporate objectives through the Annual Delivery Plan. A monthly dashboard report is issued to Corporate Directors and Executive Portfolio holders containing performance data specific to their remit.

Financial Management
Monthly financial monitoring and reporting, on the revenue budget, to the Corporate Management Team and the Executive has been operating during the year. Quarterly monitoring and reporting arrangements are operating for the capital budget

Risk Management.
The Council has a strategic risk register in place and Directors and the Accounts and Audit Committee have reviewed the associated arrangements in place for improving control and mitigating risks faced by the Council.

Legal
The Director of Legal & Democratic Services (the "Monitoring Officer") has a duty to monitor and review the operation of the constitution to ensure its aims and principles are given full effect, and to recommend amendments to the Council, as necessary, on an ongoing basis.

Transformation Programme
Benefits realisation tracking and a summary of project delivery is reported monthly to the Transformation Board.

Internal assurance:

Internal Audit
The Internal Audit function is responsible for monitoring the quality and effectiveness of systems of internal control. The section works to a risk based audit plan which is reviewed and approved by the Corporate Management Team and the Accounts and Audit Committee.

Overview and Scrutiny
The Council's Core Overview and Scrutiny Committees can "call in" decisions made by the Executive, or on their behalf with delegated authority, to challenge whether the decision has been made appropriately and ask the Executive to reconsider it if necessary.

Health and Safety
The Council's Health and Safety Unit provide regular updates to the Corporate Management Team and produce six monthly updates for the Executive.

External assurance:

External Audit
The Council is subject to external audit. The External Auditor's Annual Governance Report and Annual Audit Letter comment on the performance of the Council and the adequacy of financial and governance arrangements.

Other Inspection
There are inspection arrangements within particular service areas / functions e.g. Ofsted inspections of schools.

Sector Led Improvement: Following the reduction in external inspection, the Council has committed to participate in a number of sector led improvement initiatives for example the North West Employers Organisation Charter for Member Development and in partnership with the Local Government Association, a benchmarking project through the Employees Values Proposition Survey.

4.3 These governance functions are described in more detail within the Council's Corporate Governance Code and specific assurances or improvements delivered during 2012/13 are detailed in Sections 3 and 5 of this Statement.

4.4 We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Accounts and Audit Committee, and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new actions planned are set out in Section 5.

5. Significant Governance issues

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

5.2 In response to the 2011/12 review of the internal control environment and the identification of a number of control issues, the Council has taken significant action to address those issues and implement appropriate improvement actions through 2012/13:

2011/12 issue	Action Taken in 2012/13
1. Continue in 2012/13 to fully embed records management and information management practices, policies and procedures across the Council.	The Records Management Project has continued to progress throughout 2012/13. (The Accounts and Audit Committee received an update on progress at its February 2013 meeting). All cutover activities associated with preparing teams for the introduction of the new ways of working with the electronic document and records management system (EDRMS) have been completed. A new contract for offsite storage, scan on demand and destruction of confidential records has been procured with all teams using the service on a daily basis. In addition a number of teams including Human Resources, Legal Services and parts of Finance have carried out scanning projects of legacy documents; all these documents are available through an online viewing platform. The result of this is more efficient and effective access to records, access based on a robust security model and a huge reduction in the storage footprint of the new town hall.
2. Development of a formal workforce plan, the development of the organisational wide training and development strategy and internal mentoring and coaching programmes.	There has been significant progress made in the wider leadership, management and workforce development agenda. (The Accounts and Audit Committee received an update at its March 2013 meeting of key developments). Details of progress made are reflected in section 3 of this Statement (Core Principle 5) including developments in relation to the People Strategy, training and developments plans and programmes, mentoring scheme and apprenticeship scheme.
3. Review and update of the Council's Anti-Fraud and	The Council's Anti-Fraud and Corruption Strategy was reviewed and updated in 2012/13 as planned

2011/12 issue	Action Taken in 2012/13
Corruption Strategy with the development of supporting guidance to ensure effective anti-fraud and corruption measures continue to be in place.	and approved by the Accounts and Audit Committee. Supporting guidance has been reviewed and updated and is being rolled out across the Council. This has included updated guidance for reporting fraud and the provision of an e-learning tool. Ongoing awareness raising work will continue in 2013/14.

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

5.4 Detailed below are significant governance issues and a summary of the actions planned to address these in 2013/14.

2012/13 Issues and Action Planned 2013/14
1. Records Management As part of the records management programme the Council tendered for an EDRMS solution but the initial solution identified was found not to meet the Council's requirements so the process of obtaining a suitable solution is still in progress. This has not stopped the programme of works as work is continuing to improve business processes around managing the lifecycle of Trafford Council records, reviewing the current security model and implementing changes to meet 'best practice'. All work carried out to date on the cutover activities will be used in this next phase and therefore it has been a 'value added' activity as part of the journey to improve our records management practices. The Information Security Governance group is now fully formed and a number of work streams are in progress including reviews of current policies and procedures, gap analysis, registration with ICT connections for working with Health teams plus a number of bespoke training packages to improve the education and understanding of employees regarding information security and information governance.
2. Locality Partnerships As referred to earlier, the Council has set out its commitment to involve residents and devolve services to local communities. This includes the introduction of four Locality Boards from April 2013 to be launched with a role in engaging the community, understanding local needs and coordinating existing plans and activities. The Locality Partnerships will be developed during 2013/14 and transform from shadow form to full status. During the first year a Locality Assessment and action plan will be developed, alongside terms of reference and a code of conduct. An outcomes framework will also be developed, linked to the action plan, and will focus on not only quantitative outcomes but also qualitative outcomes and experiences.

2012/13 Issues and Action Planned 2013/14
The governance framework includes reporting to the Stronger Communities Board and the Trafford Partnership Executive.
3. Terms and Conditions In 2012/13, the Council began a process of considering a number of options which would result in changes to staff terms and conditions as part of ongoing plans to achieve savings. The Council started a review of staff terms and conditions to try to find ways to achieve maximum savings with minimum impact on the workforce and where at all possible, without changing core employment benefits, i.e. basic pay and pensions. The Council also wants to protect those staff on lower salaries. In 2012/13, a number of ideas were shared with staff and trade unions to gain feedback to assist in considering any possible changes. Staff were given the opportunity to comment on the initial ideas and also provide alternative suggestions. In 2013/14, proposals for changes to terms and conditions are to be developed for formal consultation.
4. Public Health Responsibility for Public Health transferred to Trafford Council on 1 April 2013. The Council provides a lead on health and wellbeing priorities to improve local health outcomes. Plans focus on commissioning existing, new and innovative public health services, with a range of partners across public sector, private and voluntary sector partnerships. From 1 April 2013, the Council also has responsibility for ensuring areas such as emergency planning, immunisation and screening programmes, infection control, outbreaks and incidents are effectively co-ordinated to preserve and protect the lives of Trafford residents. Following on from work undertaken in 2012/13 to prepare for the transfer of responsibility to the Council, further action will be taken to ensure effective governance arrangements are in place to support the Council meeting its responsibilities effectively. The Council's Public Health Business Delivery Group has been established which is led by the Director of Public Health. In addition a Public Health Review Programme Board has been convened which will oversee a collaborative review of all key work streams linked to the current Public Health Programme to determine future commissioning intentions and spend. This includes the development of a detailed risk register which will be informed by the review.
5. Public Service Reform in Trafford Partners in Trafford are committed at the highest level to a collective programme of Public Service Reform (PSR). The objectives of this programme are: • to ensure that residents in the Borough can benefit from future economic growth, by designing services that can better support them to make positive choices and be independent; and • to meet the challenge of public sector austerity by reforming services collectively, such that outcomes for residents in the Borough are better than they would have been had reforms been undertaken solely by agencies acting alone. There is a detailed implementation plan for the first phase of this Public Service Reform

2012/13 Issues and Action Planned 2013/14
(PSR) programme in Trafford which will be progressed through 2013/14. It sets out which agencies, partnerships and individuals are currently undertaking tasks as part of the programme, and what success will look like in the future. Local agencies are currently aligning their own organisational transformation and savings programmes. There is a clear Trafford governance and accountability structure in place which is linked to the Greater Manchester Governance and delivery model. The detailed thematic plans consider the following: - **new integrated services** that reduce demand on public agencies in the Borough - **new investment models** that are able to sustain funding of these services by capturing and reallocating the resources released by this reduced demand; and - **new approaches to evaluating our integrated services** to show where they are more effective than existing practice, and where possible to create an evidence base that can attract future investment. Central to the success of this programme so far has been in ensuring a clear focus on the reform of public services as a whole in Trafford. There are significant synergies between the different work streams. The benefits of many of these synergies are being captured by ensuring that there is a whole-family focus which sits at the heart of our new integrated delivery models.

5.5 We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

(Prior to submission to the Accounts and Audit Committee, the above draft Annual Governance Statement has been reviewed and agreed by the Council's Corporate Management Team. The final version of the Statement will be signed off by the Leader and Chief Executive in September 2013).

TRAFFORD COUNCIL

CORPORATE GOVERNANCE CODE

June 2013

Trafford Council Corporate Governance Code

1. What do we mean by governance?

Governance is about how local government bodies ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.

It comprises the systems and processes, and cultures and values, by which local government bodies are directed and controlled and through which they account to, engage with, and where appropriate, lead their communities.

2. Trafford's commitment

Trafford Council, as a public organisation, is committed to ensuring the highest possible standards of governance in order to fulfil its responsibilities:

1. To engage in effective partnerships and provide leadership for and with the community.
2. To ensure the delivery of high quality local services whether directly or in partnership or by commissioning.
3. To perform a stewardship role which protects the interests of local people and makes the best use of resources
4. To develop citizenship and local democracy.

Openness, inclusion, integrity and accountability are fundamental principles by which the Council operates.

3. The Governance Framework

In order to ensure the fulfilment of its commitment the Council operates a governance framework which provides a structure to support the Council's approach to governance.

Trafford Council has based its governance framework on the guidance produced in the publication 'Delivering Good Governance in Local Government' produced by the Chartered Institute of Public Finance & Accountancy (CIPFA) and the Society of Local Authority Chief Executives & Senior Managers (SOLACE). In addition, further related guidance documents issued by CIPFA such as "the Role of the Chief Financial Officer" and the "Role of the Head of Internal Audit" are also applied.

The CIPFA / SOLACE framework sets out 6 core principles for good governance.

- Focusing on the purpose of the authority and on the outcomes for the community and creating and implementing a vision for the local area
- Members and officers working together to achieve a common purpose with clearly defined functions and roles.

- Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour
- Taking informed and transparent decisions which are subject to effective scrutiny and managing risk
- Developing the capacity and capability of members and officers to be effective
- Engaging with local people and other stakeholders to ensure robust public accountability.

Section 7 of the Code sets out in detail how the Authority is committed to meet the requirements of this framework.

4. How we will ensure that we deliver on these principles of good governance

Maintain a local code of corporate governance
In accordance with best practice requirements Trafford Council maintains a local code of corporate governance which sets out the key systems, policies and procedures that comprise the Authority's governance framework. This document will be reviewed and updated regularly as required, and approved by the Corporate Management Team and Accounts and Audit Committee, to reflect any changes in governance arrangements.

Undertake an annual review of governance arrangements

The Audit and Assurance Service is responsible for undertaking an annual review to evaluate the position against the commitments set out in the Council's Corporate Governance Code, the effectiveness of governance arrangements and to ensure continuing compliance with best practice.

Where appropriate, action plans will be produced to ensure any significant weaknesses identified are addressed and there is continuous improvement in the system of corporate governance.

Findings and recommendations from this exercise will be reported via the Corporate Management Team. This will be used to inform the production of the Annual Governance Statement, with significant issues reported publicly through this process.

Report publicly on compliance with governance arrangements in the Annual Governance Statement

The Authority will produce an Annual Governance Statement (AGS) in accordance with the Accounts and Audit Regulations 2011. This will be published and will accompany the Council's Annual Statement of Accounts. It will state what arrangements the Council has in place to ensure the effectiveness of its governance framework and how the Council has followed its stated governance principles. It will also highlight any areas the Council considers to require significant improvement; and outline the actions planned to address them.

The Accounts and Audit Committee (through an appointed working group) will review the robustness of the AGS. The Chief Executive and the Leader are required to sign off the AGS.

5. Responsibilities

Every Council officer and member has a responsibility to ensure their personal conduct and the organisation's governance arrangements are always of the highest standard possible.

Senior managers have a responsibility for reviewing governance standards in their areas of responsibility and for identifying and implementing any necessary improvement actions. Improvement actions should be reflected in the appropriate business plans.

The Chief Executive and Leader will ensure that an annual review is completed of corporate governance arrangements and give assurances on their adequacy in the published Annual Governance Statement, accompanying the Statement of Accounts.

The Corporate Management Team will ensure that the Corporate Governance Code is reviewed regularly to reflect ongoing developments and planned improvements to the framework; and authorise any amendments. Significant changes may be referred to the Council's Executive for approval.

6. Communication

The Corporate Governance Code and Annual Governance Statement will be reported publicly with a copy available on the Authority's website.

7. Trafford Council's Governance Framework

Principle 1 **Focusing on the purpose of the authority and on the outcomes for the community and creating and implementing a vision for the local area**	
Supporting Principle	How the Council meets the requirements
1.1 Exercising strategic leadership by developing and clearly communicating the authority's purpose and vision and its intended outcome for citizens and service users	The Council as the lead partner in the Trafford Partnership has supported the development of the long term vision for Trafford as set out in the **Sustainable Community Strategy "Vision 2021: a blueprint.** This document describes the key objectives which underpin the work of the partnership. The Council reviews its priorities and implications for its governance arrangements on a regular basis. In response to the Localism Agenda the Council has updated its **Vision 2015** aligning it to the changing way services will be delivered in localities and through partnership working. The Council's corporate priorities are reviewed annually and incorporated within the **Annual Delivery Plan.** The Council publishes details of its strategy, financial position and performance on its website **trafford.gov.uk.** Information in relation to partnership activity and performance is reported through the Trafford Partnership website **traffordpartnership.org.uk**

1.2 Ensuring that users receive a high quality of service whether directly, in partnership, or by commissioning	The Authority has put arrangements in place to measure and review the quality of service for users including mechanisms to identify and deal with failure in service delivery. Robust management information is available to enable monitoring of service quality effectively and regularly. The Council operates a robust and effective **Performance Management Framework.** The **Annual Delivery Plan** sets out the key deliverables for the coming year supported by individual Directorate and Service business plans, which connect service objectives and associated actions to the community vision and corporate priorities. The **Corporate Management Team** and **Executive** receive regular monitoring and exception reports on the achievement of corporate objectives. In addition, a monthly performance report is issued to Corporate Directors and Executive Portfolio holders containing performance data specific to their remit The **Transformation, Performance & Resources Group** is responsible for driving the Transformation Programme, and to ensure successful realisation of all savings, the performance of the programme is monitored by the **Transformation Board** on a monthly basis; this board also receives regular monitoring and exception reports relating to the achievement of project deliverables and benefits. The Council has a strategic approach to Customer Service, to be monitored through the **Customer Strategic Delivery Group.** The Council has an approved **Corporate Complaints Policy** and guidance. The Council's **Contract Procedure Rules** set out the agreed protocols for procurement and tendering for contracts including post contract arrangements.

1.3 Ensuring that the authority makes best use of resources and that tax payers and service users receive excellent value for money.	**Low Council Tax and Value For Money** is one of the Council's Corporate priorities. Trafford was one of the first councils to introduce a **Medium Term Financial Plan** and Strategy, highlighted by CIPFA as good practice. The Authority consults annually on its budget proposals and these are subject to scrutiny review. The council has implemented a **Transformation Programme** which is supporting the organisation to review and re-design existing functions and services areas to improve service delivery, achieve savings and establish the infrastructure required to manage the future financial challenges. The Council hosts the **AGMA Procurement Hub** and has a defined **Procurement Strategy**. The authority has robust **Budgetary Control Procedures** in place. **Revenue Budget Monitoring** reports are reported to the Corporate Management Team and the Executive on a monthly basis to enable monitoring of income and expenditure levels, to ensure that commitments are within available resource levels and corrective action is taken when necessary. The Council's financial framework keeps its commitments in balance with available resources. There are arrangements in place to ensure compliance with **CIPFA's Prudential Code for Capital Finance in Local Authorities** and **CIPFA's Treasury Management Code.** The Council has a clearly defined **Capital Programme** and **Treasury Management Strategy.** The capital budget is monitored and reported to the CMT and Executive each quarter**.**

Principle 2 **Members and officers working together to achieve a common purpose with clearly defined functions and roles.**	
Supporting Principle	How the Council meets the requirements
2.1 Ensuring effective leadership throughout the authority and being clear about the executive and non executive functions and the roles and responsibilities of the scrutiny function.	The Council has adopted a **Constitution** which provides a clear statement of how it operates, defining the respective roles and responsibilities of the Executive and non Executive members. Article 15 of this document sets out the protocols and the role of the Monitoring Officer to monitor and review the operation of the constitution. The Council reviews elements of the Constitution each year at its annual meeting.
2.2 Ensuring a constructive working relationship exists between elected members and officers and that the responsibilities of authority members and officers are carried out to a high standard.	Part 3 of the **Constitution** sets out responsibility for carrying out the Council's functions, at committee level and delegation to individual executive members. Part 4 sets out the Scheme of Delegation to Officers. The sections on delegated authority are reviewed and approved annually. The Council has appointed a **Chief Executive** responsible and accountable to the Authority for all aspects of operational management. The functions of the **Head of Paid Service**, **Monitoring Officer** and **Chief Financial Officer** are set out in Article 12 of the Constitution. . The Council has designated the Director of Finance as **Chief Finance Officer** in accordance with Section 151 of the Local Government Act 1972. Periodic assessment is undertaken to ensure compliance with the governance standards as set out in the **CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).** The Council's Director of Legal & Democratic Services is designated as "**Monitoring Officer**". It is the function of the Monitoring Officer to oversee and monitor compliance with legislation and the Council's established policies and procedures.

2.3 Ensuring relationships between the authority and its partners and the public are clear so that each know what to expect of each other	The Authority has adopted **Member Officer Relations Protocols** which provide guidance to help build good working relations between members and officers. The **Officer Employment Procedure Rules** set out the terms and conditions for remuneration of employees. A **Pay Policy Statement** has been published which provides transparency regarding the Council's approach to setting pay for its employees. The Council has agreed a **Members Allowance Scheme** setting out the level of financial allowance that members may receive. When working in partnership, members are clear about their roles and responsibilities individually and collectively in relation to the partnership and the authority. The Council Leader is the Chair of the **Trafford Partnership Executive** which has defined Terms of Reference in place. A framework for **Accountability, Governance and Performance Management** has been adopted by the Partnership. In accordance with the requirements of the Health & Social Care Act 2012, a **Health & Wellbeing Board** has been established. Supporting this, the Council has in place a number of strategic partnership arrangements governed through **Section 75 Partnership Agreements.**

Principle 3 **Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour**	
Supporting Principle	How the Council meets the requirements
3.1 Ensuring authority members and officers exercise leadership by behaving in ways that exemplify high standards of conduct and effective governance	In accordance with requirements of the Localism Act 2011, the Council has reviewed and adopted its **Members Code of Conduct** incorporating procedures for notification of disclosable pecuniary interests and hearing procedures. Protocols set out the arrangements for dealing with complaints about the code of conduct for members. All staff are required to abide by an **Employee Code of Conduct**. It is a requirement for all new employees to read and sign up to this as part of the staff induction procedure. Responsibility for the regulation of employee conduct is set out in the Council's **Disciplinary Policy**. A range of **Human Resource policies** in place are designed to help ensure the proper conduct of staff and to ensure the workforce is appropriately skilled to deliver the Council's aims and objectives. Arrangements are in place to ensure that members and employees of the Authority are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders and put in place appropriate arrangements to ensure they continue to operate in practice. The authority has an **Anti Fraud & Corruption Strategy** and procedures for the reporting of suspected fraudulent activities. To ensure compliance with **Data Protection and Freedom of Information** legislation, the Council has adopted a policy, procedures and a dedicated Corporate Information Officer to provide support and guidance to employees. Users of the Trafford ICT network are required to sign up to the authority's **Acceptable Use Policy** to confirm acceptance of agreed responsibilities and standards to prevent misuse of equipment or networks

3.2 Ensuring that organisational values are put into practice and are effective.	The Council has adopted a set of **Corporate Values** embedded within its policies, procedures and strategies. The Council's competency framework outlines the organisation's values and the behaviours expected of employees when fulfilling their roles. The organisation's shared values act as a guide for decision making and as a basis for developing positive and trusting relationships within the Authority. The Authority has implemented arrangements to ensure that systems and processes are designed in conformity with appropriate ethical standards, and for monitoring their continuing effectiveness in practice. The Council has adopted a "**Local Code of Corporate Governance**" in accordance with the CIPFA/SOLACE framework for Corporate Governance. The Council undertakes an annual review of the Code of Corporate Governance and associated arrangements. The **Standards Committee**, with an independent Chairman, has within its role, the promotion and maintenance of high standards of conduct of members and the responsibility to oversee the effective operation of **the Code of Conduct for Members.** The financial management of the Council is conducted in accordance with the **Financial Procedure Rules** and **Contract Procedure Rules** incorporated within Part 4 of the Constitution. Systems and processes for financial administration, financial control and protection of the Authority's resources and assets are designed in conformity with appropriate ethical standards and monitor their continuing effectiveness in practice.

Principle 4 **Taking informed and transparent decisions which are subject to effective scrutiny and managing risk**	
Supporting Principle	How the Council meets the requirements
4.1 Being rigorous and transparent about how decisions are taken and acting on the outcome of constructive scrutiny.	The Council has developed detailed **procedures for political decision making.** There are clear processes for recording and monitoring executive decisions in order to ensure compliance with legislation, internal policies and procedures, and that expenditure is lawful. The Executive has to make decisions in line with the Council' overall policies and budget. Any decisions to be made outside this framework must be referred to full Council. The **Scrutiny Committees** provide the scrutiny of decisions made, policy development and implementation and can "call in" decisions made by the Executive, or on their behalf with delegated authority, to challenge whether the decision has been made appropriately and ask the Executive to reconsider it if necessary. The Council has an **Internal Audit** function which is required to operate to the standards set out in the CIPFA "Code of Practice for Internal Audit in Local Government" (these being replaced by the Public Sector Internal Audit Standards from 2013/14). The Internal Audit function is responsible for monitoring the quality and effectiveness of systems of internal control. The Council has an **Accounts and Audit Committee** whose terms of reference require it to monitor and evaluate the Council's corporate governance and internal control arrangements. The Committee operates in accordance with CIPFA guidance for Audit Committees.

4.2 Having good quality information, advice and support to ensure that services are delivered effectively and are what the community wants / needs	Part 4 of the Constitution sets out the **Access to Information Procedure Rules** including the rights to attend meetings and access summons, agenda and reports. Where major 'key' decisions are to be discussed or made, these are set out in a notice published at least 28 days before a decision is made. Those making decisions, whether for the Authority or in partnership, are provided with information that is fit for purpose –clear, timely, relevant, accurate and complete and gives clear explanations of issues and implications on both a financial and non financial basis. The Authority seeks timely professional advice on matters that have legal or financial implications, which is recorded in advance of decision making and used appropriately.
4.3 Ensuring that an effective risk management system is in place	Risk management is embedded into the culture of the organisation. The Council has a **Risk Management Policy Statement, Strategy and protocol** for monitoring and reporting risk. These explain the methodology which provides a comprehensive framework for the management of risk throughout the Council. The **Council's Strategic Risk Register** sets out the key risks the Council is likely to face in achieving its high level corporate objectives. In accordance with the Council's Risk Management Policy Statement, the Corporate Management Team (CMT) provides regular quarterly updates on the strategic risk environment and in particular performance in managing the specific risks. The Council has adopted a **Confidential Reporting Code** and supporting guidance. which sets out the whistle blowing protocols for reporting, responding to and monitoring of issues of concern.

4.4 Using their legal powers to the full benefit of the citizens and communities in their area	The **Constitution** sets out how the Council will operate to deliver services and perform its functions within the wider legal framework**.** Part 3 sets out Responsibility for Functions at committee and executive portfolio level. It also sets out the proper officer arrangements for delivering specific legislative requirements. The Authority actively recognises the limits of lawful activity placed on it but also strives to utilise powers to the full benefit of communities. It recognises the limits of lawful action and observes both the specific requirements of legislation and the general responsibilities placed on authorities by public law. The **Monitoring Officer** will, after consulting with the Head of Paid Service and the Chief Finance Officer, report to the full Council or to the Executive, in relation to an Executive function, if she considers that any proposal, decision or omission would give rise to unlawfulness or has given rise to maladministration. Such a report will have the effect of stopping the proposal or decision being implemented until the report has been considered The Director of Finance, as the **Council's Chief Finance Officer**, has responsibility for the legality of the Council's financial transactions. Directors and Heads of Service are responsible for ensuring that they establish and maintain effective standards of governance, complying with legislation, the Council's Constitution, Standing Orders and Financial Procedure Rules.

Principle 5 **Developing the capacity and capability of members and officers to be effective**	
Supporting Principle	How the Council meets the requirements
5.1 Making sure that members and officers have the skills, knowledge, experience and resources they need to perform well in their role.	The Authority provides induction programmes tailored to individual needs and opportunities for members and officers to update their knowledge on a regular basis. **Member Induction Training** is undertaken each year. Member training needs are regularly reviewed and a **Training & Development Plan for Members** is in place. The Council has committed to the re-assessment of the **North West Level 1 Charter for Elected Member Development.** All new employees are required to complete a **Corporate Induction Module.** The Council has developed Directorate and cross-council **Training & Development Plans** supported by a suite of e-learning solutions available to meet the organisational skills development needs. The Authority puts arrangements in place to ensure that statutory officers have the skills, resources and support necessary to perform effectively in their roles and that these roles are properly understood throughout the organisation. The ongoing **Transformation Programme** is also taking into account consideration of training and development needs across the Council and individual service areas for change management and adopts a skills transfer approach to support colleagues to develop project management and business analysis skills.

5.2 Developing the capability of people with governance responsibilities and evaluating their performance as individuals and as a group	The Authority assesses the skills required by members and officers and makes the commitment to develop these skills to enable roles to be carried out effectively. Skills are developed on a continuing basis to improve performance, including the ability to scrutinise and challenge and to recognise when outside expert advice is needed. There is a behavioural based competency framework and staff appraisal process in place which supports the cascade of corporate objectives and values through to individual employee targets. All staff are required to complete a **Personal Development Review** annually. Members are requested to complete a **Personal Development Review** which is used to inform the development of their training plan. The Council has taken a strategic approach to **Absence Management**. Ongoing performance is monitored as part of the Authority's Annual Delivery Plan.
5.3 Encouraging new talent for membership of the authority so that best use can be made of the individuals skills and resources in balancing continuity and renewal	The Council has a **Leadership Development Programme** aimed at developing and nurturing leadership talent within the organisation. The Council operates an **Internal Apprenticeship Scheme** providing training and mentoring opportunities for Trafford residents. There are effective arrangements in place designed to encourage individuals from all sections of the community to engage with, contribute to and participate in the work of the Authority including recruitment of a number of **Community Ambassadors** with a role in identifying and prioritising local needs and representing residents on **Locality Boards**.

Principle 6 **Engaging with local people and other stakeholders to ensure robust public accountability**	
Supporting Principle	How the Council meets the requirements
6.1 Exercising leadership through a robust scrutiny function which effectively engages local people and local institutional stakeholders, including partnerships and developing constructive accountability relationships	The **Constitution** sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people. The public have a number of rights in their dealings with the Council. These are set out in more detail in Article 3. The Council has implemented detailed guidance and procedures for staff to ensure that an **Equality Impact Assessment** is undertaken in relation to all proposed changes in policy, strategy, functions and internal structures. **Scrutiny Function** – See supporting principle 4.1
6.2 Taking an active and planned approach to dialogue with and accountability to the public to ensure effective and appropriate service delivery whether directly by the authority, in partnership or by commissioning.	The Authority as a whole is open and accessible to the community, service users and its staff and has made a commitment to openness and transparency in all its dealings, subject only to those specific circumstances where it is proper and appropriate to do so. Council decisions are based on public **consultation** including annual review of the budget proposals. Meetings where key decisions are made and scrutinised are open to the public except where exempt information is disclosed. There are clear channels of communication in place with all sections of the community and other stakeholders e.g. : through the **Council website, social media channels** and publications distributed to each household in the borough. The Council has a corporate **Communications, Publications and Marketing function** in place to oversee internal and external communication and ensure these arrangements are operating effectively. The Council's **Neighbourhood Forums** provide a public forum to discuss local issues and understand how the Council is working to tackle them.

	The Council is the lead organisation of the **Trafford Partnership,** which provides a key role engaging with residents and the community to ensure that priorities and actions at strategic level reflect the needs of local people. . The structure of the partnership is designed to enable effective engagement with residents and the community The **3rd Sector Strategy 2011-14** sets out how the Council and its partners support the sector through capacity building and funding support. The Council is compliant with the Freedom of Information Act 2000 requirements and has a **Publication Scheme** in place. In accordance with the government's **Open Data** requirements details of all invoice payments to suppliers, senior officer salaries and details of members' expense claims are published online. The **InfoTrafford** website provides free public access to view statistical data about the borough with the aim to provide a tool for community empowerment, decision making and policy development.
6.3 Making best use of human resources by taking an active and planned approach to meet responsibilities to staff.	The Council has in place **Joint Consultative Committee** arrangements to establish a regular method of consultation between the Council and the Trade Unions enabling input into human resource issues including proposed organisational and policy changes. The Council operates an **Employment Committee** responsible for determining collective and corporate terms and conditions of employment and approving any changes in human resources policies. The Authority has produced a toolkit for employees and managers in **Managing Organisational Change,** which provides guidance for restructuring and review in accordance with statutory requirements and current best practice. There are a range of consultation mechanism in place for Council employees including an online forum, network events, focus group and surveys.

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